Annual Report and
Financial statements for the year
ended 31 December 2015

DDD GROUP PLC

Registered Number: 04271085

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Mission Statement

DDD delivers advanced visual solutions
that bring innovative entertainment
to people everywhere
on every screen

CHAIRMAN'S STATEMENT

Dear Shareholder,

2015 saw the launch of the first new products that have been developed as part of the turnaround plan that was implemented in view of the declining license revenues in the stereo 3D consumer market. Along with the new products, a new affiliate licensing model was introduced that shifts the emphasis away from lower value royalties derived from equipment manufacturers and yields significantly higher 'per license' revenue by sharing the end user value created by the new products with the affiliate distribution partners.

End user response to the new products in the gaming community has been positive with additional affiliates joining the program in 2016 that further broadens the distribution footprint.

The primary focus of the Group on a day to day basis continues to be upon the delivery of new 2D technologies and products, particularly in the areas of webcasting and gamecasting aimed at the gaming market (SmartCam) and innovative interactive digital photography for social media applications (UPix). It is with these new products that the long term future of DDD lies.

In mid-2015, the Group commenced patent infringement litigation against LG Electronics in the Los Angeles courts related to the automatic 2D to 3D conversion process in LG's range of 3D TVs that are sold in the United States. As part of this, the group was able to secure the participation of Quinn Emanuel Urquhart and Sullivan LLP, one of the leading patent litigation firms in the US. Although the outcome and timing of the resolution of these initiatives remains uncertain we have made significant progress in pursuing these additional licensing opportunities.

Although we continued to receive revenues from license fees and the royalties from license agreements for 3D TV products, they were at a significantly reduced level and concentrated in the first few months of the year ($706,000 in 2015 compared to $2,533,000 in 2014) as a result of the TV manufacturers cutting back on overall TV production capacity and transitioning the 3D feature from HD TVs to the lower volume Ultra HD premium TVs. During the year we renewed our TV chip license agreement with Samsung Electronics for a further twelve months until at least the end of 2016.

Management continued to exercise very stringent control over costs and this resulted in administration expenses decreasing year on year by more than 11%. As DDD continues to operate at close to 100% gross margins the result is that the revenue of $706,000 equates to a gross profit of approximately the same amount ($697,000).

Cash flow is also very closely monitored and the Group benefited from two equity placements during the year totalling £933,500 (or $1,256,000 net of expenses) and the issuance of additional convertible loan notes for £350,000 ($534,000 at issuance). Subsequent to the year-end DDD entered into two secured loan agreements totalling $1,550,000 with Arisawa Manufacturing and we are indeed fortunate to continue to enjoy tremendously strong support from them as our largest shareholder.

The Board continues to be committed to the highest standards of corporate governance and recognises the need to strike a good balance between strategy and overseeing the Group's operations, as this is the responsibility given to them by the shareholders but consideration will also be given to all stakeholders. I do believe that this balance has been achieved at Board, divisional and business unit level.

The AIM listing expense has become excessive for the size of the business and more importantly does not help to generate any additional revenue or profit. The Board's view is that the Company is not receiving the benefits for which the AIM listing was originally sought, nor is there any possible chance of the situation changing in the foreseeable future. Accordingly the Board has concluded that in their opinion, it is in the best interests of the Company and its shareholders to seek a cancellation of trading from the AIM market.

In many ways 2015 was a frustrating year for DDD while the turnaround plan was implemented. I remain extremely grateful for the efforts and hard work of the executive management team, my fellow Directors and all those highly skilled people employed by the Group in Los Angeles and Perth, Australia. I should like, in particular, to thank Paul Kristensen who will not be seeking re-election as a Non-Executive Director at this AGM. Paul has served the Board of DDD in many capacities for 20 years, 11 of them as the Company's Chairman. His contribution and support has been invaluable during that time and we shall greatly miss his wisdom and the benefit of his experience with a wide range of SME companies over many years. It is their continued efforts that give me the optimism to believe that 2016 will see the rewards for their endeavours and bring better results for shareholders.

Yours sincerely

N Brigstocke

Nicholas Brigstocke, Chairman
DDD Group plc
20 May 2015

COMPANY OVERVIEW

DDD Group is a leading developer and licensor of intellectual property in the advanced imaging market for consumer entertainment products. Today the Group delivers innovative 'intelligent video' software solutions for the video chat/conferencing, gamecasting/webcasting and social photography markets. The Group's intelligent video solutions include real time identification of the user from their webcam image that allows the user's immediate background to be removed and replaced with alternate images such as live or recorded video game feeds or 'selfie' photographs without the requirement for additional green screen systems or infra-red depth sensors. The software products are designed for the personal computer and mobile device markets and are delivered as Windows, OS X, Android and iOS downloadable apps.

The Group creates affiliate licenses with PC software developers and publishers in the target markets through which the Group's software is marketed by the affiliate to their end users. The Group shares part of the license fee paid by the end users to purchase the Group's software with the affiliate. In the mobile/tablet market, the Group publishes its software in app stores such as the Google Play Store and the app store operator collects a percentage of license fees and in-app purchases paid by end users of the app with the balance being paid to the Group by the app store operator.

The Group historically developed and licensed patent-protected solutions for the 3D consumer market where its TriDef® 3D content technologies have been shipped in 56 million televisions, Blu-ray players, personal computers, smartphones and tablets. The Group's 3D solutions have been licensed by leading consumer electronic brands including Samsung Electronics, LG Electronics, Sony Corporation and Lenovo. The Group licenses its TriDef 3D automatic 2D to 3D conversion solution directly to the 3D consumer product manufacturers (OEMs) and receives calendar quarterly royalties based on the number of products containing the licensed solution that the OEM has produced.

Value proposition
DDD's approach is to develop solutions that are primarily based on one or more patents developed by the Group and protected in key territories in North America, Asia and Europe. The Group has world leading expertise in the techniques involved in understanding the dimensional depth structure of otherwise flat 2D images. This expertise has been packaged into solutions for two key markets: real time identification of an end user's image from their 2D webcam for video conferencing, digital photography and social media applications and automatic 2D to 3D conversion for consumer 3D products. Each of these markets, business models, risks and business updates are presented in the Business Review of Operations section of this Strategic Report.

Key Performance Indicators
The key performance indicators used in the business are summarised below. The performance of the business in the terms of these indicators is considered throughout this Strategic Report section of the Annual Report and Accounts.

	2015	2014
3D technologies:		
New/renewal 3D license agreements signed in the year	**1**	2
Active 3D licensees during the period	**7**	9
2D - 3D conversion technology shipments	**3,952,815**	13,097,309
2D technologies:		
Active 2D licensees/affiliates during the period	**2**	--
2D technology OEM preinstalls	**173,248**	--
2D technology consumer downloads	**10,646**	--
Consumer purchase conversion rate (7 day lag)	**9.6%**	--
Group operations:		
Gross margin on continuing operations	**98.7%**	99.8%
Average monthly operating expenditure rate * - ($'000's)	**323**	411

*Operating expenses before capitalization of development costs as an average over the financial year. Does not include realized foreign exchange (FX) gains/losses.

FINANCIAL REVIEW

Revenues from continuing operations for the year ended 31 December 2015 were $706,000 (2014: $2,533,000). The decrease is directly due to a softening demand in the TV market that led manufacturers to reduce production capacity by between 20% and 30% in the first half coupled with the transition to the use of the Group's 2D to 3D conversion technology exclusively in the new Ultra High Definition (UHD) 4K premium TV category. Many manufacturers phased out 3D capable HDTVs during the first half in favour of 3D UHD TVs. The UHD TV market is in high growth mode according to market research firm IHS/DisplaySearch with annual sales of UHD TVs growing to approximately 32 million TVs during 2015 from 4 million in 2014.

Gross profit decreased to $697,000 (2014: $2,528,000) and gross margin remained strong at 98.7% (2014: 99.8%).

Other administration expenses for continuing operations decreased by 11.4% to $2,793,000 (2014: $3,153,000) due to continued cost reduction measures. These savings were supplemented by the net foreign exchange impact of the US dollar against the Australian dollar and British pound during the period.

Other income net of other expense decreased to $270,000 (2014: $340,000). Details are included in Note 5.

The non-cash share-based incentive cost decreased to $38,000 (2014: $148,000).

Adjusted Group loss before tax and share-based incentive costs from continuing operations totalled $3,116,000 (2014: $1,672,000). The reported pre-tax loss from continuing operations was $3,154,000 (2014: $1,820,000).

The total taxation charge was $24,000 (2014: $389,000). Taxation includes foreign withholding taxes withheld at source as well as local sales taxes, adjusted by the movement in the Deferred Tax Asset and Liability accounts. Note 8 to the Consolidated Group Financials describes this in more detail.

The Group recorded a loss per share from continuing operations of 1.9 cents per share (2014: 1.5 cents per share) and a total loss per share during the year of 1.9 cents per share (2014: loss 2.0 cents per share).

Net cash used in operating activities was $1,160,000 (2014: $918,000). Investing expenditure was $1,172,000 (2014: $1,894,000) of this, $17,000 (2014: $72,000) was a building lease security deposit as required by the new US office lease agreement (2014 as a result of new Australian lease agreement) and the remainder was investment in fixed and intangible assets. This cash flow was supplemented by $534,000 of net proceeds raised from the issue of new unsecured convertible loan notes and $1,256,000 of net proceeds raised in equity placings (2014: $836,000 net from issuance of convertible loan notes), resulting in cash of $164,000 at the end of 2015 (2014: $697,000).

In February 2016, the Company received $800,000 as a secured loan from its largest shareholder, Arisawa Manufacturing Company to augment the working capital. An additional $750,000 was arranged in May 2016. (See Note 25 for further details of both agreements).

Key risk analysis:
The Directors' financial risk management objective is to maximise financial assets and minimise financial liabilities whilst not engaging in speculation. The Directors have ensured that the Group has effective systems in place for managing and mitigating significant risks, which incorporate performance management systems and appropriate remuneration incentives where relevant. In identifying and assessing these risks, the Directors consider the Group's short and long-term value, as well as the opportunities to enhance value that may arise from an appropriate response to such a risk.

The Group conducts banking activities in multiple jurisdictions, including Australia, the US and the UK, relevant to the business requirements. Risks surrounding banking include bank solvency, liquidity of investments, interest rates earned and currency fluctuation risk. To mitigate these risks, the Group routinely reviews the banking relationships to ensure that all deposits are held with AA+ rated banking institutions and are insured where available. Cash balances are held in the currency of anticipated expenditure wherever possible to reduce the foreign exchange risk. Finally, interest rates and withdrawal limits are reviewed regularly to protect the Group and secure the best returns and availability of cash deposits. The current debt of the Group is held in the form of Convertible Unsecured Loan Notes (see Note 16) with the largest shareholder and members of the Board. The interest rate on this debt is fixed at 7% and the Notes do not include any restrictive financial covenants.

Additionally, the financial reporting currency for presentational purposes is the US dollar. The majority of customer agreements are transacted in US dollars which mitigates the foreign exchange risk on revenue for the Group. Another main financial risk in this area is related to the extension of credit to customers. The Group actively reviews and approves the terms of, and parties to, significant commercial contracts where payment is not anticipated in advance.

Access to sufficient capital is a risk for the Group. The Group continues to make losses in various entities which could require it to secure further funding for its operations through loans or equity-based instruments, should commercial agreements not provide sufficient cash flow. The Directors periodically review business and cash flow models as well as the most suitable instruments for funding, to ensure that the Group is prepared should the need arise. A description of the Going Concern Review conducted for the current year is included on page 18. The auditors have included an emphasis of matter regarding going concern for the Group and the parent Company accounts (page 27 and 58).

The majority of the Group's revenues are generated from license agreement royalties which are self-reported by the licensee. There is a risk that the licensee may under report shipments of the technology. The Group takes several steps to mitigate this risk by comparing reported shipments to third party market research and related industry press coverage applicable to the licensee. The Group also incorporates audit rights into license agreements so that reporting can be validated through the use of third party auditors when significant discrepancies arise. Finally, the business development team maintain regular contact with the product teams of each licensee to discuss market or technological trends and their potential impact on royalty reports. Specific discussions with licensees regarding royalty reports are held quarterly to clarify any material differences between quarterly royalty reports and the Group's expectation.

Remaining financial risk areas and a sensitivity analysis are discussed more fully in Note 15 of the Consolidated Group Financials.

Operationally, the key risks for the Group lie in the timing of new license agreements, non-renewal of license agreements, timing and the volume of licensee product shipments incorporating the Group's technology, performance of the markets in which the Group's licensees operate and potential changes in customer relationships that could adversely impact the operating revenue. The Group seeks to reduce this risk by increasing the number of licensees who utilise the Group's technology, developing new technologies that can be licensed to different groups of licensees operating in diverse markets as well as widening the number of discrete market segments where potential licensees do business.

Another key operational risk is the possibility that the proprietary rights underlying the Group's technologies will be challenged, invalidated, circumvented or used without the Group's authorisation. The Group files patents and trademarks as appropriate to protect its intellectual property. The Group also monitors competitive technologies promoted by third parties and develops strategies for potential enforcement actions. As discussed in this report, the Group utilises a third party to assist in negotiations to resolve unlicensed patent use however risk remains that the Group may need to litigate to successfully resolve the situation which introduces additional risk and uncertainty.

As new technologies are developed that allow the Group to widen the licensee base into new or emerging markets, another operational risk is that the Group will not be successful in securing licensees for these new technologies. The Group conducts regular forward planning meetings to ensure that, where possible, these new technologies are developed to meet requirements that are present in the target markets.

Various risks specifically related to the business areas, including competitive risks, are further detailed in the following section.

BUSINESS REVIEW OF OPERATIONS

2D TECHNOLOGY LICENSING BUSINESS

Recognising that the 3D market was not growing as quickly as had originally been forecast, the Group developed a turnaround plan with the goal of delivering a new range of technologies that can return the Group to profitability.

The turnaround plan was shaped around a series of criteria:

- The new markets should leverage the Group's existing technical expertise, products and patents
- The new markets should be significant in size, non-niche and show strong near term growth potential
- The new solutions should not be constrained by the need to add special hardware to the target devices
- The route to market should include direct to consumer app licensing in addition to OEM licensing
- The new solutions should address existing and future requirements for the Group's OEM customers

One of the key objectives in the turnaround plan has been to separate the new 2D licensing business from the existing 3D licensing business. A new wholly-owned US subsidiary, GenMe Inc., was created which is responsible for the sales, marketing and licensing of the new solutions. GenMe is a concatenation of the words Generation Me which describes the diverse audience of end users who increasingly share their daily lives and experiences online through social media. The GenMe Inc. office is located in the heart of 'Silicon Beach' in Los Angeles, which has rapidly become the second largest technology community outside Silicon Valley, providing access to the human and investment capital necessary to execute on the full potential of the new solutions. As part of the effort to reinforce the move away from the 3D market, the Group changed its website address to DDDGroupplc.com at the end of 2015 and disposed of the DDD.com domain.

During 2015, TriDef SmartCam, the first of these new products was introduced to simplify and reduce the cost of 'green screen' background replacement for consumers in the gamecasting/webcasting market. At the core of these new solutions lies the Group's leading expertise in automatically analyzing and deriving the depth in a 2D image.

<u>Real time background substitution</u>
In recent years, the widespread availability of high speed broadband and mobile data services has dramatically increased the number of business and consumer users who participate in video conference or video chat sessions. Business video conferencing platforms like Webex host over 50 million video attendees per month and consumer video chat platforms such as Microsoft Skype boast over 80 million peak concurrent users each month. In new emerging markets such as gamecasting where game players record and share their video gameplay online, platforms such as Twitch.tv have rapidly risen to become the top sources of internet video with over 1.8 million game videos being contributed each month that are watched by over 100 million viewers per month.

As a consequence, many participants are looking for solutions that provide more flexibility as to where they can receive and make video calls so that they don't have to find a tidy, uncluttered space that looks presentable to the other participants on the call. The availability of low cost ultra high definition displays coupled with high definition video cameras means video call participants can now discern sensitive information written on whiteboards or computer screens in the immediate environment, creating a need for visual security for certain professional such as government, legal or financial services users.

The TriDef SmartCam software was launched in May of 2015. TriDef SmartCam accurately identifies and tracks the end user in real time as they are filmed by their webcam. The user's head and torso is then separated from their immediate background, allowing their natural background to be replaced with an alternate image. The principal is similar to the 'green screen' or chroma-key technology that is used in professional broadcasting to overlay a live weatherperson on a local weather map. Unlike a green screen system however, no specially coloured background is required since TriDef SmartCam uses the Group's proprietary image analysis technology to separate the user from their background.

Prior to TriDef SmartCam, background substitution has either required the end user to have an expensive and cumbersome 'green screen' located behind them or requires the use of a special hardware sensor such as Intel's RealSense. The value proposition for TriDef SmartCam in background substitution is that no special coloured background screen is required and that the TriDef SmartCam software makes use of the existing 2D webcam in the user's PC, smartphone or tablet, making it compatible with millions of pre-existing devices already available to consumers and eliminating incremental hardware cost for the PC, smartphone or tablet manufacturers.

