

25 April 2017

**EU Supply plc**  
**("EU Supply", the "Company" or the "Group")**

**Final Results for the year ended 31 December 2016**

EU Supply (LSE AIM: EUSP), the e-procurement software provider, is pleased to announce its audited final results for the year ended 31 December 2016.

**Financial highlights:**

- Revenue grew by 22% to £3.4m (2015: £2.8m)
- 71% of 2016 revenues were estimated to be of recurring or repeated nature at year end (2015: 73%)
- Loss before interest and tax reduced by 42% to £0.8m (2015: £1.4m) with a profit before tax recorded in the last quarter of 2016
- Cash generated in H2 2016 with a cash balance of £1.0m at 31 December 2016 (2015: £1.4m)

**Operational highlights:**

- Several new contracts signed generating a strong order book going into 2017
- Staff and costs reduced in early 2016 to ensure operating profitability before end of 2016
- Extensions of important contracts, including in Ireland and The Netherlands
- Contract of approximately €450,000 for enhancements with Minister for Public Expenditure and Reform in Ireland
- Contract of up to €320,000 for enhancements, licences, maintenance & support for Minister for Public Expenditure and Reform of Ireland
- Business Alert services continued to grow delivering almost double 2015's revenues

**Highlights post-year end:**

- Additional SaaS licence contracts added to order book for 2017, e.g. Norwegian County Council consortium
- Additional enhancement contracts signed with existing customers

**David Cutler, Chairman of EU Supply, commented:**

"I am pleased that the measures taken in early 2016 have established a profitable platform for growth into 2017 and beyond, which is supported by a strong order book and pipeline of business."

**FURTHER ENQUIRIES**

**EU Supply PLC**

Thomas Beergrehn, CEO

Mattias Ström, CFO

**Stockdale Securities**

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A copy of this announcement is available at [www.eu-supply.com](http://www.eu-supply.com).

## Notes to Editors

EU Supply is the UK holding company of the EU Supply Group, a Sweden-based e-commerce business, which has an established, market-leading, multilingual e-procurement platform for sourcing, e-tendering and contract management, tailored for the highly regulated European public sector market.

Since 2006, the Group has invested heavily in employing specialist programmers to add functionality, legal compliance as required and security features to its Complete Tender Management™ ("CTM™") platform to ensure that the Group is ideally placed to secure new contracts with EU Member States and their Contracting Authorities. The platform is available in 16 different languages.

The Directors believe that the Group's CTM™ platform is one of the easiest to use and most functionally advanced solutions available in the market. The CTM™ platform is used by over 7,000 European public sector bodies in 9 EU/EEC Member States and has National Procurement System status in four Member States (the UK, Ireland, Norway and Lithuania).

The Company's shares were admitted to trading on AIM in November 2013. In August and September 2015, the Company raised a total of £2.061m (before expenses) through a placing of new shares and the issue of first and second tranches of Convertible Loan Notes to institutional and other investors.

# Chairman's Statement

## Overview

EU Supply Plc (the "Company") (LSE AIM: EUSP), which is the UK holding company of the EU Supply Group ("Group"), presents its audited final results for the year ended 31 December 2016.

The Board determined in 2015 that the focus for 2016 was to establish a profitable platform for growth in 2017 and beyond. I am pleased to report that, despite the headwind of currency volatility, the Group has achieved its target of profitability in the last quarter of 2016 through a combination of continued revenue growth and stringent control of costs. The Group has continued its growth, particularly in Norway and Denmark, and has also made encouraging progress in the private sector, notably in Denmark.

Revenues in 2016 increased by 22% to £3.4m (2015: £2.8m), whilst operational costs were held at £4.3m (2015: £4.3m). The loss before interest and tax was reduced by 42% to £0.8m (2015: £1.4m).

As at 31 December 2016, approximately 71% of the 2016 revenues were of recurring or repeatable nature (2015: 73%) providing a strong revenue base for 2017.

Denmark and Norway continued to be the strongest markets for the Group in 2016, with the additional revenues from new customers of our CTM™ platform and in Norway our Business Alert services generated almost double 2015's revenues.

In the UK and Ireland, the Group has also signed several agreements of significant value to develop further paid-for enhancements of its CTM™ product, as well as new customer agreements for its Software as a Service, (SaaS) based CTM™ platform.

Elsewhere, the Group delivered additional services in Lithuania, saw growing royalties in The Netherlands, and entry into the German market was achieved through the distribution agreement signed in December 2016 with a subsidiary of Deutsche Telekom.

Cash flow from operating activities for the year improved by approximately £1.0m versus 2015 with a positive cash flow achieved in H2 2016. Cash at 31 December 2016 was £1