Addressable market:
As a 'middleware' application, TriDef SmartCam is presently compatible with over twenty popular applications including business video conferencing solutions such as Cisco's Webex, Citrix GoToMeeting and Zoom, video chat applications including Skype, QQ from Tencent Holdings, ooVoo and Lenovo's Youyue. In addition to video chat/conferencing, TriDef SmartCam is compatible with popular webcasting/gamecasting applications including SplitmediaLabs' XSplit Broadcaster and XSplit Gamecaster, AVerMedia's RECentral and Open Broadcaster Software (OBS). Importantly, this approach allows the Group to retain control of how quickly end users can use TriDef SmartCam with their intended application as opposed to waiting while the application's developer schedules the time and resource to test and integrate support for the TriDef SmartCam.

Business video conferencing platforms like Webex host over 50 million video attendees per month and consumer video chat platforms such as Microsoft Skype boast over 80 million peak concurrent users each month. In new emerging markets such as gamecasting where game players record and share their video gameplay online, platforms such as Twitch.tv have rapidly risen to become the top sources of internet video with over 1.8 million game videos being contributed each month that are watched by over 100 million viewers per month.

Since TriDef SmartCam is compatible with webcams already owned by PC users as well as being compatible with multiple video conference, video chat and webcasting/gamecasting applications, the addressable markets combined represent well over 1 billion end users worldwide.

Initially the company has concentrated its business development resources on the rapidly growing market for video gamecasting, primarily in the United States. Video game players are known to be strong early adopters of new technologies and the low cost, try-before-you-buy alternative to costly green screen or 3D camera systems appeals to these younger, budget-conscious consumers.

Business Model
As noted, a key aspect of the new business model is to place less emphasis on licensing to Original Equipment Manufacturers (OEMs). While the 3D products are 'premium' products, the webcams, PCs and other devices that drive the use of TriDef SmartCam are lower cost 'mainstream' products with significantly lower retail prices. Consequently the opportunity for the Group to earn reasonable per unit royalties from the OEMs is significantly reduced.

The Group has launched an 'affiliate' licensing program whereby the Group partners with software developers of video conferencing, video chat, webcasting and gamecasting software applications to bring the innovative new TriDef SmartCam features to their end users. In this approach, the affiliate promotes the TriDef SmartCam software to their end users who are then able to download an evaluation version of the TriDef SmartCam software. At the end of the evaluation period, the end user can elect to purchase the TriDef software license directly from DDD's TriDef.com online store. End user revenue received as a result of the affiliate's involvement in the end user sale is then shared with the affiliate on a calendar quarterly basis with the Group typically retaining 70% of the end user revenue after transactional fees are deducted.

Unlike the OEM licensing model, the affiliate program seeks to assist the partner in generating incremental value from their existing customers as well as providing a point of differentiation from their competitors. As such, it is commercially attractive to the affiliate and the value created by TriDef SmartCam from their end users is readily identifiable.

The Group still offers OEM licensing to licensees who wish to make the TriDef SmartCam features available to their end users as part of their product offering.

GenMe's TriDef SmartCam software business model currently includes:

- the licensing of the TriDef SmartCam software to developer/publisher affiliates of webcasting, gamecasting, video conferencing and video chat applications yielding **end user software purchases (software sales revenue)**; and

- the licensing and sub-licensing via affiliates of the TriDef SmartCam software to Original Equipment Manufacturers (OEMs) for PC, webcam and related accessories yielding **license fees (licensing revenue)** and **per unit royalties (royalty revenue)**; and

- the sale of TriDef SmartCam software directly to end users from the Group's website yielding **per unit license fees (software sales revenue)**.

Specific Risks
Competitive risk exists in the market as follows:

- unlicensed use of the Group's intellectual property;
- alternative background removal methods such as infrared hardware sensors which may be used by some OEM manufacturers;
- license agreement renewal terms and non-renewals; and
- changes in affiliate marketing methods due to economic conditions or market demand for their products.

<u>Enhanced social photography</u>
With the widespread availability of high quality digital cameras in smartphones and tablets, the sharing of personal photographs and 'selfies' through social media and other online forums has grown significantly in recent years. In mid-2014, Google estimated that 93 million selfies are shared daily on social media.

During 2015 the Group developed an Android version of the background replacement technology to create the new UPix app which was launched in beta in the Google Play store in February 2016. The UPix app simplifies the process of creating better selfies and enables a revolutionary capability of making selfies interactive, allowing friends and family to become part of the user's photo.

An increasing number of popular venues and museums are banning the use of 'selfie sticks' which are used to provide a wider camera angle of the background behind the user. With UPix, the user can capture the ideal background shot of the scene using the rear-facing camera before the front-facing camera captures their head and shoulders shot. The UPix app then crops their head and shoulders shot and places it in the background scene allowing the user to re-size, move and re-colour their headshot so it appears in the perfect position in their selfie. UPix also allows the user to save their favorite head/shoulder shots for re-use on later selfies.

In a unique first, UPix also makes selfies interactive, allowing friends to add themselves into the original selfie and share it on. The interactive selfies, or 'groupies', are created by downloading and using the original selfie as the UPix background and using UPix to add a second person's head and shoulder selfie into the original picture before saving it and re-sharing it. The UPix app allows others to become part of the groupie at any time and from anywhere in the world.

UPix also enables the creation of virtual selfies, where fans can create and share selfies with their favourite musicians, actors and sports stars. With the continual growth in the use of social media with television shows and films, this creates a closer bond between the stars and their fans all over the world.

Business Model
The distribution of the UPix app is achieved by making it available as a free download in popular online app stores such as the Google Play store. The Android version of UPix is currently compatible with Android 4.0 and later, representing over 97% of the devices serviced by the Google Play store. Since some countries limit end user access to platforms like Google Play, the Group also expects that it will make localised versions of UPix available in other brand-specific app stores that are operated by phone/tablet manufacturers in countries such as China.

Each photo created with the UPix app is watermarked with the UPix logo to raise end user awareness when they encounter pictures created with the UPix app. An in-app purchase is available for end users who wish to remove the watermark from their photos. The transaction is processed through the Google account associated with the app and the Group receives 70% of the in app fee net of transaction costs.

GenMe's UPix software business model currently includes:

- the licensing of the UPix software directly to end users from online app stores website yielding **in app purchase revenues (software sales revenue)**.

Specific Risks
Competitive risk exists in the market as follows:

- consumers may not adopt the social photography capabilities to improve their selfie photographs resulting in lower uptake of the app by consumers;
- unlicensed use of the Group's intellectual property; and
- alternative background removal apps being launched by competitors.

In addition to the TriDef SmartCam and UPix apps, the Group also pursued the potential markets for improved video signal encoding for streaming video and mobile video conferencing. Bearing in mind the limited development resources available and the positive reception to the new 2D solutions, the executive management elected to focus on capitalizing on the early successes in the background replacement and social photography markets and temporarily ceased work on the improved video signal encoding projects. The Group has identified additional innovative applications that leverage existing skills and technologies for mass market use cases and will seek to develop and release these as suitable resources become available or commercial partnerships are secured.

3D TECHNOLOGY LICENSING BUSINESS

Automatic 2D to 3D conversion
The technology to automatically recover 3D depth information from a 2D image and convert the 2D image into a 3D image is licensed into the market for consumer 3D products including televisions, personal computers, smartphones and tablets. The value proposition is simple as there is insufficient 3D content from film studios and from television production companies to support a 24 hour/day, seven day/week 3D TV channel; therefore having the capability to automatically convert existing 2D TV shows, movies and games in the home is an important feature for consumer electronics manufacturers and consumers alike. For the consumer, it ensures that a diverse range of 3D content is instantly accessible upon purchase of the 3D product. For the consumer electronics manufacturer, the inclusion of this capability overcomes the consumers' concern over lack of available 3D content when purchasing their 3D product.

Addressable market:
Of the markets in which the Group is currently active, the market for 3D consumer devices is the most mature with the 3D Television market representing the strongest licensing contribution. The Group saw shipments of licenses for 3D TV chips decrease by 70% year over year as the Group's main TV licensee, Samsung Electronics, reduced TV production capacity by 30% as a result of restructuring their TV business unit and switched the use of the 3D feature from their High Definition (HD) TV range to their Ultra High Definition (UHD) premium TV range during the first half of 2015. While UHD TVs represent the fastest growing category in the TV market growing 173% year on year to an estimated 32 million units globally in 2015, UHD TV shipments still only made up 14% of the 224 million LCD TVs sold in 2015 (Source: IHS Technology).

As noted in the Annual Report and Accounts for 2014, licensing and royalty revenue from the Groups TriDef 3D software the PC and Android mobile phone/tablet markets continued at minimal levels in 2015, and the Group does not expect that these markets will contribute materially to future 3D technology licensing revenues.

Business Model
DDD's TriDef 2D to 3D conversion software business model currently includes:

- the licensing of the TriDef 3D software to Original Equipment Manufacturers (OEMs) for TV, PC, monitor, mobile and tablet markets yielding **license fees (licensing revenue)** and **per unit royalties (royalty revenue)**; and

- the sale of TriDef 3D software directly to end users from the Group's website and the Google Play store yielding **per unit license fees (software sales revenue)**.

Specific Risks
Competitive risk exists in the market as follows:

- unlicensed use of the Group's intellectual property;
- alternative 2D to 3D conversion methods which have been used by some manufacturers that yield lower quality visual results;
- license agreement renewal terms and non-renewals; and
- changes in licensee production due to economic conditions or market demand for 3D products.

The Group has partnered with a suitable intellectual property licensing specialist in order to address unlicensed use of the Company's patent claims which are further discussed below. During the year, the Group renewed the license agreement with Samsung Electronics for the use of the Group's 2D to 3D conversion in Samsung's range of 3D TVs. Where possible the Group seeks to renew license agreements on terms that are as close to the original license agreement terms as is possible. In certain cases, since the royalties adjust based on cumulative shipment of the Group's technologies by the licensee, the per-unit royalties reduce as production increases. The Group monitors feedback from its licensees as well as from independent market research firms and adjusts its product development strategies and support resources in line with developing market trends.

<u>Patent Licensing</u>
To date, the majority of the Group's licensing revenue has been derived from the 2D to 3D conversion technology licensing program, whereby the Group provides a software application or reference design to the licensee for inclusion with the licensee's 3D products.

During the year, two patents were granted in the United States, expanding the patent library with two new inventions as a result of the Group's research and development activities into non-3D markets. The first invention relates to improved methods for creating depth models of the human face and upper torso and is part of the underlying intellectual property used in the new TriDef SmartCam and UPix background replacement solutions. The second invention relates to the efficient encoding of high dynamic range video images within existing video distribution standards. As the first of the Group's 3D patents are due to start expiring at the end of 2016, it is important that the Group continues to expand the patent library with inventions that support the licensing business model of the latest products and markets.

With over 56 million 3D consumer products that include the Group's TriDef 3D technologies shipped by leading manufacturers since early 2010, there is now an established value for the internationally registered patent claims on which DDD's solutions have been built. As new revenue streams continue to be developed, the Group expects that patent licensing revenue will grow as the Group establishes its patent rights with prospective licensees. The patent licensing program also has the potential to create license and royalty revenue from applications in 3D markets that are outside the scope of the current technology licensing program. In July 2015, the Group's Australian subsidiary, DDD Research Pty. Ltd., initiated a patent infringement lawsuit in the courts of Los Angeles, California alleging unlicensed use of certain of the Group's US patent claims by the automatic 2D to 3D conversion feature of LG Electronics 3D TV models sold in the United States. The law firm of Quinn Emanuel Urquhart and Sullivan LLP was appointed to act as legal counsel in the litigation with LG. As the lawsuit progresses through the legal system, the Group expects to provide additional updates as and when appropriate.

Business Model
DDD's patent licensing business model currently includes:

- the licensing of the patent rights to appropriate vendors to utilise the claims of the patents in various business processes, yielding **license fees (licensing revenue)** or **per unit/per minute royalties (other licensing royalty revenue)**; and

- when appropriate, initiating litigation against parties whom the Group has a good faith basis to believe are using the claims of the Group's patents without a license, potentially yielding **license fees (licensing revenue)** and **additional damages as allowed by the applicable law (other licensing royalty revenue)**.

Specific Risks
Competitive risk exists in the market as follows:

- the Group's intellectual property lawyers may be unsuccessful in assisting in the expansion of the licensing program;
- litigation initiated to assert the applicable patent rights may not be successful;
- defendants against whom such patent infringement lawsuits are brought may seek to challenge the validity of the patented invention with the relevant authorities resulting in some granted claims being reduced in scope or cancelled if such a challenge is successful; and
- the financial cost of asserting the patent rights by litigation may be too significant for the Group to bear when compared to the value of the resulting license fee.

The Group has thoroughly investigated the available options for licensing its patent rights and plans to implement an approach that maximises the success of the program whilst minimising the financial risks to the Group. Through partnering with an established intellectual property litigation specialist, the Group is able to take advantage of industry best practices when asserting its patent rights. The pre-existing technology licensing royalties provide an established value by which license fees can be calculated, mitigating the risk that prospective licensees will seek unfavourable licensing terms since additional licenses can be granted on fair, reasonable and non-discriminatory terms.

Looking forward – 3D Technology licensing direction

During 2015, the Group realised the majority of its revenues from technology licenses in the 3D television market. With the marketing emphasis in the consumer television market now being placed on features including ultra high definition (UHD) televisions, and 3D having become an expected feature on many larger premium TVs, the Group has shifted research and development emphasis away from 3D towards markets with stronger growth potential.

In the PC and Android markets, the Group will continue to maintain software and game support for the OEM and consumer market for as long as continuing in the 3D PC and mobile market remains sustainable.

The Group continues to monitor developments in the 3D market and remains well positioned to take advantage of any emerging opportunities for new 3D devices through its existing products and solutions.

CURRENT TRADING AND OUTLOOK

The growing number of affiliates for the TriDef SmartCam software and the increasingly positive response to its capabilities from end users in the gamecasting/webcasting market underscores the applicability of the Group's unique approach to these growing markets. By making TriDef SmartCam compatible with existing technologies and popular applications used by the intended audience, the barriers to end-user adoption are greatly reduced. The affiliate business model is also proving popular since unlike a traditional OEM licensing approach, it helps the affiliate create incremental revenue from their customers which is directly attributable to the value their customers place on the features delivered by the TriDef SmartCam application. Allowing the end user to purchase directly also greatly improves the per license revenue since the value to the end user is a combination of the features and performance of the product, the convenience of an electronic download and the competitive price when compared to the cost of a green screen system or a specialized infrared sensor webcam.

Following the introduction of TriDef SmartCam in mid-2015, nearly 184,000 copies of TriDef SmartCam were downloaded or pre-installed by end users prior to the year end. By comparison, it took approximately two years for this quantity of licenses of the Group's TriDef 3D software to be shipped with 3D PC products, underscoring the scalability of the new markets.

Since the beginning of 2016, the Group has also observed a growing number of larger companies who are becoming aware of the TriDef SmartCam capabilities and are considering how best to deliver this innovative feature to their customers that number in the millions of users.

During 2016, the Group will continue to consolidate the product offerings for the current apps, including the delivery of an OS X version of TriDef SmartCam which is compatible with Apple PCs and the delivery of an iOS version of UPix which will allow iPhone and iPad users to take advantage of the UPix app.

The Group will continue to work closely with Quinn Emanuel to address the unlicensed use of its patent claims with the objective of securing license fees for the use of the Group's international patent library claims in various 3D consumer products and professional services.

This Strategic Report, as set out on pages 3 to 13, was approved by the Board of Directors of DDD Group plc and signed on its behalf by:

………………………………………………………	………………………………………………………
Nicholas Brigstocke	**Christopher Yewdall**
Chairman	Chief Executive Officer
20 May 2015	20 May 2015

DDD GROUP PLC DIRECTORS

Nicholas Brigstocke (73), non-executive Chairman (independent[1])
Nick was appointed a non-executive director of DDD in November 2001 and appointed Chairman in June 2013. In addition, he currently is a member of the board of directors of Petromaroc Corporation PLC. In 2001, he retired as Chairman of UK Equity Capital Markets at Credit Suisse First Boston ("CSFB"). He joined CSFB when it purchased Barclays de Zoete Wedd in January 1998, at which time he was Chairman and Managing Director of BZW's UK corporate broking business. Prior to that, he was head of equity sales and a member of the equity management committee at BZW.

Christopher Yewdall (50), Chief Executive Officer
Chris was appointed Chief Executive Officer of DDD in November 2001. He joined DDD as Vice President of Sales and Marketing in September 1998, was appointed President of DDD USA in July 1999, became its Chief Executive Officer in July 2000 and was appointed to its Board of Directors of DDD Inc., in April 2001. Prior to joining DDD, Chris was Vice President, Business Development of C-Dilla Limited, an anti-piracy software provider servicing entertainment and business software developers. Between February 1991 and March 1997, he was General Manager and Vice President of Sales of Virtuality Inc., a virtual reality 3D technologies company with offices in Europe and North America.

Victoria Stull (45), Chief Financial Officer
Victoria was appointed to the Board of Directors of DDD on 18 July 2012. Victoria joined the Group's finance team in October 2009 and was appointed as Chief Financial Officer in June 2010. Prior to joining DDD, Victoria was a founding member and Vice President of Sales & Business Development of GOQO, an online entertainment portal available in over 20,000 internet cafes throughout China. Victoria has also held financial positions at Gemstar-TV Guide International, a leading provider of interactive programming technologies in the digital television market, and Sony Pictures International Television. She spent five years in various audit roles with Sony Corporation of America and Deloitte & Touche LLP.

Dr. Sanji Arisawa (73), non-executive director (non-independent[2])
Dr. Arisawa was appointed a non-executive director of DDD in March 2005. He is Chairman & Chief Executive Officer at Arisawa Mfg. Co., Ltd and Independent Outside Director at Nippon Seiki Co., Ltd., Chairman at Protec Arisawa Europe, S.A, and President & Representative Director at Protec International Holdings Co., Ltd. Additionally, he serves on the board of directors of ThinFlex Corp., Colorlink Japan, Ltd. and Protec Arisawa America. He received his undergraduate degree from Waseda University and a doctorate degree from North Carolina State University in 1973.

Paul Kristensen (72), non-executive director (independent[1])
Paul was appointed to the DDD Board in November 2001 and is the President of Capital Technologies Pty Ltd, a venture capital firm in Australia. He has been a founding director and shareholder of numerous technology companies originating in Western Australia, including ERG Limited, Arbortech Pty Ltd, Kinetic Limited, TrueVision 3D Pty Ltd (the precursor to DDD), and Structural Monitoring Systems. He is currently an associate of AADI Defence Pty Ltd and a non-executive director of Stochastic Simulation Ltd, Lumitex Ltd and Asia Pacific Technology Ltd (Hong Kong). Paul is a co-founder of Western Australian Angel Investors, Inc., and was a member of the Australian IT Industry Innovation Council for its full term from 2009-13. He was appointed a non-executive director of DDD Inc. (the predecessor parent company) in May 1996 and served as Chairman of DDD Group plc from May 2002 to June 2013.

Hans Roger Snook (67), non-executive director (independent[1])
Hans was appointed a non-executive director of DDD in January 2006. Hans is the Chairman of Truemove, a mobile telephone operator based in Thailand. Hans was the founder and Chief Executive of Orange and served on the board of the main holding company and two of its subsidiaries. He articulated the vision of a 'wire free future' which has driven the branding, strategy and operation of Orange. Under Hans' leadership, Orange launched on 28 April 1994 and had a profound impact on the mobile market in both the UK and globally. In March 1996, Orange listed on the London and NASDAQ exchanges and, in June of that year, became the youngest company to enter the FTSE 100. After a series of acquisitions, Hans continued as Chief Executive of the enlarged Orange group, leading it to a subsequent flotation in February 2001, at which point he became Special Adviser to the group, a role from which he stepped down at the end of 2001. From 2002 until July 2005, Hans was non-executive Chairman of Carphone Warehouse Group plc. From May 2005 to February 2007, Hans was non-executive Chairman of MonsterMob Group plc.

1 The Board is satisfied that this non-executive director remains independent in character and judgement despite serving as a director in excess of 9 years and that there are no relationships or circumstances which are likely to affect or could appear to affect, his judgement. Each director with this designation will stand for election annually to ensure shareholder approval.

2 The Board is satisfied that this non-executive director brings significant knowledge, experience and value to the Board despite being non-independent. When matters specific to the related party interests disclosed in Note 24 of the Group financial statements are before the Board, this director abstains from voting in accordance with the Board's rules regarding Conflicts of Interest (page 20).

DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2015.

CORPORATE GOVERNANCE

The Directors acknowledge that adhering to rules of good corporate governance is in the best interests of the Group and its shareholders for the long-term success of the organisation. As an AIM listed Company, the Group seeks to follow the principles of the Quoted Companies Alliance ("QCA") Corporate Governance Guidelines for Smaller Quoted Companies.

ARTICLES

The Company's Articles of Association are available on the Company's website and may be amended by special resolution of shareholders.

BRANCH OFFICES

The Company has operating subsidiaries located in Los Angeles, California, USA and Perth, Western Australia as detailed on the back cover of this document. The Company also has a non-operating subsidiary in the British Virgin Islands.

DIRECTORS

The Company is led and controlled by the Board of Directors, chaired by Nicholas Brigstocke with three additional non-executive directors and two executive directors. The chairman is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The non-executive directors constructively challenge and help develop proposals on strategy.

Subject to the Company's Articles of Association, the prevailing legislation and any directions given by special resolution, the business and affairs of the Company will be managed by the Directors who may exercise all such powers of the Company.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act 2006, and related legislation. Directors may be appointed by the Company by ordinary resolution or by the Board on recommendation of the Remuneration and Nomination Committee. A Director appointed by the Board holds office only until the following annual general meeting and is then eligible for election by the shareholders but is not taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting. The Company may, by ordinary resolution of which special notice has been given, remove any Director before the expiration of his/her term of office.

Biographical details for each of the Directors are set out on page 14 which forms part of this report. Details of the dates of appointment of Directors within the year are shown in the Directors' Report. All Directors are subject to re-election within a three-year period and non-executive directors that have served for longer than nine years are subject to annual re-election. Directors have a standard three month notice period in their service agreements specific to the director role. The roles of the Chairman and Chief Executive are separate and have been so throughout the year.

The non-executive directors meet, without the presence of the executive directors, whenever it is appropriate for them to do so. All the Directors have access to the advice of the Company Secretary and may, in furtherance of their duties, take independent legal and financial advice at the Company's expense. They also have access to the minutes of the Board, in which any views expressed by them regarding matters pertaining to the Group are recorded.

Documented succession planning and structured performance evaluations have been discussed by the Board but have not yet been fully implemented. Informal evaluations are conducted by the Chairman with non-executive and executive directors regularly to ensure commitment and identify any deficiencies in skills for further training.

DIRECTORS DURING THE FINANCIAL PERIOD

The names and biographical details of the current Board of Directors are shown on page 14. The following Directors held office during the year ended 31 December 2015:

Director	Date of original appointment	Expiration of current term
Nicholas Brigstocke (Non-executive Chairman)	23 November 2001	June 2016
Christopher Yewdall (Chief Executive Officer)	5 September 2001	June 2017
Victoria Stull (Chief Financial Officer)	11 July 2012	June 2016
Dr. Sanji Arisawa (Non-executive director)	10 March 2005	June 2016
Paul Kristensen (Non-executive director)	23 November 2001	June 2016*
Hans Roger Snook (Non-executive director)	12 January 2006	June 2016

*Paul Kristensen notified the Board that he will retire at the end of the current period and not seek re-election. The non-executive position will not be refilled. The committee appointments are under review by the Board and will be updated accordingly.

In accordance with the Company's Articles of Association ("Articles"), Messrs. Brigstocke, Arisawa, Snook and Miss Stull will retire by rotation at the Annual General Meeting (AGM) of the Company to be held on 29 June 2016 and will seek re-election at the meeting.

The remuneration and any disclosable interests of the directors at 31 December 2015 and at 18 May 2016 including holdings, if any, of spouses and children aged under 18 is presented in the Remuneration Report which forms part of this Directors' Report on pages 24-26.

Related party transactions are included in Note 24 to the consolidated Group financial statements.

DIRECTORS' INDEMNITIES

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force, during the course of the financial year ended 31 December 2015 and at the date of this report, for the benefit of each of the Directors in respect of liabilities incurred as a result of their office to the extent permitted by law. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the financial year with a cover limit of £2,000,000.

BOARD MEETINGS

The Board generally meets quarterly and at such other times as required, and receives regular reports on a wide range of key issues including operational performance, risk management and corporate strategy. The quantity of meetings held during 2015 and the attendance is noted on page 18.

The Board's accountability is demonstrated by the adoption of a formal schedule of matters specifically reserved to the Board for its decision concerning key areas across the Group's activities, thereby ensuring that all major decisions affecting the Group are taken at Board level. These matters are documented on the Company's website. All the Directors are free to bring any matter to the attention of the Board, at any time. Additionally, the Nominated Advisor is invited annually to provide a Director Obligations presentation to the Directors and the legal advisors provide written governance updates and guidance as needed.

The Board invites the other executive officers of the Group to attend and participate in meetings to remove any risk of over-reliance on the executive directors.

COMMITTEES

The combined Audit and Corporate Governance Committee and the combined Remuneration and Nomination Committee meet at least once a year and the membership is reviewed annually. The quantity of meetings held during 2015 and the attendance are noted below. There were no changes to the functional operation, membership or Chair positions of either committee.

Audit and Corporate Governance Committee

The Audit and Corporate Governance Committee is chaired by Paul Kristensen and comprises two other non-executive directors, Nicholas Brigstocke and Hans Snook. The external auditor, together with the Chief

Executive Officer, Chief Financial Officer and other financial staff are invited to attend these meetings as and when required.

In accordance with its terms of reference, the principal function of this Committee is to determine the appropriateness of accounting policies (see Note 2 to the Group financial statements) to be used in the Group's annual results. In addition the Committee is responsible for monitoring the independence of the Group's auditor, assessing the Group's audit arrangements and the Group's system of internal controls, regular review and confirmation of the business risks and mitigating controls, and reviewing the half-yearly and annual results before publication to ensure sufficient useful information is supplied in a useable format with no significant omissions. The Committee also reviews anti-bribery policies and compliance with best practices for corporate governance and is the point of contact for monitoring of ethics and receipt of any whistleblowing assertions in accordance with the Group employee policies and procedures.

The Committee relies on routine financial and business updates from the management team as well as detailed memos in reference to going concern, risks and controls, and any other matters that are required in conjunction with the financial reporting. The Committee also receives an annual report from the Company's external auditor and meets with them without the presence of executive management to discuss the business directly and ensure no limitations were imposed by management.

A report of the Audit Committee is provided in a separate section below.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is chaired by Nicholas Brigstocke and includes two other non-executive directors, Paul Kristensen and Hans Snook. In accordance with its terms of reference the Committee determines the level and make-up of both fixed and variable remuneration (including bonuses and options) of the executive directors and certain senior management. This also includes formulation of remuneration policy throughout the Group, embracing both share options and bonuses.

The Committee also evaluates the balance of skills, knowledge and experience on the Board and considers all new Board appointments and re-appointments against this evaluation. The Committee sets the Company's Equal Opportunity for Employment policy and recognises the importance of diversity, including gender, at all levels within the organisation. Following the appointment of Miss Stull to the Board, female board members now represent approximately 17% of the Board's composition. The Committee also oversees the induction of new appointments and works with the executive team to coordinate introductions to strategic shareholders as deemed necessary.

The Report of the Board regarding Directors' Remuneration and the Group's remuneration policy giving details of Company policy and individual Directors' remuneration is set out on pages 24 to 26. The remuneration arrangements of the non-executive directors are recommended by the executive directors in consultation with the Company's Independent Advisors and then approved by the Board as a whole.

Executive Management Committee

The Executive Management Committee (the 'EMC'), under the chairmanship of the Chief Executive Officer, or in his absence the Chief Financial Officer, meets every two weeks and is responsible for the day-to-day running of the Group. The members of the EMC include the Chief Executive Officer of the Company (Director), together with the Chief Financial Officer (Director), Chief Technology Officer and three additional business heads who are not officers or Directors.

Attendance by the Directors at formal board and/or committee meetings in 2015 is summarised as follows:

Director	# of Board Meetings Attended	# of Audit and Corporate Governance Committee Meetings Attended	# of Remuneration and Nomination Committee Meetings Attended	Total # of board and committee Meetings Attended
Total Held	**7**	**2**	**1**	**10**
Nicholas Brigstocke	7	2	1	10
Christopher Yewdall	7	2*	--	9
Victoria Stull	7	2*	--	9
Dr. Sanji Arisawa	7	N/A	1*	8
Paul Kristensen	5	2	1	8
Hans Roger Snook	6	2	--	8

*Present as an invited guest.

The Board has scheduled six board meetings to be held during 2016.

GOING CONCERN BASIS

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 13.

During the first half of 2016, the Group received two working capital secured debt loans from its largest shareholder who continues to support the Group during these challenging times. The Directors have prepared cash flow forecasts up to 30 June 2017 which indicate the Group will have access to sufficient cash. The Group will require additional funding within the next 12 months. The forecasted revenue in the cash flow includes conservative estimates of existing contracts and limited new revenue streams arising from contracts which are in the final negotiation phase; however there remains uncertainty that funding and contract negotiations will be finalised. If there are material adverse variances against these forecasts, the Group would need to implement further mitigating actions to manage cash resources.

The Directors have concluded that the combination of these circumstances represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Nevertheless after making enquiries, the Directors have a reasonable expectation that the Group will have access to adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties including the financial risks of the business are discussed in detail throughout the Strategic Report and also in Note 15.

The Directors have ensured that the Group has effective systems for managing and mitigating significant risks, which, where relevant, incorporate performance management systems and appropriate remuneration incentives. In identifying and assessing these risks, the Directors consider the Group's short and long-term value, as well as the opportunities to enhance value that may arise from an appropriate response to such a risk.

OUTSTANDING LITIGATION

Dynamic Digital Depth Research PTY LTD v. LG Electronics Inc. and LG Electronics USA, Inc. Case No. 15-cv-05578 (C.D. Cal.):

On July 23, 2015, Dynamic Digital Depth Research PTY LTD ("DDDR") filed a complaint against LG Electronics, Inc. and LG Electronics USA, Inc. (collectively, "LGE") in the U.S. District Court for the Central District of California, asserting infringement of U.S. Patent Nos. 6,477,267 (the "'267 patent"); 6,496,598 (the "'598 patent"), and 7,489,812 (the "'812 patent") (collectively, the "patents-in-suit"), against LGE's 3D televisions with automatic 2D-to-3D conversion capabilities. The complaint seeks damages, injunctive relief, interest, a finding of wilfulness, and a declaration that the action is exceptional. On September 28, 2015, LG filed its Answer, Affirmative Defenses, and Counterclaims. LGE asserted counterclaims against DDDR for declaratory judgment of noninfringement and invalidity of the patents-in-suit. On January 19, 2016, LGE filed a Motion for Judgment on the Pleadings alleging that the '267 and '812 patents are invalid. The Court scheduled a hearing for that motion on April 18, 2016. At the hearing, the judge requested a tutorial session on the patents and associated claims. Following the May 3, 2016 tutorial, the arguments on the motion were scheduled to be heard on June 6, 2016. The Court scheduled a hearing for claim construction of the patents-in-suit on September 8, 2016. The Court has not scheduled a date for trial.

INTERNAL CONTROL

The Board of Directors has overall responsibility both for the Group's system of internal controls, which includes internal financial controls, and for reviewing their effectiveness. The Directors recognise that no system of internal control can provide absolute assurance. The Group's systems are designed to manage the risk of failure to achieve business objectives and therefore can only provide the Directors with reasonable assurance against material misstatement or loss.

The key elements of the Group's internal control system, which have been operational for the whole of the financial year, are as follows:

Management structure
The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. The Chief Executive Officer has been given responsibility for specific aspects of the Group's affairs. Reporting to the Chief Executive is the Executive Management Committee which is responsible for the day to day running of the Group's affairs.

Monitoring systems used by the Board
The Board receives regular reports on the financial and business performance of the Group. The Board is regularly advised through these reports on the working capital position and financial performance relative to the Group's approved budget.

Internal audit
The Board reviews from time to time the need for an internal audit function and remains of the opinion that the systems of internal financial control are appropriate to the Group's present activities and that such a function is unnecessary.

UK Bribery Act 2010
Annually all relevant employees and management are required to review the Bribery Act provisions and report any matters which may fall under the provisions for consideration by the Audit Committee. No matters have been noted.

REPORT OF THE AUDIT COMMITTEE

The audit committee has met and reviewed the Group's accounting policies, including detailed memorandums regarding key accounting policies and judgements, including, the Group's going concern documentation, deferred tax asset position, investment in subsidiary valuation, and discussions regarding internal control testing and risk review. Additionally, the Committee met in advance of the half-yearly financial reporting prior to the Board approval to review the reporting, assumptions, judgements, and risks at that time.

The Committee reviewed the audit planning documents provided by Grant Thornton in advance of the audit and were satisfied with the scope, efficiency and effectiveness of the plan including agreeing the audit fee. The significant risk areas include carrying value of development costs, going concern of the Group, and potential management overrides of controls. Following the completion of audit field work, the committee reviewed the documented audit findings report and separately met with the auditors to discuss the interactions with management. The committee also reviewed the business risks and mitigating processes noted in the Strategic Report and are satisfied with the disclosures in light of the strategy of the Board and its risk appetite. During the year, there were no reported Bribery Act concerns or whistle-blower reports. Additionally, no material weaknesses were found related to internal controls during the year.

In accordance with auditing standards, Grant Thornton has advised the Company that the firm is independent within the meaning of regulatory and professional requirements and that the objectivity of the engagement partner and audit staff is not impaired. Having considered this opinion, the Committee believes that the continuing provision of audit service to the Group has not compromised the independence of the auditors in relation to their audit of the affairs of the Company and the Group. Additionally, the Committee discussed non-audit services performed during 2015 (see Note 5 to the consolidated Group financial statements for more detail) and ascertained that the work did not create an audit independence risk as it is performed by a separate engagement team and is for tax preparation services for the Group's US tax reporting requirements. Grant Thornton have been the auditors of record since the Company's shares were admitted to trading on AIM in 2002.

The Board of Directors agreed with the committee's recommendations regarding the accounting policies, Annual Report and Accounts, and auditor selection.

CONFLICTS OF INTEREST

Under the Companies Act 2006, directors are subject to a statutory duty to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts of interest of directors where the Articles of Association contain a provision to that effect. The Company's Articles of Association afford the Directors such powers. Directors who have an interest in matters under discussion at Board meetings are required to declare this interest and, subject to certain exceptions, to abstain from voting on the relevant matters. In addition, the Directors will be able to impose limits or conditions when giving any authorisation, if they think this is appropriate.

During the year, these procedures were followed and operated effectively.

AUDITOR

The auditor, Grant Thornton UK LLP, offer themselves for re-appointment in accordance with Section 489 of the Companies Act 2006. Following a review of their continued independence by the Audit Committee, a resolution for their re-appointment will be proposed at the AGM.

POST BALANCE SHEET EVENTS

Post balance sheet events are discussed in Note 25 to the consolidated Group financial statements.

DIVIDEND

The Directors do not propose the payment of a dividend (2014: nil). In due course, the Directors will consider the payment of dividends, as and when the Group is in a position to do so.

PURCHASE OF OWN SHARES

During the Annual General Meeting in 2015, the Directors neither sought nor obtained permission from shareholders for any type of share buyback program and will not be doing so at the 2016 AGM.

FUTURE DEVELOPMENTS

The Group is focused on building a strong future. The discussion of the 2D technology business progress in the Strategic Report is a direct result of the emphasis that has been placed on utilising the strengths of the Group to return to growth and profitability following a downturn in the 3D market. The Group remains committed to ongoing research and development to ensure the successful transition into markets with strong growth potential while continuing to identify additional opportunities.

RESEARCH AND DEVELOPMENT

The development of new and innovative technology is a key strategy in the Group's business and investment in research and development continues to be a key element of that policy. Further discussion on the R&D initiatives is provided in the Strategic Report. The capitalised expenditure on internal development in the current year was $1,094,000 (2014: $1,677,000).

EMPLOYEE INVOLVEMENT

The Group recognises the importance and contribution of its employees. There is considerable value placed on the involvement of employees in the development of the business and their participation in the decision making process.

Presentations are made to all staff on a regular basis to encourage a full understanding of the Group's strategy, vision and operational developments. All employees are eligible for share awards and a number of employees have become shareholders thereby encouraging employee share ownership.

The Group is committed to the principle of equal opportunity in employment and to ensuring that no applicant or employee receives less favourable treatment on the grounds of age, gender, disability, ethnic origin, political or other opinion, religion or sexual orientation.

Disability is not seen as an inhibitor to employment or career development. Employees who become disabled are, wherever possible, given assistance to continue in their existing employment or to be trained for other positions.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises that it has responsibilities to all stakeholders which include employees, partners, customers, suppliers, the local community and the surrounding environment where it operates. Employees are highly regarded and valued, and their employment and other rights are respected. The Group is committed to the important principle of equal opportunity which is reflected in the Group's recruitment, disciplinary and grievance policies. The Group is dedicated to supplying products of top quality to meet its customers' requirements in a manner that is consistent with high environmental and ethical standards.

The Board understands and recognises the increasing importance of environmental issues, although it has limited direct impact on the environment since it is not involved in heavy industry or any direct manufacturing activity. Group premises are offices, with the main activity in the Group being the development of hardware and software by employees, involving neither the use of hazardous substances or complex waste emissions. The office buildings provide electronic and paper recycling programs as well as other environmentally responsible services which the subsidiary operations participate in.

POLITICAL DONATIONS

During the year, no political donations were made or political expenditure incurred by the Company or its subsidiaries.

SHARE CAPITAL

The Company's share capital includes two classes of securities: ordinary shares (par value of 1p) traded on AIM (more fully described in Note 21), and deferred shares (par value of 9p) with restricted rights created as a result of the 2008 share capital restructure more fully described in Note 10 to the consolidated Group financial statements.

There are no persons holding securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreement between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

There were 190,588,572 ordinary shares and 74,416,547 deferred shares in issue at 31 December 2015. The share price has ranged from a high of 4.0p to a low of 1.625p during the year with a closing price of 1.75p at 31 December 2015.

The past performance of the Company and its securities is not, and should not be relied on as, a guide to the future performance of the Company and its securities.

RELATIONS WITH SHAREHOLDERS

The Board welcomes the views of shareholders. The AGM is used as an opportunity to communicate with shareholders. All shareholders are encouraged to attend the Company's AGM in order to take advantage of the opportunity to ask questions of the Directors.

Shareholders may also contact the Company in writing or via its website. Additional information is supplied through the circulation of the Interim Report and the Annual Report and Accounts. During the year the Company issued a series of announcements to the London Stock Exchange.

The Chief Executive Officer, Chief Financial Officer and, from time to time, the Chairman or other Directors, meet individual and institutional shareholders and provide such information as is permissible in order to facilitate a better understanding of the Group's business and operations. Additionally, the Board usually receives shareholder feedback reports prepared by the Nominated Advisor following pre-arranged meetings with institutional fund managers and analysts.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015 and as at 18 May 2016, the Company has been notified of the following shareholdings amounting to 3% or more of the issued share capital:

	31 December 2015		18 May 2016	
Shareholder	Number of ordinary 1p shares	Percentage of issued ordinary 1p share capital	Number of ordinary 1p shares	Percentage of issued ordinary 1p share capital
Arisawa Manufacturing Co., Ltd.	29,856,123	15.7%	29,856,123	15.7%
Michael Stubbs	23,448,740	12.3%	23,448,740	12.3%
Robert Morton	18,000,000	9.4%	18,000,000	9.4%
Directors	14,465,909	7.6%	14,865,909	7.8%
Nigel Wray	10,420,648	5.5%	10,420,648	5.5%
Wistron Corporation	9,919,831	5.2%	9,919,831	5.2%
InterDigital Finance Corporation	7,039,760	3.7%	7,039,760	3.7%
Edale Capital LLP	6,420,000	3.4%	2,150,000	1.1%

ANNUAL GENERAL MEETING (AGM)

The AGM will be held at 10:30 a.m. on Wednesday 29 June 2016 at 3 More London Riverside, London SE1 2AQ, United Kingdom. The business to be transacted at the meeting will be set out in full in the Notice convening the AGM. The results of the AGM will be announced following the AGM.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS101 Reduced Disclosure Framework, and the consolidated accounts in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; 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 Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of both the Group and the parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

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

This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance with, and subject to, those provisions.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This Directors' report, as set out on pages 14 to 26, was approved by the Board of Directors of DDD Group plc and signed on its behalf by:

....
Nicholas Brigstocke
Chairman
20 May 2015

....
Christopher Yewdall
Chief Executive Officer
20 May 2015

REMUNERATION REPORT

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee advises and makes recommendations to the Board on an appropriate remuneration policy for the Group. They are responsible for determining and agreeing with the Board the remuneration package of the executive directors of the Board. This includes basic salary, annual bonus, level of awards under the Employee Share Plan and the terms of any performance conditions that may apply to the exercise of such rights, determining the terms and conditions of service and any compensation payments, and to ensure that such remuneration levels are appropriate and acceptable.

During the financial year the members of this committee were Nicholas Brigstocke as Chairman, Paul Kristensen, and Hans Snook. Norton Rose Fulbright LLP has provided independent general legal services as needed.

REMUNERATION POLICY

The main objectives of the policy are to ensure that pay and benefits packages are sufficiently competitive to attract, develop and retain high calibre executives. The Remuneration and Nomination Committee develops and implements measures aimed at maintaining remuneration packages that satisfy these objectives. It also seeks to align individual reward and incentives with the performance of the Group and, hence, with the interests of the shareholders.

Group performance evaluation criteria is reviewed annually and includes financial goals (such as revenue maximisation, budgetary controls and cash generation as measured through KPIs such as active licensees, shipment volumes, and material new licenses) as well as discretionary non-financial criteria (e.g. risk management, maintaining internal control systems, filing of new patents, creation of new products, and exploration of new markets).

A balance between fixed and variable pay is recognised to be important in remuneration packages. The current approach enables the variable portion to increase over time as the performance of the Company improves and to reduce if there is a decline in performance. The Committee has created a compensation plan that is salary based with variable components (share incentives and bonuses) available as the Group achieves established KPIs including profitability. The salaries are reviewed annual against industry data to ensure they are competitive in the appropriate labour market.

Share incentives

The Company is currently operating an Employee Share Scheme (ESS) which was approved by shareholders at the July 2003 AGM and amended with shareholder approval in February 2011. The share options granted under the ESS are granted at market value on the grant date and have no voting rights until issued on exercise after full payment of the option price and relevant taxation. Details of the outstanding historical grants under the plan as of the year end can be found in Note 20 of the Consolidated Group Financials.

Bonuses

There were no accruals or bonus payments for the 2015 or 2014 financial years.

DIRECTORS' REMUNERATION

The remuneration of the non-executive directors is established by the executive directors of the Board in consultation with the Company's Nominated Advisor. The Remuneration and Nomination Committee also has discussions with the Board in relation to the Board's annual report to shareholders on the Group's policy on the remuneration of the executive directors and in particular the Directors' Remuneration Report. No Board member is involved in deciding their own remuneration package. Director service agreements provide for only annual director fees and mandatory taxation under the law with a three-month notice period (no additional commitments or clauses). A Non-Executive Share Option Plan is available but no further awards have been made since 2011.

Directors' emoluments[1]

	Executive salary $'000	Director fees $'000	Benefits in kind[2] $'000	Earned $'000	Deferral[3] Total $'000	Paid $'000
2014						
Non-executive directors						
Nicholas Brigstocke	--	96	9	105	24	81
Dr. Sanji Arisawa	--	49	--	49	12	37
Paul Kristensen	--	54	--	54	9	45
Warren Littlefield[4]	--	16	--	16	--	16
Hans Roger Snook	--	52	4	56	13	43
Executive directors						
Christopher Yewdall	350	5	12	367	30	337
Victoria Stull	230	--	12	242	19	223
Total 2014	**580**	**272**	**37**	**889**	**107**	**782**
2015						
Non-executive directors						
Nicholas Brigstocke	--	89	9	98	98	-
Dr. Sanji Arisawa	--	46	--	46	46	-
Paul Kristensen	--	50	--	50	42	8
Hans Roger Snook	--	50	4	54	54	-
Executive directors						
Christopher Yewdall	350	5	13	368	56	312
Victoria Stull	230	--	13	243	19	224
Total 2015	**580**	**240**	**39**	**859**	**315**	**544**

[1]There were no bonuses or pension payments during the period.

[2] Benefits in kind are made up of health care costs paid by the Group for executive benefit only. Additionally, mandatory employer contributions to UK National Insurance and US Social Security are also included for applicable Directors.

[3]In November 2014, the Directors agreed to certain wage deferrals until such time as the Group's 2D technology contribution exceeds the financing plan and/or a licensing agreement or settlement is reached. The figures above include the accrual of UK National Insurance for those applicable UK based directors.

[4] Warren Littlefield retired from the Board of Directors in April 2014 therefore the 2014 figure represents a partial-year of emoluments.

Directors' share incentives

Options to subscribe for ordinary shares in the Company for the year ended 31 December 2015:

Director	1 January 2015	Granted	Lapsed/ Cancelled	Exercised	31 December 2015	Exercise prices (pence)	Exercisable up to
Non-executive directors							
Nicholas Brigstocke	200,000	--	--	--	200,000	16.9p	4 Jan 2016
Dr. Sanji Arisawa	240,000	--	--	--	240,000	16.9p	4 Jan 2016
Paul Kristensen	160,000	--	--	--	160,000	16.9p	4 Jan 2016
Hans Roger Snook	200,000	--	--	--	200,000	16.9p	4 Jan 2016
Sub-Total (NED)	800,000	--	--	--	800,000		

Note: Warren Littlefield retired from the Board of Directors in April 2014, 130,000 of existing option grant is fully vested and remains exercisable until 4 Jan 2016.

Director	1 January 2015	Granted	Lapsed/ Cancelled	Exercised	31 December 2015	Exercise prices (pence)	Exercisable up to
Executive directors							
Christopher Yewdall	1,000,000	--	--	--	1,000,000	17.5p	4 Jan 2016
	1,000,000	--	--	--	1,000,000	27.25p	13 Feb 2017
	300,000	--	--	--	300,000	25p	8 July 2017
	--	1,000,000	--	--	1,000,000	1.75p	7 June 2020
	2,300,000	1,000,000	--	--	3,300,000		
Victoria Stull	400,000	--	--	--	400,000	17.5p	4 Jan 2016
	500,000	--	--	--	500,000	27.25p	13 Feb 2017
	150,000	--	--	--	150,000	25p	8 July 2017
	--	500,000	--	--	500,000	1.75p	7 June 2020
	1,050,000	500,000	--	--	1,550,000		
Sub-total (ED)	3,350,000	1,500,000	--	--	4,850,000		
Grand Total	**4,150,000**	**1,500,000**	**--**	**--**	**5,650,000**		

Directors' interests

The disclosable interests of the Directors at 31 December 2015 including shareholdings, if any, of wives and children aged under 18 is presented as follows:

	31 December 2014	31 December 2015	18 May 2016
Nicholas Brigstocke	2,007,045	3,007,045	3,007,045
Christopher Yewdall	2,681,808	3,181,808	3,181,808
Victoria Stull	251,000	651,000	651,000
Dr. Sanji Arisawa	1,989,200	2,489,200	2,889,200
Paul Kristensen	455,204	1,080,204	1,080,204
Hans Roger Snook	4,056,652	4,056,652	4,056,652

Contractual interests

Other than the Loan Notes more fully described in Notes 16, 24 and 25 to the Consolidated Financial Statements, no Director had, during or at the end of the year, a material interest in any contract that was significant in relation to the Group's business.

This report was approved by the Board and was signed on its behalf by:

N Brigstocke

....

Nicholas Brigstocke
Remuneration and Nomination Committee Chairman
20 May 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DDD GROUP PLC

We have audited the Group financial statements of DDD Group plc for the year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on pages 22-23, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - going concern

In forming our opinion on the Group financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the Group financial statements concerning the Group's ability to continue as a going concern.

The Group incurred a net loss of $3,178,000 during the year ended 31 December 2015.

As explained in Note 1 to the Group financial statements, the Directors have prepared cash flow forecasts up to 30 June 2017. The forecast includes receipt of additional funding and forecast revenue includes existing contracts and new revenue streams arising from contracts which are in the negotiation phase; however, there is uncertainty that funding and contract negotiations will be finalised.

These conditions, along with the other matters explained in Note 1 to the Group financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- 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.

Other matter

We have reported separately on the parent company financial statements of DDD Group plc for the year ended 31 December 2015. That report includes an emphasis of matter.

Perry Burton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
20 May 2015

Consolidated statement of comprehensive income
for the year ended 31 December 2015

	Notes	**31 Dec 2015 $'000**	31 Dec 2014 $'000
Revenue	3	**706**	2,533
Cost of sales	3	**(9)**	(5)
Gross profit	3	**697**	2,528
Depreciation/amortisation expense	11,12	**(1,225)**	(1,282)
Share based payments	20	**(38)**	(148)
Other administration expenses		**(2,793)**	(3,153)
Total administrative expenses		**(4,056)**	(4,583)
Other income		**270**	340
Operating loss		**(3,089)**	(1,715)
Analysed as:			
(Loss) before interest, taxes, depreciation, amortisation and share based payments (Adjusted EBITDA)		**(1,826)**	(285)
Depreciation/amortisation expense		**(1,225)**	(1,282)
Share based payments		**(38)**	(148)
		(3,089)	(1,715)
Finance expense	4	**(65)**	(105)
Loss from continuing operations before tax		**(3,154)**	(1,820)
Income tax expense	8	**(24)**	(389)
Loss for the period from continuing operations		**(3,178)**	(2,209)
Loss of the discontinued Yabazam 3D streaming movie service	9	**-**	(700)
Loss for the year		**(3,178)**	(2,909)
Other comprehensive income/(loss) for the year:			
Exchange differences on translation of foreign operations which will be subsequently reclassified to profit and loss		**148**	(42)
Other comprehensive income/(loss) for the year, net of tax		**148**	(42)
Total comprehensive loss for the year		**(3,030)**	(2,951)
Loss per share:			
Continuing Operations – Basic & Diluted (per share)	10	**($0.019)**	($0.015)
Total Operations – Basic & Diluted (per share)	10	**($0.019)**	($0.020)

The accompanying principal accounting policies and notes form part of these consolidated financial statements.

Consolidated statement of financial position
as at 31 December 2015

	Notes	**31 Dec 2015 $'000**	31 Dec 2014 $'000
Assets			
Non-current assets			
Intangible assets	11	**2,755**	3,041
Property, plant and equipment	12	**12**	32
Security Deposits	15	**82**	72
Deferred tax asset	13	**1,096**	1,096
Total non-current assets		**3,945**	4,241
Current assets			
Trade and other receivables	14	**322**	571
Cash and cash equivalents	15	**164**	697
Total current assets		**486**	1,268
Total assets		**4,431**	5,509
Equity and liabilities			
Capital and reserves			
Issued capital	21	**12,735**	12,636
Share premium	21	**17,207**	17,467
Merger reserve		**19,656**	20,627
Share based payment reserve		**1,651**	1,849
Translation reserve		**2,718**	124
Retained earnings		**(52,605)**	(49,605)
Total equity		**1,362**	3,098
Non-current liabilities			
Financial liabilities	16	**573**	912
Deferred tax liabilities	17	**480**	582
Total non-current liabilities		**1,053**	1,494
Current liabilities			
Trade and other payables	18	**1,218**	917
Financial liabilities	16	**798**	-
Total current liabilities		**2,016**	917
Total liabilities		**3,069**	2,411
Total equity and liabilities		**4,431**	5,509

The consolidated financial statements were approved by the board of Directors on 20 May 2015 and signed on its behalf by:

C M Yewdall.

Christopher Yewdall
Chief Executive Officer
Company number: 04271085

Consolidated statement of cash flows
for the year ended 31 December 2015

	Notes	**12 months to 31 Dec 2015 $'000**	12 months to 31 Dec 2014 $'000
Cash flows from operating activities			
Loss for the year		**(3,178)**	(2,909)
Finance expense in the consolidated statement of comprehensive income		**65**	105
Tax in the consolidated statement of comprehensive income		**24**	389
Debt issuance costs in the consolidated statement of comprehensive income		**-**	70
Amortisation	11	**1,201**	1,363
Depreciation	12	**24**	58
Loss on disposal of assets	11 & 12	**323**	399
Share based payments	20	**38**	148
Decrease in inventory		**-**	6
Decrease/(increase) in trade and other receivables		**249**	(65)
Increase/(decrease) in trade and other payables		**301**	(10)
Net cash used in operations		**(953)**	(446)
Income tax paid	8	**(126)**	(453)
Net Interest paid	4	**(81)**	(19)
Net cash used in operating activities		**(1,160)**	(918)
Cash flows from investing activities			
Increase in leasehold security	19	**(17)**	(72)
Payments for intangible assets	11	**(1,147)**	(1,818)
Payments for property, plant and equipment	12	**(8)**	(4)
Net cash used in investing activities		**(1,172)**	(1,894)
Cash flows from financing activities			
Proceeds from the issue of loan note	16	**534**	906
Proceeds from issue of equity shares	21	**1,388**	-
Issuance costs		**(132)**	(70)
Net cash generated by financing activities		**1,790**	836
Net decrease in cash and cash equivalents		**(542)**	(1,976)
Exchange gains		**9**	12
Total decrease in cash and cash equivalents		**(533)**	(1,964)
Cash and cash equivalents at the start of the year		**697**	2,661
Cash and cash equivalents at the end of the year		**164**	697

Consolidated statement of changes in equity for the year ended 31 December 2015

	Share capital $'000	Share premium $'000	Merger reserve $'000	Share based payment reserve $'000	Translation reserve $'000	Retained earnings $'000	Total equity $'000
At 1 January 2014	**13,414**	**18,543**	**21,898**	**1,861**	**(3,072)**	**(46,743)**	**5,901**
Transactions with owners							
Issue of shares	-	-	-	-	-	-	-
Share based payment reserve transfer[1]	-	-	-	(47)	-	47	-
Equity settled share options	-	-	-	148	-	-	148
Foreign exchange differences	(778)	(1,076)	(1,271)	(113)	3,238	-	-
Total transactions with owners	(778)	(1,076)	(1,271)	(12)	3,238	47	148
Comprehensive income							
Total profit for the year – reported	-	-	-	-	-	(2,909)	(2,909)
Other comprehensive income - Foreign exchange	-	-	-	-	(42)	-	(42)
Total comprehensive income	-	-	-	-	(42)	(2,909)	(2,951)
At 31 December 2014	**12,636**	**17,467**	**20,627**	**1,849**	**124**	**(49,605)**	**3,098**
Transactions with owners							
Issue of shares	694	562	-	-	-	-	1,256
Share based payment reserve transfer[1]	-	-	-	(178)	-	178	-
Equity settled share options	-	-	-	38	-	-	38
Foreign exchange differences	(595)	(822)	(971)	(58)	2,446	-	-
Total transactions with owners	99	(260)	(971)	(198)	2,446	178	1,294
Comprehensive loss							
Total loss for the year	-	-	-	-	-	(3,178)	(3,178)
Other comprehensive loss - Foreign exchange	-	-	-	-	148	-	148
Total comprehensive loss	-	-	-	-	148	(3,178)	(3,029)
At 31 December 2015	**12,735**	**17,207**	**19,656**	**1,651**	**2,718**	**(52,605)**	**1,362**

[1] Reserve transfer for exercised, forfeited and expired options.

NOTES TO THE ACCOUNTS

1. Basis of preparation

The consolidated Group financial statements are for the year ended 31 December 2015. They have been prepared in compliance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union and company law applicable to companies reporting under IFRS as at 31 December 2015.

Going Concern Review:

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 13.

During the first half of 2016, the Group received two working capital secured debt loans from its largest shareholder who continues to support the Group during these challenging times. The Directors have prepared cash flow forecasts up to 30 June 2017 which indicate the Group will have access to sufficient cash. The Group will require additional funding within the next 12 months. The forecasted revenue in the cash flow includes conservative estimates of existing contracts and limited new revenue streams arising from contracts which are in the final negotiation phase; however there remains uncertainty that funding and contract negotiations will be finalised. If there are material adverse variances against these forecasts, the Group would need to implement further mitigating actions to manage cash resources.

The Directors have concluded that the combination of these circumstances represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Nevertheless after making enquiries, the Directors have a reasonable expectation that the Group will have access to adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Standards and amendments to existing standards effective 1 January 2015

The following standards, amendments and interpretations became effective in 2015:

Standard/ interpretation	Content	Applicable for financial years beginning on/after
Annual Improvements to IFRSs	2011-2013 Cycle	1 January 2015

* The adoption of these Standards and Interpretations has had no material impact on the financial statements of the Group.

New standards and interpretations currently in issue (as at 15 March 2016) but not effective, based on EU mandatory effective dates, for accounting periods commencing on 1 January 2016 are:

Standard/ Interpretation	Content	Applicable for financial years beginning on/after
IFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	1 February 2015
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Annual Improvements to IFRSs	2010-2012 Cycle	1 February 2015
Annual Improvements to IFRSs	2012-2014 Cycle	1 January 2016
Amendments to IAS 16 and IAS 41	Bearer Plants	1 January 2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to IAS 1	Disclosure Initiative: Presentation of Financial Statements	1 January 2016

NOTES TO THE ACCOUNTS

2. Summary of significant accounting policies

Consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Foreign currency translation
a) Functional and presentational currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currencies of Group entities are US Dollars, Australian Dollars and Pounds Sterling. The parent Company's functional currency is Pounds Sterling and the Group's presentational currency is US Dollar.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses are recognised in profit or loss, including those resulting from the settlement of such transactions and from the translation at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies.

c) Group companies
The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentational currency as follows:

i. Assets, liabilities and equity balances for each reporting presented are translated at the closing rate at the date of the balance sheet.
ii. Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates during the reporting period where this approximates actual exchange movements, otherwise actual rates are used, and;
iii. All resulting exchange differences arising from the translation of the net investment in foreign entities are taken to equity. Differences initially brought to equity are recycled to the consolidated statement of comprehensive income on disposal of the foreign operations.

The Group has taken advantage of the exemption in IFRS 1 which allows all foreign exchange differences on consolidation to be set at zero at transition and the foreign exchange reserve therefore only shows post transition foreign exchange differences.

Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its CODM is the Board of Directors of the Group.

The segmental information provided to the Board can be found in Note 3 – Segmental reporting.

Revenue recognition
Revenue is the fair value of the total amount receivable by the Group for supplies of products when risks and rewards of ownership have been transferred and for services, the timing of revenue recognition depends on the assessed stage of completion of contract activity at the reporting date. VAT or similar local taxes and trade discounts are excluded.

Revenue comprises income from the supply of products, license payments, consultancy income and royalty income (excluding VAT) incurred in the normal course of business.

Licensing
License income is recognised on a straight-line basis over the period to which the license payment relates. The amount of any prepayment associated with the license agreement is deferred and recognised as revenue over the

period as above or immediately upon termination of the underlying contractual agreement. This deferred income is included in 'other liabilities'.

Royalties

Royalties are earned on manufacture by the Group's licensees of mobile telephones, tablet PCs, personal computers and monitors and video processing chips incorporating the Company's intellectual property. Royalty revenues are recognised when the Company receives notification from licensees of product manufacture, or where there has been sufficient information given by the licensee for the revenue to be measured reliably and have a sufficient degree of certainty. In the case where royalty advance payments are received, the Group recognises the advance royalty as a customer prepayment and it is recorded as a liability, even if there is no contractual obligation for the Company to reimburse the unused advance royalty to the licensee. Once the licensee reports product manufacture, the corresponding amount of the royalty advance is recognised as revenue in the period for which notification is received from the licensee. VAT or similar local taxes and trade discounts are excluded.

The majority of the Group's royalty revenue is derived from quarterly licensee reporting of product shipments which include the Group's technologies. Although management has audit rights in the contracts, management judgement is applied in acceptance of the quantities reported by the licensee as being materially accurate based on available market research, industry knowledge and direct client correspondence. Acceptance of the report leads to revenue recognition but does not waive any applicable audit rights under the applicable license agreement.

Software sales

Software sales revenues are earned on consumer and reseller purchases of the TriDef PC software products currently sold on the TriDef.com website and the Group's App sales via Google Play™ store and the Apple store. The revenues are recognised when the Group receives transaction confirmation from the payment processors which causes the automatic electronic delivery of the license code to the consumer to activate the software for use.

Interest income and expense recognition

Interest income and expenditure are reported on an accruals basis. Dividends received would be recognised at the time of their distribution.

Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

Profit or loss from discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, is presented in a single amount in the statement of comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets, is further analysed in Note 9.

Intangibles

The Group has registered a number of patents that are initially recognised at cost and carried at cost less accumulated amortisation and impairment losses. Amortisation is over a five-year period on a straight-line basis and is recognised in the 'Depreciation/amortisation expenses' line of the consolidated statement of comprehensive income.

The Group also recognises external website and application development costs as intangibles. Amortisation of these intangibles is over a three to five year period on a straight-line basis and is recognised in the 'Depreciation/amortisation expenses' line of the consolidated statement of comprehensive income.

Internally generated intangible assets

An internally generated intangible asset arising from development (or the development phase) of an internal project is recognised if, and only if, all of the following have been demonstrated:

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

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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. Expenses capitalised consist of employee costs incurred on developing software and a portion of appropriate overhead. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. The expected life of internally generated intangible assets varies based on the anticipated useful life, currently ranging from two to five years.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over three to five year lives and is reported in the 'Depreciation/Amortisation expenses' line of the consolidated statement of comprehensive income.

Research expenditure is recognised as an expense in the period in which it is incurred.

Property, plant and equipment
Property, plant and equipment are recorded at cost net of accumulated depreciation and any provision for impairment. Depreciation is provided using the straight-line method to write off the cost of the asset less any residual value over its useful economic life as follows:

Short leasehold improvements	The shorter of the useful life of the asset or the term of the lease
Fixtures, fittings and equipment	3 to 7 years

The residual value, useful economic life and the depreciation method are reviewed at each financial year-end.

Impairment testing of intangible assets and property, plant and equipment
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures is directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Taxation
Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respect of prior years.

Deferred tax is provided in full on temporary differences between the carrying amounts of assets and liabilities in the Group financial statements and the amounts used for taxation purposes. Deferred tax is calculated at the tax rates that have been enacted or substantially enacted at the reporting date. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are recognised for taxable temporary differences, unless specifically exempt.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

Tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax assets and liabilities comprise those obligations to fiscal authorities in the countries in which the Group carries out its operations or does business. They are calculated according to the tax rates and tax laws

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applicable to the fiscal year and the country to which they relate. All changes to current tax liabilities are recognised as a component of tax expense in the consolidated statement of comprehensive income.

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

The Group has taken advantage of the initial recognition exemptions in IAS 12 prohibiting the recognition of deferred tax on temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit.

Financial assets
Financial assets consist of cash and cash equivalents and trade and other receivables. Trade and other receivables are initially recognised at fair value less transaction costs and subsequently at amortised cost less any impairment. An assessment for impairment is undertaken at least at each reporting date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

De-recognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each reporting date whether or not there is objective evidence that a financial asset or a Group of financial assets is impaired.

Financial liabilities
The Group's financial liabilities include trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in profit or loss.

Trade payables are recognised initially at their fair value and subsequently measured at amortised costs less settlement payments.

Dividend distributions to shareholders are included when the dividends are approved by the shareholders meeting.

Compound instruments
The component parts of compound instruments, comprising convertible loan notes issued by the Company, are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated. For convertible loan notes, this amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component on initial measurement from the fair value of the compound instrument as a whole. This is recognised and included in equity and is not subsequently re-measured.

Cash and cash equivalents
Cash and cash equivalents include cash at bank and in hand as well as short term bank deposits.

Share based employee compensation
The Group operates equity settled share based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share option awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability or sales growth targets).

The Group's share option schemes provide for an exercise price equal to either a) the average middle market price of the Group's shares over the five dealing days prior to the date of grant or par value, whichever is higher or b) the average middle market price of the Group's shares on the date of the grant or par value, whichever is higher, depending on the applicable plan rules for the employee's jurisdiction. The vesting period ranges from the date of grant up to five years. If options remain unexercised after a period of five years from the date of grant, the options expire and are returned to the unused share option pool. Furthermore, if an option holder leaves the Group on good terms before their options vest, the unexercised and unvested options are forfeited up to six months after the date of their departure.

The Group has a current share option scheme under which options currently in issue were granted on various dates between January 2011 and June 2015.

NOTES TO THE ACCOUNTS

All share-based compensation is ultimately recognised as an expense in profit or loss with a corresponding credit to a share based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of shares options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately vest than originally estimated.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs up to the nominal value of the shares issued, are reallocated to share capital with any excess being recorded as additional share premium.

Employment benefit plans
Defined contribution plans
The Group pays fixed contributions into independent entities in relation to several state plans and insurances for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

Significant management judgement in applying accounting policies
The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Going Concern
Management regularly monitors the business and cash flow models to ensure access to sufficient capital for the Group. Significant judgement is required regarding the assumptions underlying the going concern analysis each year. The current year assessment is discussed in Note 1.

Capitalisation of development costs
Management monitors progress of internal research and development projects. Significant judgement is required in distinguishing research from the development phase. Development costs are recognised as an asset when all the criteria are met, whereas research costs are expensed as incurred.

The Group's management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

For further details refer to Note 11.

Convertible Loan Notes – Initial measurement
The Company has issued unsecured Convertible Loan Notes. While in legal form the Notes are a liability of the Company, IFRSs requires the Group to identify the equity and liability component parts of the instrument and assign a value to each. Identification and valuation of the components requires management to exercise judgment. Further details are provided in Note 16.

Estimation uncertainty
When preparing the financial statements, management makes a number of estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Impairment
An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

For further details refer to Note 11.

Recoverability of deferred tax assets
The Group assesses recoverability of deferred tax assets with reference to Board approved forecasts of future taxable profits and past history of tax loss utilisation by the Group's subsidiaries. The Group has recognised a

NOTES TO THE ACCOUNTS

deferred tax asset in its financial statements to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Equity
Equity comprises the following:

- "Issued capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Merger reserve" results from the acquisition of Dynamic Digital Depth Inc. in 2002 being the premium on shares issued as consideration qualifying for merger relief under the Companies Act.
- "Share based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised, and accounted for under IFRS 2.
- "Translation reserve" represents the differences arising from translation of investments in overseas subsidiaries and translation into presentational currency of the equity balances of the parent company.
- "Retained earnings" represents retained profits and losses.

3. Segmental reporting

In accordance with IFRS 8, operating segments are reporting in a manner that is consistent with the internal reporting provided to the Board of Directors by the executive Directors, the chief operating decision makers. Management information that is regularly reported to the Board for the purposes of allocating resources and monitoring performance is the monthly board report. The Board report contains an analysis of revenue for the Group's activities.

	2015 2D Ops $'000	2015 3D Ops $'000	2015 Parent $'000	**2015 Total $'000**	2014 3D Ops $000's	2014 Parent $000s	2014 Total $'000
REVENUES:							
License fees	-	-	-	**-**	20	-	20
Royalties from OEM units shipments	-	596	-	**596**	2,367	-	2,367
Other licensing royalties	-	25	-	**25**	29	-	29
Software sales – direct to consumer	8	77	-	**85**	117	-	117
Total revenue	**8**	**698**	**-**	**706**	**2,533**	**-**	**2,533**
Cost of goods sold	(2)	(7)	-	**(9)**	(5)	-	(5)
Gross profit	6	691	-	**697**	2,528	-	2,528
Margin	75%	99%		**98.7%**			99.8%
OPEX	(1,933)	(137)	(723)	**(2,793)**	(2,385)	(768)	(3,153)
Technology License fee	(500)	500	-	**-**	-	-	-
Other Income	-	270	-	**270**	340	-	340
EBITDA Adjusted	(2,427)	1,324	(723)	**(1,826)**	483	(768)	(285)
Depreciation/Amortisation	(1)	(1,224)	-	**(1,225)**	(1,282)	-	(1,282)
Share based expense	-	-	(38)	**(38)**	-	(148)	(148)
Net Income/(Loss) before interest and taxes	(2,428)	100	(761)	**(3,089)**	(799)	(916)	(1,715)

For the Statement of Financial Position, the majority of the Group's assets/liabilities and equity are that of the 3D operation. The new 2D operation pays an annual technology license fee to the 3D operation for use of the patent claims included in the new products.

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The following are items in 2015 that are directly attributable to the 2D operation.

	2015 $000s	2014 $000s
Intangible Assets	**15**	Nil
Trade and Other Receivables	**22**	Nil
Cash & Equivalents	**1**	Nil
Total Assets	**38**	Nil
Trade & other payables	**38**	Nil
Total Liabilities	**38**	Nil

Major customers

The customers contributing over 10% to the gross revenues of the Group are as noted in the following table:

	2015 $000	%	2014 $000	%
Samsung (2015/14: 100% Royalties)	608	86.1%	2,339	92.3%
Major customer total	608	86.1%	2,339	92.3%
All other sources	98	13.9%	194	7.7%
Total gross revenues	706	100.0%	2,533	100.0%

Regional breakdown

The majority of the Group's revenues (2015: 89%; 2014: 95%) are from customers based in the Asia Pacific region. Approximately 4% of 2015 revenue is from North American customers (2014: 2%).

4. Finance (expense)/income

	2015 $'000	2014 $'000
Finance income (bank interest received)	**7**	6
Finance expense:		
Interest paid in the period	**(88)**	(24)
Interest accrued in the period	**(1)**	(1)
Finance charge (non-cash change in valuation of financial liabilities)	**17**	(86)
	(72)	(111)
Net finance (expense)/income	**(65)**	(105)

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5. Loss before tax from continuing operations

Loss before tax has been arrived at after charging/(crediting):	**2015 $'000**	2014 $'000
Foreign exchange loss	**10**	56
Depreciation and amortisation:		
Depreciation of property, plant and equipment (Note 12)	**24**	58
Amortisation of intangible assets (Note 11)	**1,201**	1,363
Employee benefits expense:		
Employee costs (Note 7)	**2,791**	3,664
Other operating leases	**245**	383
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group accounts	**74**	80
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**--**	--
Tax services	**18**	15
Other services pursuant to legislation	**--**	--
Significant components of other income/(loss):		
Australian R&D tax refund	**383**	287
Sale of website	**205**	-
Loss on asset disposals in the period	**(323)**	(4)
Subtenant rental income	**--**	57

Tax services provided by Grant Thornton included tax return preparation for required US filings.

6. Remuneration of key management personnel

	2015 $'000	2014 $'000
Emoluments	**646**	714
Emoluments – highest paid director	**355**	355
Pension costs – defined contribution plans	**17**	20
Social security contributions	**27**	28
Share based payment – share options	**36**	125
	1,081	1,242

Directors and officers are considered key management personnel. The amount set out above includes remuneration in connection with the full-time employment of the Chief Executive Officer (Director), Chief Financial Officer (Director), and Chief Technology Officer in addition to the non-executive Director fees. The pension plan is only available to employees of the Australian subsidiaries, of which 1 is included in the above line item (2014: 1).

The amounts above are the total earned/accrued amounts during the period. As noted in the Remuneration report on page 25 of the Annual Report, the Directors agreed to defer a portion of their compensation in 2014 and 2015 until such time as the Group is in a position to settle the deferred amounts. Total deferred wages are $302,000 in the current year (2014: $107,000).

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7. Employees

	2015 **$'000**	2014 $'000
Employee costs:		
Wages and salaries	**2,595**	3,316
Pension costs	**98**	124
Social security costs	**60**	76
Share based payments – share options	**38**	148
	2,791	3,664

The average number of employees during the year was made up as follows:		
Dedicated research and development	**5**	6
Hardware engineering	**-**	1
Software engineering	**4**	6
Sales	**5**	5
Finance and administration	**4**	5
Content	**-**	1
Total staff	**18**	24
Non-executive directors (NEDs)	**4**	4
Grand total	**22**	28

Total number of full-time employees at year end was 16 (2014: 20).

NOTES TO THE ACCOUNTS

8. Income tax

	2015 $'000	2014 $'000
Current tax:		
Current year tax charge	**126**	453
Total current tax	**126**	453
Deferred tax asset movement		-
Deferred tax liability movement	**(102)**	(64)
	24	389

The tax assessed for the year differs from the standard rate of corporation tax as applied in the respective trading domains where the Group operates. The tax charge on ordinary activities is explained below:

	2015 $'000	2014 $'000
Loss on ordinary activities before tax	**(3,154)**	(1,820)
Loss at 20% (2014: 20%)	**(631)**	(364)
Effects of:		
Higher foreign tax rates	**(481)**	(280)
Income / Expenses not deductible for tax purposes	**79**	(106)
Estimated usage of subsidiary historical losses to cover income tax	**(365)**	(224)
Tax losses carried forward	**1,233**	778
Movement of deferred tax asset (Note 13)	**--**	--
Other temporary differences	**63**	132
Foreign withholding tax	**126**	453
Tax charge on ordinary activities	**24**	389

Given that a large majority of the Group's revenues are derived from licensees in Asia, foreign withholding taxes deducted at source on royalties and licenses from these countries create the majority of the income tax expense recorded in the Group accounts. These taxes will be available as future foreign tax credits for the US 3D technology subsidiary and therefore are reflected as increased future potential deferred tax assets ("DTA").

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There are substantial unrelieved tax losses and tax credits of $39,507,000 (2014: $40,672,000) across the Group companies as set out below:

	USA $'000	UK $'000	Australia $'000	Total $'000
At 31 December 2015				
Unrelieved tax losses & credits	18,196[1]	7,563	13,748	39,507
Local rate of tax	40%[2]	18%	28.5%	
Potential deferred tax asset	7,278	1,361	3,918	12,557
DTA recognised	-	-	(1,096)	(1,096)
Unprovided potential deferred tax asset	7,278	1,361	2,822	11,461
At 31 December 2014				
Unrelieved tax losses & credits	15,343[1]	7,250	18,078	40,671
Local rate of tax	40%[2]	20%	30%	
Potential deferred tax asset	6,137	1,450	5,423	13,010
DTA recognised	-	-	(1,096)	(1,096)
Unprovided potential deferred tax asset	6,137	1,450	4,327	11,914

[1]During 2011, the Company reviewed its tax losses consistent with the requirements of US tax authorities (Internal Revenue Code Section 382). This review resulted in an anticipated $3.5 million reduction to unrelieved tax losses (included above).

[2]US effective tax rate including federal and state income taxes is anticipated to be 40% based on current tax law.

At 31 December 2015, the availability to offset unrelieved tax losses against future taxable trading profits may be subject to restrictions in the respective tax jurisdictions. The entire deferred tax asset has not been recognised due to the uncertainty of the timing and recoverability of the asset. The remaining asset will be recovered in line with future profits.

NOTES TO THE ACCOUNTS

9. Discontinued operations

In December 2014, the Yabazam 3D streaming movie service was closed and the operation discontinued. The headcount attributed to the Yabazam service had been reduced in 2013 and 2014. Additionally, much of the development of the Yabazam apps was through a third-party and capitalised in intangible assets. There were some initiatives that were developed by the Australian R&D team which were part of the IFRS asset. This development work was halted in April 2014.

The closure resulted in disposals of R&D, other intangible assets, and inventory. The other income/(expense) line item includes non-cash loss on assets in 2014 of $395,000 and a loss on inventory in 2014 of $6,000.

Yabazam streaming movie service	2014 $'000
Total revenues and other income	8
Cost of goods sold	(5)
Gross margin	3
Depreciation/Amortisation (see Notes 11 & 12)	(139)
Administrative expenses	(163)
Other expense	(401)
Loss before taxation	(700)
Taxation	-
Loss after taxation	(700)
Cash flows associated with the Yabazam division	
Operating activities	(160)
Investing activities (see Notes 11 &12)	(108)
	(268)
Discontinued Operations (loss) for the year attributable to equity shareholders	(700)
Discontinued Operations (loss) per share:	
Basic & Diluted (per share)	$(0.005)

NOTES TO THE ACCOUNTS

10. Loss per share

	2015 **$'000**	2014 $'000
Continuing Operations loss for the year attributable to equity shareholders	**(3,178)**	(2,209)
Continuing Operations loss per share:		
Basic & Diluted (per share)	**$ (0.019)**	$ (0.015)
Total loss for the year attributable to equity shareholders	**(3,178)**	(2,909)
Total loss per share:		
Basic & Diluted (per share)	**$ (0.019)**	$ (0.020)
	Shares	Shares
Issued ordinary shares par 1p at start of the year	**143,663,572**	143,663,572
Ordinary shares issued in the year (see Note 21)	**46,925,000**	--
Total outstanding ordinary shares at end of the year	**190,588,572**	143,663,572
Weighted average number of ordinary shares for the year	**165,337,819**	143,663,572
Deferred shares:		
Issued deferred shares[1] at the start and end of the year	**74,416,547**	74,416,547
Total share capital (Issued & Outstanding)	**265,005,119**	218,080,119

[1] Deferred Shares:

On 5 July 2008 the share capital of the Company was split so that a total of 74,416,547 ordinary shares of par value 10 pence became 74,416,547 deferred shares of par value 9 pence plus 74,416,547 new ordinary shares of par value 1 penny.

The holders of the deferred shares shall not be entitled to receive any dividend out of the profits of the Company available for distribution. On a distribution of assets on a winding-up or other return of capital (otherwise than on conversion or redemption or purchase by the Company of any of its shares) the holders of the deferred shares shall be entitled to receive the amount paid up on their shares after distribution (in cash or in specie) to the holders of the new ordinary shares the amount of £100,000,000 in respect of each new ordinary share held by them. The deferred shares shall not entitle their holders to any further or other right of participation in the assets of the Company. The holders of deferred shares shall not be entitled to receive notice of or to attend (either personally or by proxy) any general meeting of the Company or to vote (either personally or by proxy) on any resolution to be proposed. No certificates will be issued in respect of the deferred shares. The diluted loss per share does not differ from the basic loss per share, as these shares are anti-dilutive.

For 2015 and 2014, the diluted loss per share does not differ from the basic loss per share as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33.

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11. Intangible assets

	Capitalised development costs $'000	Patents $'000	Other intangibles $'000	Total $'000
Cost				
At 1 January 2014	7,698	332	569	8,599
Continuing operations:				
Additions	1,623	87	-	1,710
Disposals	(597)	(55)	-	(652)
Exchange rate differences	(149)	-	(3)	(152)
Discontinued operation[1] (Note 9):				
Additions	54	-	54	108
Disposal	(239)	-	(539)	(778)
At 31 December 2014	8,390	364	81	8,835
Continuing operations:				
Additions	1,094	53	-	1,147
Disposals	(1,183)	(56)	(51)	(1,290)
Exchange rate differences	(25)	-	(2)	(27)
At 31 December 2015	8,276	361	28	8,665
Amortisation				
At 1 January 2014	5,017	308	183	5,508
Continuing operations:				
Charge for the year (restated)	1,185	14	25	1,224
Disposals	(594)	(55)	-	(649)
Exchange rate differences	(42)	-	(2)	(44)
Discontinued operation[1] (Note 9):				
Charge for the year	54	-	85	139
Disposals	(141)	-	(243)	(384)
At 31 December 2014	5,479	267	48	5,794
Continuing operations:				
Charge for the year	1,161	25	15	1,201
Disposals	(916)	(18)	(34)	(968)
Exchange rate differences	(115)	(1)	(1)	(117)
At 31 December 2015	5,609	273	28	5,910
Net book value				
At 31 December 2013	2,681	24	386	3,091
At 31 December 2014	2,911	97	33	3,041
At 31 December 2015	**2,667**	**88**	**-**	**2,755**

[1] Due to the nature and size of the discontinued operation in regards to the intangible assets, the presentation has been separated to identify the continuing operation.

There is no impairment to the intangibles in any of the reported periods.

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12. Property, plant and equipment

	Leasehold improvements $'000	Furniture, fittings and equipment $'000	Total $'000
Cost			
At 1 January 2014	80	777	857
Continuing operations:			
Additions	-	4	4
Disposals[1]	(66)	(434)	(500)
Exchange rate differences	1	(6)	(5)
Discontinued operation (Note 9):			
Charged in the year	-	-	-
Disposals[2]	-	(20)	(20)
At 31 December 2014	15	321	336
Additions	-	8	8
Disposals	-	(9)	(9)
Exchange rate differences	1	(19)	(18)
At 31 December 2015	**16**	**301**	**317**
Depreciation			
At 1 January 2014	62	708	770
Continuing operations:			
Charged in the year	16	42	58
Disposals[1]	(65)	(434)	(499)
Exchange rate differences	1	(6)	(5)
Discontinued operation (Note 9):			
Charged in the year	-	-	-
Disposals[2]	-	(20)	(20)
At 31 December 2014	14	290	304
Charged in the year	3	21	24
Disposals	-	(8)	(8)
Exchange rate differences	(1)	(14)	(15)
At 31 December 2014	**16**	**289**	**305**
Net book value			
At 31 December 2013	18	69	87
At 31 December 2014	1	31	32
At 31 December 2015	**-**	**12**	**12**

[1] During 2014, the Australian office lease expired and the operation moved into a new, smaller office in West Perth. The result was a significant amount of disposals of all non-relevant assets in addition to leasehold improvements from the previous office that the Australian subsidiaries had occupied since 1999. The net result of the disposals was a loss of under $1,000 recorded in 2014 against other income.

[2] As discussed in Note 9, this amount represents the disposals specific to the discontinued operation. No net gain or loss was recorded as the assets were fully depreciated.

All assets listed above are free of any mortgage or charge.

NOTES TO THE ACCOUNTS

13. Deferred tax asset

	2015 $'000	2014 $'000
Deferred tax asset:		
Opening balance January 1	**1,096**	1,096
Usage in the year by subsidiaries	**(365)**	(224)
Adjustment to deferred tax asset	**365**	224
Net movement in deferred tax asset	**-**	-
Deferred tax asset - Losses	**1,096**	1,096

Based on management's review of the subsidiaries and the fact that the Australian subsidiaries have utilised accrued net operating losses in recent periods for tax purposes, a DTA of $1,096,000 has been maintained in 2015 (2014: $1,096,000) related to recently revised business model forecasts of profitability and anticipated tax loss usage.

14. Trade and other receivables

	2015 $'000	2014 $'000
Trade receivables	**205**	--
Unbilled receivables	**3**	484
Prepayments	**81**	53
Other receivables	**33**	34
	322	571

The whole of the trade receivables amount was invoiced in US dollars.

100% of the trade receivables relate to the US subsidiary. The unbilled receivables represent revenue accrued based on royalty reports for the fourth quarter. The fourth quarter royalty reports are received and invoiced in January of the following year.

The following financial assets are overdue for receipt. The fair value of receivables is not materially different from the carrying value shown. The Group's receivables are unsecured.

	2015 $'000	2014 $'000
Overdue trade receivables		
Not more than 3 months	**-**	-
More than 3 months but not more than 6 months	**-**	-
More than 6 months but not more than 1 year	**-**	-
	-	-

Receivables which are past due are not deemed to be impaired as they are with customers with positive creditworthiness.

NOTES TO THE ACCOUNTS

15. Financial instruments

Risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern whilst maximising the return to stakeholders through the effective management of capital raised through share issues and convertible debt. The Board's financial risk management objective is to maximise financial assets and to minimise financial liabilities whilst not engaging in speculation. The Board regularly reviews the policies for managing financial risk and assesses if any additional changes should be made. The most significant risk arising from the Group's financial instruments is liquidity risk.

Categories of financial instrument

	2015 **$'000**	2014 $'000
Financial assets:		
Loans and receivables	**205**	-
Prepayments and other receivables	**117**	571
	322	571
Restricted cash[1]	**65**	72
Cash and cash equivalents	**164**	697
Total financial assets:	**551**	1,340
Financial liabilities:		
Current		
Trade payables at amortised cost	**33**	56
Director accrued liabilities	**409**	107
Other accrued liabilities	**466**	494
Financial liabilities at amortised cost (Note 16)	**798**	--
	1,706	657
Non-Current		
Financial liabilities at amortised cost (Note 16)[2]	**573**	912
Total financial liabilities	**2,279**	1,569

[1]On 1 November 2014, Dynamic Digital Depth Australia Pty Ltd entered into a three year lease agreement with a third party for office space. As part of this agreement, a deposit initially valued at $72,000 (AUD 88,000) was made into a restricted cash 12 month term deposit account as security for the agreement. The term deposit renews annually and earns a net interest rate of 0.5% for the first year (3.5% net of the issuance fee of 3.0%). The term deposit was renewed on 1 November 2015 at a rate of 2.8% for the second year.

[2]Subsequent to the period end, the July 2014 (due Jan 2016) Notes were extended for 12 months (see Note 25).

Liquidity risk

The Group currently holds cash balances in Pounds Sterling, US dollars and Australian dollars to provide funding for operations and continued development work. The Group is dependent on income from commercial contracts and equity and debt fundraising and Management expects to continue this method successfully in the future. The going concern assessment is discussed in Note 1.

The liquidity risk is monitored by Management under the supervision of the Board. The Group and operating entities monitor actual cash flows semi-monthly within the framework of liquidity risk management for short, medium and long-term funding and liquidity requirements. Beginning in June 2014, the Board recognised that the cash reserves may not be sufficient and a series of fundraising initiatives were established. In July 2014 and March 2015, convertible unsecured loan notes were issued (Note 16) and in March 2015 and September 2015 equity placings were completed (Note 21). Additionally, in February and May 2016, secured loan notes were entered into with Arisawa Manufacturing Company (Note 25).

There is no material difference between the fair values and the book values of these financial instruments.

NOTES TO THE ACCOUNTS

Foreign currency risk

The cash balances carried within the Group comprise the following currency holdings:

	2015	2014
	$'000	$'000
Pounds Sterling	40	163
US dollars	52	501
Australian dollars	72	33
	164	697

The presentational currency of the Group is US dollars, while the functional currency of the parent Company is Pounds Sterling. As a result of its activities in North America and Asia Pacific, the Group is mainly exposed to fluctuations in both the Australian dollar and Sterling against the US dollar. The Group's philosophy with respect to foreign currency risk is to hold its cash and any short-term deposits that may be made from time to time, in the currencies of anticipated expenditure. The exposure is thus minimised and considered to be insignificant.

The sensitivity analysis below has been based on the exposure to exchange rates for non-derivative instruments at the reporting date. A 10% increase or decrease is used when reporting exchange rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in exchange rates when considered against the background of exchange rate movement for the US dollar in 2014/15.

With a 10% movement of the US dollar against the Australian dollar and with all other variables constant, the Group's loss for the year ended 31 December 2015 would move by $68,000 (2014: $25,000), and the movement in shareholder's equity would have been $ nil for both 2015 and 2014. With a 10% movement of the US dollar against Sterling and with all other variables constant, the Group's loss for the year ended 31 December 2015 would move by $53,000 (2014: $82,000), and the movement in shareholders' equity given that the functional currency is sterling would have been $4,505,000 (2014: $4,430,000).

With both currencies, there would be a corresponding decrease in equity, which is mainly attributable to the Group's exposure to exchange rates on its trade receivables and cash balances.

Interest rate risk

The Group has historically financed its operations through equity fundraising. The cash balances are held at floating interest rates based on LIBOR and determined by its banking institutions as follows:

	Interest rate%	**2015 $'000**	Interest rate%	2014 $'000
Cash and balances with central banks	**0% to 2.8%**	**229**	0% to 3.5%	769
Restricted cash	**2.8%**	**(65)**	3.5	(72)
Cash at bank available for use	**0% to 1.7%**	**164**	0% to 2.5%	697

The Group and operating entities had no committed borrowing facilities at 31 December 2015 (2014: nil).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk, the Group endeavours only to deal with companies that are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding balance under the contract, whether billed or not as of the date of these statements, amounting to $208,000 (2014: $484,000). The institutions where bank deposits are held are all considered to be low risk having ratings by Moody's of Aa3 or better.

Where the Group provides consultancy services, it normally receives staged payments for development work resulting in trade receivables that management consider to be of low risk. Although there is a significant concentration of receivables with the Group's largest customer, the customer is a profitable global consumer OEM with strong commercial credit and solid payment practices.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other members. The Group has used a combination of convertible loan notes and an equity placing to provide the additional financing necessary for the ongoing liquidity of the Group while it transitions into the new markets described in the Strategic Report. The Group seeks to minimise the cost of capital and attempts to optimise the capital structure. Currently no dividends are paid to shareholders and share issues yield capital for further development of the Group's products.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to the parent, comprising share capital, reserves and retained earnings as disclosed in Note 21. The Chief Financial Officer regularly monitors the capital risk on behalf of the board.

16. Convertible Loan Debt

	2015 $'000	2014 $'000
Opening balance	**912**	--
Value of Notes on issuance	**534**	906
CTA – unrealized FX movement during the year	**(58)**	(80)
Finance charges during the year	**(17)**	86
Financial liability element of Note	**1,371**	912
Current portion:		
2014 Notes	**798**	--
Long-term portion:		
2014 Notes	**--**	912
2015 Notes	**573**	--
TOTAL	**1,371**	912

On 30 July 2014, the Company issued Convertible Unsecured Loan Notes ("2014 Notes") totalling £535,000 ($906,000 at historical exchange rate) to certain Directors of the Group and to Arisawa Manufacturing Company, pursuant to the existing authorities granted to the board of Directors. The 2014 Notes can be converted by the holders into ordinary shares of 1 pence each in the capital of the Company ("Shares") at a conversion price of 10 pence nominal amount of 2014 Notes per Share. The Company has the option to redeem the 2014 Notes at any time at a 5% premium to their nominal value plus accrued interest.

On 6 March 2016, the Company issued Convertible Unsecured Loan Notes ("2015 Notes") totalling £350,000 ($534,000 at historical exchange rate) to certain Directors of the Group and to Arisawa Manufacturing Company, pursuant to the existing authorities granted to the board of Directors. The 2015 Notes can be converted by the holders into ordinary shares of 1 pence each in the capital of the Company ("Shares") at a conversion price of 5 pence nominal amount of 2015 Notes per Share. The Company has the option to redeem the 2015 Notes at any time at a 5% premium to their nominal value plus accrued interest.

The 2014 Notes and the 2015 Notes have an annual interest rate of 7%. Interest payments are made semi-annually on 28 June and 28 December of each year.

The 2014 Notes have conversion rights to equity and mature in January 30, 2016 (18 months from the date of issue). The 2015 Notes have the same rights but mature in March 2017 (24 months from the date of issue). As such they are treated as compound instruments. The valuation of the liability is achieved by discounting the maturity value of the note at the rate available to the Group on a simple loan. Given the Group had no pre-existing debt (or simple loans); an estimated rate of 9% was used for this calculation. The residual value is the equity element of the instrument.

The present value of the convertible notes' equity element is considered an immaterial amount at the time of the establishment of the loan and therefore the financial liability element is $1,371,000 or £926,000 (2014: $912,000 or £587,000). The change in the valuation in the denominated currency is charged to the consolidated statement of comprehensive income as finance charges (Note 4).

Subsequent to the year end, the Company authorised a noteholder resolution to extend the 2014 Notes for twelve (12) months at which time any outstanding notes will, at the option of the Company, be repaid in cash or settled by the issue of Shares at the conversion price; in both cases accrued interest will be payable in cash. The compound instrument calculations will reflect the change effective the date of the extension.

NOTES TO THE ACCOUNTS

17. Deferred tax liability

	2015 $'000	2014 $'000
1 January	**582**	619
Temporary differences arising from capitalised development costs	**363**	187
Change in enacted income tax rate on previously recognised deferred tax liability arising from capitalised development costs	**(465)**	(224)
31 December	**480**	582

The deferred tax liability arises from the internally generated intangibles for capitalised development costs.

18. Trade and other payables

	2015 $'000	2014 $'000
Current liabilities		
Trade payables	**33**	56
Accrued expenses and deferred income	**1,185**	861
	1,218	917

The accrued expenses include $310,000 (2014: $260,000) in prepaid license fees and advance royalty payments from licensees. The accrued expenses also include a total of $409,000 (2014: $107,000) of accrued director salaries and fees as discussed in Note 6.

The Group's payables are unsecured, none are past due and the Directors consider that the carrying value approximates their fair value.

19. Operating lease commitments

	2015 $'000	2014 $'000
The following payments are due to be made on operating lease commitments for land and buildings:		
Within one year	**157**	257
Two to five years	**430**	156
Over five years	**180**	-
	767	413

The two operating entities in the US and Australia are obligated to lease agreements for office space.

The prior Australian office lease expired in October 2014 and the Group moved to a new office in West Perth and signed a 3 year lease which is secured by a restricted cash deposit account in the currently valued amount of $65,000 (AUD 88,000) which is included in the long-term deposit account in the financial statements given that the lease expiration is November 2017.

The US office lease began in January 2011 and expired in January 2016 and is secured by a prepaid security deposit held by the landlord of $33,000 which is classified as a current asset was repaid in March 2016. A new lease agreement has been signed for seven years beginning February 2016 which included a security deposit of $17,000 which is recorded as Long-Term deposit.

The operating lease commitments represent the base rent payments that these entities are obligated to make for the remaining terms of the current lease agreements.

NOTES TO THE ACCOUNTS

20. Share based payments

Unapproved (Non Tax Advantaged) current scheme
The Group has an unapproved share option plan for the benefit of Directors, officers and employees that allows for the granting of up to 10% of the ordinary shares in issue. The following table identifies the grants by grant dates that remain outstanding as of 31 December 2015:

Issue Date	Options in issue	Exercise Price (pence)	Expiry Date:
5 January 2011	930,000	16.90	4 January 2016
5 January 2011[1]	2,610,000	17.50	4 January 2016
15 June 2011	250,000	34.75	14 June 2016
14 February 2012[1]	2,320,000	27.25	13 February 2017
9 July 2012[1]	600,000	25.00	8 July 2017
8 June 2015	3,650,000	1.75	7 June 2020

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

	2015	**WAEP**	2014	WAEP
	Number	**p**	Number	p
Outstanding at the beginning of the year	**7,110,000**	**21.9**	7,343,333	21.8
Granted during the year	**3,650,000**	**1.75**	-	-
Exercised during the year	**-**	**-**	-	-
Lapsed/expired during the year	**(200,000)**	**17.90**	(125,000)	13.9
Forfeited during the year	**(200,000)**	**19.63**	(108,333)	20.8
Outstanding at the year end	**10,360,000**	**14.9**	7,110,000	21.9
Exercisable at the year end	**6,710,000**	**22.1**	6,120,000	21.1

The fair value of options granted by the Company has been arrived at using the Black-Scholes model. The assumptions inherent in the use of this model are as follows:

- The option life is assumed to be at the end of the allowed period;
- Historical staff turnover is taken into account when determining the proportion of granted options that are likely to vest by the end of the period;
- Following the application of the vesting probability assumptions, there are no further vesting conditions other than remaining in employment with the Company during the vesting period;
- No variables change during the life of the option (e.g. dividend yield); and
- Volatility has been calculated over the 5 years prior to the reporting date.

Date of grant	Vesting period (yrs)	Date fully vested	Exercise price (pence)	Risk-free rate	Share price at grant (pence)	Volatility of share price	Fair value (pence)	Number outstanding
8 Jun 15[1]	3	7 Jun 18	1.75	1.48%	1.75	76%	1.08	3,650,000
9 July 12[1]	3	9 July 15	25.0	1.75%	25.00	112%	19.96	600,000
14 Feb12[1]	3	14 Feb 15	27.25	1.75%	27.25	111%	21.65	2,320,000
15 Jun 11	2	15 Jun 13	34.75	1.87%	34.75	110%	27.50	250,000
5 Jan 11[1]	3	5 Jan 14	17.5	2.75%	17.50	111%	14.06	2,610,000
5 Jan 11	3	5 Jan 14	16.9	2.75%	17.50	111%	13.52	930,000

The Group recognised total expenses of $38,000 (2014: $148,000) related to equity-settled share based payment transactions during the year.

[1] The final grant and exercise dates may vary due to the applicable local tax regulations under which the shares are granted. Australian share plan rules require an offer and acceptance of the grant. As a result, the official grant date may be up to 60 days after this date under local law for Australian recipients.

NOTES TO THE ACCOUNTS

21. Issued share capital

The issued share capital of the Group is issued by the parent Company in Pounds Sterling. The attached parent Company accounts provide the currency of issue reconciliation of the share capital. For the Group accounts, the shares outstanding at the end of the period are converted to US Dollars using the closing spot rate while the transactions during the period are converted using the average rate for the period. The resulting difference is a foreign exchange adjustment on the balance translation.

	Shares	Nominal value $'000	Premium net of costs $'000	Total $'000
Deferred shares (par 9p)				
In issue 1 January 2014	74,416,547	11,046	--	11,046
Foreign exchange adjustment	--	(641)	--	(641)
31 December 2014	74,416,547	10,405	--	10,405
Foreign exchange adjustment	--	(491)	--	(491)
31 December 2015	74,416,547	9,914	--	9,914
Ordinary shares (par 1p)				
In issue 1 January 2014	143,663,572	2,368	18,543	20,911
Foreign exchange adjustment	--	(137)	(1,076)	(1,213)
In issue 31 December 2014	143,663,572	2,231	17,467	19,698
Share placing[1]	22,500,000	333	250	583
Share placing[2]	24,425,000	361	312	673
Foreign exchange adjustment	--	(104)	(822)	(926)
In issue 31 December 2015	190,588,572	2,821	17,207	20,028
All shares				
In issue 31 December 2015	**265,005,119**	**12,735**	**17,207**	**29,942**
In issue 31 December 2014	218,080,119	12,636	17,467	30,103

Key Movements in the Share Capital and Share Premium accounts are as follows:

[1] On 9 March 2015, approved by shareholders at an EGM held 31 March 2015, the Company raised $668,000 (£450,000) before expenses through a private placement of 22,500,000 ordinary shares of 1 penny each in the capital of the Company at a placing price of 2 pence per share.

[2] On 22 September 2015, the Company raised an additional $746,000 (£483,500) before expenses through a private placement of 24,175,000 ordinary shares of 1 penny each in the capital of the Company at a placing price of 2 pence per share. An additional 250,000 ordinary shares were issued to Beaufort Securities under the terms of their placing agreement.

Deferred Shares (par 9p)

A description of and relevant rights attached to the deferred shares as of the date of this report are as set out in Note 10 of the consolidated Group financial statements.

Ordinary shares (par 1p)

The rights attaching to the ordinary shares are governed by the Company's Articles of Association and prevailing legislation. There are no specific restrictions on the size of a holding. Subject to any rights or restrictions attached to any ordinary shares, on a show of hands, every shareholder present in person or by proxy (or being a corporation present by a duly authorised representative) has one vote, and on a poll every shareholder who is present in person or by proxy has one vote for every ordinary share held by the shareholder. Unless the Board otherwise determines, no shareholder shall be entitled to vote at any general meeting or class meeting in respect of any ordinary shares held by him if any call or other sum then payable by him in respect of that share remain unpaid. Currently, all issued ordinary shares are fully paid. In addition, unless the Board otherwise determines, no member shall be entitled to vote if he failed to provide the Company with information concerning interests in those ordinary shares required to be provided under the Companies Act 2006. Votes are exercisable at general meetings of the Company. The notice of a general meeting will specify the deadline for appointing a proxy or proxies to vote in relation to resolutions to be passed at that meeting.

The transfer of ordinary shares is governed by the general provisions of the Company's Articles of Association and prevailing legislation. Save as described herein, there are no restrictions on the transfer of the ordinary shares other than (i) as set out in the Articles of Association; (ii) certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws); and (iii) the Company's share dealing rules which require certain Directors, officers and employees of the Company to obtain approval prior to dealing in ordinary shares. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a share (or renunciation of a renounceable letter of allotment) save for in certain circumstances specified in the Articles of Association. Registration of a transfer of an uncertificated share may be refused in circumstances permitted or required by the Uncertificated Securities Regulations (as defined in the Company's Articles of Association).

Merger reserve
The Merger Reserve arose in the Group reconstruction in January 2002 prior to its flotation.

Share based payment reserve
The Share Base Payment Reserve comprises the carrying value of the recognised expense under IFRS2 for share options granted that are still exercisable. When options are exercised, forfeited or expire, a reserve transfer is performed in order to move the expense into Retained Earnings.

Translation reserve
The Translation Reserve reflects the exchange differences from retranslation of the opening net investments in overseas subsidiaries to the closing rate and translation of the results for the year from average rates to the closing rate and translation into presentational currency of the equity balances of the parent company.

22. Contingent assets or liabilities

The Group had no contingent assets or liabilities at 31 December 2015 or 31 December 2014.

23. Capital commitments

The Group had no capital commitments at 31 December 2015 or 31 December 2014.

24. Related party transactions

(1) Commercial transactions

There were no material commercial transactions with related parties during the year.

(2) Financing

In March 2015, the Company issued £350,000 of Unsecured Convertible Loan Notes ('2015 Notes') as described in Note 16. Related party participants included: Arisawa Manufacturing Company (£300,000 or $458,490); Dr. Sanji Arisawa (£15,000 or $22,925); Nicholas Brigstocke (£15,000 or $22,925); Christopher Yewdall (£10,000 or $15,283) and Victoria Stull (£10,000 or $15,283).

In September 2015, the Company completed an equity placing as described in Note 21. Related party participants included: Paul Kristensen £12,500 or $19,000 (625,000 ordinary 1p shares at 2p transaction price); Christopher Yewdall £10,000 or $15,000 (500,000 ordinary 1p shares at 2p transaction price); and Victoria Stull £8,000 or $12,000 (400,000 ordinary 1p shares at 2p transaction price).

In June and December 2015, interest payments on the outstanding Unsecured Convertible Loan Notes were paid as described in Note 16. Related party participants and the total amount of interest received in the period included: Arisawa Manufacturing Company (£47,000 or $71,000); Dr. Sanji Arisawa (£2,000 or $3,000); Nicholas Brigstocke (£3,000 or $4,000); Chris Yewdall (£2,000 or $3,000); Victoria Stull (£500 or $900); and an affiliiate of Hans Snook (£3,500 or $5,400).

(3) Other financial transactions

The following related party stock transactions occurred during the period:

NOTES TO THE ACCOUNTS

On 12 June 2015, the Company was informed that Nick Brigstocke, Non-Executive Chairman, had purchased 1,000,000 ordinary 1p shares in the Company at an average price of 2.125 pence per share. Total purchase price as £21,250 or $32,476.

On 18 June 2015, the Company was informed that Dr. Sanji Arisawa, Non-Exeuctive Director, had purchased 500,000 ordinary 1p shares in the Company at an average price of 3 pence per share. Total purchase price was £15,000 or $22,925.

Additionally, in June 2015 a Stock Option Grant was made to all employees of the Company (excluding Non-Executive Directors), the details of which are included in Note 20. Chris Yewdall, CEO/Executive Director, received 1,000,000 options for shares and Victoria Stull, CFO/Executive Director, received 500,000 options for shares. The shares vest over 3 years on the anniversary of the grant, contingent on continuing employment. Nil were vested as of 31 December 2015.

Details of all transactions can be found in the relevant regulatory news release available at www.dddgroupplc.com.

25. Events after the balance sheet date

Financial:

In January 2016, the 2014 Notes which were due Jan 2016 (see Note 16) were approved for extension for a period of twelve (12) months until January 2017.

On 4 February 2016, the Company entered into a short-term Secured Loan Note agreement (Feb16 Loan) with Arisawa Manufacturing for $800,000. The interest on the note is at 10% and payments are due quarterly in arrears. The Feb16 Loan is secured by the Company's US 2D to 3D conversion patent number 6,477,267 and its international counterparts.

On 24 February 2016, Dr. Sanji Arisawa purchased 400,000 ordinary 1p shares in the Company through the open market at 2.5 pence per share.

On 18 May 2016, the Company entered into a second short-term Secured Loan Note agreement (May16 Loan) with Arisawa Manufacturing for $750,000. The terms are similar to the Feb16 Loan however the loan is secured by the Company's US 2D to 3D conversion patent number 7,489,812. At the same time, the Feb16 Loan due date was extended until 31 December 2016 through mutual agreement of the parties.

The Board has determined that the cost of continuing the AIM admission outweighs the benefits and is recommending a special resolution to cancel the AIM admission which will be voted on by shareholders at the 29 June 2016 AGM. If the resolution is approved by 75% of the voting shareholders, the cancellation would be effective on 7 July 2016.

Operational:

In February 2016, the Company announced a second affiliate licensing agreement for its SmartCam technology with AVerMedia, a leading producer of game-casting enabling devices. The agreement integrates the SmartCam technology into the LGX Live Gamer Extreme capture devices for use with the RE Central 2 software for game capture and game-casting. The Beta was released to the public on 19 February 2016 and the final software release is scheduled to be completed in May 2016.

In February 2016, the Company launched the Beta version of its UPix app in the Google Play™ store.

In May 2016, the Company launched the Mac OS X version of TriDef® SmartCam, an innovative real time background replacement solution for popular Apple Mac applications.

The Group's published regulatory announcements can be found on the Group's website at http://www.dddgroupplc.com/investors/rns-announcements/.

26. Consolidation

The subsidiaries included in the consolidated accounts are listed in Note 3 of the parent Company accounts.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DDD GROUP PLC

We have audited the parent company financial statements of DDD Group plc for the year ended 31 December 2015 which comprise the parent company statement of financial position, the parent company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 22-23, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - going concern

In forming our opinion on the parent company financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the parent company financial statements concerning the Group's ability to continue as a going concern.

The parent company incurred a net loss of £14,095,000 during the year ended 31 December 2015.

As explained in Note 1 to the parent company financial statements, the Directors have prepared cash flow forecasts up to 30 June 2017. The forecast includes receipt of additional funding; however, there is uncertainty that funding negotiations will be finalised.

These conditions, along with the other matters explained in Note 1 to the parent company financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The parent company financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the group financial statements of DDD Group plc for the year ended 31 December 2015. That report includes an emphasis of matter.

Perry Burton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
20 May 2016

PARENT COMPANY BALANCE SHEET
At 31 December 2015

	Notes	31 December 2015 £'000	restated 31 December 2014 £'000
FIXED ASSETS			
NON CURRENT ASSETS			
Investments in subsidiaries	3	**3,940**	12,970
CURRENT ASSETS			
Debtors	4	**6,805**	10,409
Cash at bank and at hand		**27**	105
		6,832	10,514
CURRENT LIABILITIES			
Creditors	5	**(266)**	(97)
Financial liabilities (current portion)	6	**(539)**	--
NET CURRENT ASSETS		**6,027**	10,417
NON CURRENT LIABILITIES			
Financial liabilities (long-term portion)	6	**(387)**	(587)
NET ASSETS		**9,580**	22,800
CAPITAL AND RESERVES			
Called up share capital	7	**8,603**	8,134
Share premium account	7	**11,625**	11,244
Share based payment reserves		**1,115**	1,190
Other reserves		**12,843**	12,843
Profit and loss account		**(24,606)**	(10,611)
SHAREHOLDERS' FUNDS		**9,580**	22,800

The financial statements were approved by the board of Directors on 20 May 2016 and signed on its behalf by:

CMYewdall.

Christopher Yewdall
Chief Executive Officer
Company number: 04271085

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Share capital account £000	Share premium account £000	Share based payment reserve £000	Other Reserve £000	Profit and loss account £000	Total £000
At 1 January 2014	**8,134**	**11,244**	**1,129**	**18,843**	**(9,623)**	**29,727**
Loss for the year	**-**	**-**	-	-	(7,016)	(7,016)
Reserve transfer – Note 1	**-**	**-**	-	(6,000)	6,000	-
Share based payments – share options	**-**	**-**	89		-	89
Share based payment reserve transfer	-	-	(28)		28	-
At 31 December 2014 - restated	**8,134**	**11,244**	**1,190**	**12,843**	**(10,611)**	**22,800**
Share issuances	**469**	**381**	-	-	-	850
Loss for the year	**-**	**-**	-		(14,095)	(14,095)
Share based payments – share options	**-**	**-**	25	-	-	25
Share based payment reserve transfer	-	-	(100)	-	100	-
At 31 December 2015	**8,603**	**11,625**	**1,115**	**12, 843**	**(24,606)**	**9,580**

NOTES TO PARENT COMPANY ACCOUNTS

1. ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in Sterling (£) and have been presented in round thousands (£'000).

This is the first year in which the financial statements have been prepared in accordance with FRS 101. The date of transition to FRS 101 is 1 January 2014. There are no measurement differences from the previous accounting framework adopted.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

1. A statement of cash flows and related notes
2. the requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the group as they are wholly owned within the group
3. The effect of future accounting standards not adopted
4. Certain share based payment disclosures
5. Disclosures in relation to impairment of assets
6. Disclosures in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value)

Additionally, the consolidated Group prepares accounts under IFRS which should be read in conjunction with these statements.

Going Concern Review:

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 13.

During the first half of 2016, the Company received two working capital secured debt loans from its largest shareholder who continues to support the Group during these challenging times. The Directors have prepared cash flow forecasts for the Group up to 30 June 2017 which indicate the parent company will have access to sufficient cash. The parent company will require additional funding within the next 12 months. If there are material adverse variances against these forecasts, the company would need to implement further mitigating actions to manage cash resources.

The Directors have concluded that the combination of these circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Nevertheless after making enquiries, the Directors have a reasonable expectation that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Prior period adjustment
In 2014 the Company recognised an impairment charge of £6m against the carrying value of amounts receivable from subsidiary undertakings. The amounts receivable were assigned to the company in 2012 as a result of the liquidation of Dynamic Digital Depth Inc. The receipt was treated as an unrealised gain and a corresponding amount recognised in Other reserves. As a result of the impairment charge an amount of £6m should have been transferred from Other reserve to Profit and loss reserve, in the year to 31 December 2014, as this amount had now been realised. The adjustment is a transfer between reserves and has no impact on the Statement of comprehensive income or the net assets of the company.

Key Accounting Policies:

Investments
Investments held as fixed assets are stated at the lower of cost and net realisable value, less provision for any impairment. In the opinion of the Directors, the value of such investments is not less than that shown at the balance sheet date.

Debtors
Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as loans and receivables. Such assets are measured at fair value on initial recognition and are subsequently

NOTES TO PARENT COMPANY ACCOUNTS

measured at amortised cost using the effective interest rate method unless there is objective evidence that an asset is impaired, when it is written down to its recoverable amount and the irrecoverable amount is recognised as an expense.

Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the parent Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Share based payments

All share based payment arrangements currently granted are recognised in the financial statements. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share based payments, the fair values of their services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (e.g. profitability and sales growth targets).

All equity settled share based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to ‘share based payment reserves’.

Upon exercise of share options, the proceeds received, net of attributable transaction costs, are credited to share capital and, where appropriate, share premium.

Other reserves

The Company received a distribution from Dynamic Digital Depth Inc., on the liquidation of this intermediary holding company, of the intercompany receivables held by Dynamic Digital Depth Inc. The receipt was treated as an unrealised capital receipt for taxation purposes on which basis no taxation was payable or has been provided for in these financial statements.

Foreign exchange

Non-Sterling based asset and/or liability balances for the balance sheet presented are translated at the closing rate at the date of the balance sheet and the resulting foreign exchange gain/loss is presented as part of the profit and loss account.

2. COMPANY PROFIT AND LOSS ACCOUNT

The parent Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent Company’s recognized loss for the year ended 31 December 2015 was £14,095,000 which includes a £11,563,000 impairment provision for the investment in subsidiaries as described in Note 3 below (2014: loss of £7,016,000 including £6,000,000 impairment provision for the loans due from subsidiaries discussed in Note 4).

3. FIXED ASSET INVESTMENTS

	31 December 2015 £000	31 December 2014 £000
Investment in subsidiary undertakings		
Cost		
Historical cost	**12,970**	12,208
Additions	**2,533**	762
Impairment provision	**(11,563)**	
Net book value	**3,940**	12,970

The Company tests the carrying value of its investments in subsidiary undertakings, which are carried at historical cost less impairment, and the related long term notes receivable from subsidiaries (Note 4) on an annual basis or more frequently if market conditions indicate a potential impairment.

Given that the market capitalisation of the Group is below the carrying balance of the investment in subsidiary undertakings and long term notes receivable from subsidiaries and also Shareholders’ Funds, the Company carefully assessed the carrying value utilising the discounted cash flow (DCF) forecasts of the Group under two varying scenarios (expected and conservative cases). Both scenarios include analysis of the existing 3D business as well as new business areas arising from the latest technologies described in the Strategic Report which will expand the market reach into the 2D consumer marketplace. It is also anticipated that licensing revenues may come from the IP assertion program described in the Strategic Report. The timing and quantum of revenues, profit and cash flows from the new business area is inherently less certain than those from the existing business. Management have based their assessment of cash flows on the best available information and they will revisit the key underlying assumptions, estimates and judgements at each reporting date.

In addition to the DCF models, management have prepared valuation assumptions using a more conservative approach based on the projected EBITDA forecasts for 2016-2018 under the two varying scenarios for the business divisions which are included in the models described above. The result indicated that a valuation reserve (impairment) should be considered.

NOTES TO PARENT COMPANY ACCOUNTS

The models underlying the discounted cash flow analysis were approved by Management in April 2016. Under the DCF approach (using a 9% discount rate, and 2% terminal growth rates on the 2D business) the carrying values were supported in the expected case model. However, given the current market capitalisation of the Company, the Board finds it prudent to record an impairment against the investment in subsidiary balance for amounts invested prior to 2012 (£11,563,000). The Board will continue to reassess the impairment regularly.

Interest in subsidiary undertakings

Name of undertaking	Class of shares	Percentage held (%)	Country of incorporation	Activities
In operation at year end:				
Dynamic Digital Depth USA, Inc. (DDD USA Inc.)	Ordinary	100	US	Corporate headquarters, primary sales and marketing office for 3D
GenMe, Inc.	Ordinary	100	US	Primary sales and marketing for 2D products, activity beginning in 2015
Dynamic Digital Depth Australia Pty. Ltd (DDD Australia)	Ordinary	100	Australia	Product support and administration
Dynamic Digital Depth Research Pty. Ltd (DDD Research)	Ordinary	100	Australia	Software and hardware development and research
DDD IP Ventures Ltd.	Ordinary	100	British Virgin Islands	Intellectual property administration

The Board continues to have a reasonable expectation that the operating entities in which the parent company has made investments will achieve profitability in the foreseeable future sufficient enough to support the carrying value of the investment.

4. DEBTORS

	2015 £000	2014 £000
Amounts falling due within one year		
Prepayments	**27**	11
Notes receivable from subsidiaries:		
DDD USA Inc.	**8,854**	11,012
DDD Australia	**2,528**	3,394
DDD Research	**1,396**	1,992
Impairment provision	**(6,000)**	(6,000)
	6,778	10,398
Total Debtors balance	**6,805**	10,409

The loans of the predecessor parent company (Dynamic Digital Depth Inc. "DDD Inc.") that were receivable from the subsidiaries were assigned to DDD Group plc as a result of the Group's vertical merger of its Canadian subsidiary, DDD Inc., on 7 September 2012. These loans are denominated in Canadian dollars and retranslated to Pounds Sterling at each reporting date. These loans are non-interest bearing and payable upon request.

Payments totalling CAD$3,364,000 were credited during the period (2014: nil), the remaining balance change is solely as a result of foreign exchange fluctuations. A thorough review of the capability of the subsidiaries to repay the debt was conducted. The impairment reserve of £6,000,000 is maintained in 2015.

NOTES TO PARENT COMPANY ACCOUNTS

5. CREDITORS

	2015 £000	2014 £000
Trade creditors	**6**	10
Accruals	**260**	87
	266	97

6. CONVERTIBLE LOAN NOTES

	2015 £000	2014 £000
Opening balance	**587**	--
Value of Notes on issuance in the period	**350**	535
Finance charges during the year	**(11)**	52
Financial liability element of loan notes	**926**	587
Current portion:		
2014 Notes (due January 2016)[1]	**539**	--
Long-term portion:		
2014 Notes (due January 2016)[1]	**--**	587
2015 Notes (due March 2017)	**387**	--
Total financial liability element of loan notes	**926**	587

[1] Subsequent to the period (Note 25 of the Group accounts), the Company authorised a noteholder resolution to extend the 2014 Notes for twelve (12) months at which time any outstanding notes will, at the option of the Company, be repaid in cash or settled by the issue of Shares at the conversion price.

Refer to Note 16 in the Group accounts for further details.

NOTES TO PARENT COMPANY ACCOUNTS

7. SHARE CAPITAL

	Shares	Nominal value £'000	Premium net of costs £'000	Total £'000
Deferred shares (par 9p)				
In issue 1 January & 31 December 2014 and 31 December 2015	74,416,547	6,698	-	6,698
Ordinary shares (par 1p)				
In issue 1 January 2014 and 31 December 2014	143,663,572	1,436	11,244	12,680
Share placing[1]	22,500,000	225	169	394
Share placing[2]	24,425,000	244	212	456
In issue 31 December 2015	190,588,572	1,905	11,625	13,530
All shares				
In issue 31 December 2014	218,080,119	8,134	11,244	19,378
In issue 31 December 2015	**265,005,119**	**8,603**	**11,625**	**20,228**

Key Movements in the Share Capital and Share Premium accounts are as follows:

[1] On 9 March 2015, approved by shareholders at an EGM held 31 March 2015, the Company raised £450,000 before expenses through a private placement of 22,500,000 ordinary shares of 1 penny each in the capital of the Company at a placing price of 2 pence per share.

[2] On 22 September 2015, the Company raised an additional £483,500 before expenses through a private placement of 24,175,000 ordinary shares of 1 penny each in the capital of the Company at a placing price of 2 pence per share. An additional 250,000 ordinary shares were issued to Beaufort Securities under the terms of their placing agreement.

Deferred shares (par 9p)
A description of and relevant rights attached to the deferred shares as of the date of this report are as set out in Note 10 of the consolidated Group financial statements.

Ordinary shares (par 1p)
A description of and relevant rights attached to the ordinary shares as of the date of this report are as set out in Note 21 of the consolidated Group financial statements.

8. SHARE BASED PAYMENTS

Refer to Note 20 in the Group accounts. Share based payments recognised in the parent Company accounts relate to share options granted to any Director of the parent Company and any employee of the Company's subsidiaries.

The parent Company recognised total expenses of £25,000 (2014: £89,000) related to equity-settled share based payment transactions during the year.

NOTES TO PARENT COMPANY ACCOUNTS

9. DIRECTORS' REMUNERATION

	2015 **£'000**	2014 £'000
Wages and salaries	**157**	165
Social Security contributions	**8**	9
Share based payments – share options	**18**	57
	183	231

The amounts above are the total earned director fees during the period. As noted in the Remuneration report on page 25 of the Annual Report, the Directors agreed to defer a portion of their director fee compensation in 2014 and 2015 until such time as the Group exceeds the financing models. Total deferred director fees for the year were £151,500 (2014: £36,000).

Share based payments recognised in this note are solely share option expense related to any executive or non-executive directors of the parent Company and are a subset of the total share based payment expense referenced in Note 8 above with additional detail in Note 20 of the Group accounts. All Group director fees are paid by the parent Company.

10. POST BALANCE SHEET EVENTS

Please refer to Note 25 in the Group accounts.

11. RELATED PARTY TRANSACTIONS

Please refer to Note 24 in the Group accounts for all external transactions.

COMPANY INFORMATION
For the year ended 31 December 2015

SHARE CAPITAL:

The total number of shares issued and outstanding as at 31 December:

Ordinary 1p	190,588,572
Deferred 9p	74,416,547
Total	265,005,119

STOCK SYMBOL:

DDD Group plc is listed on the AIM Market of the London Stock Exchange (AIM: DDD)

DDD Group plc also has a Level I ADR program of the UK AIM-listed ordinary shares listed on the OTCQX Market in the US (OTCQX: DDDGY)

COMPANY REGISTRATION NUMBER:

04271085

REGISTERED OFFICE:

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Chief Executive Officer

Dr. Julien Flack
Chief Technology Officer

Ms. Victoria L. Stull
Chief Financial Officer

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Mr. Christopher Yewdall
Los Angeles, CA, USA

Ms. Victoria L. Stull
Los Angeles, CA, USA

Mr. Paul Kristensen
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Mr. Hans Roger Snook
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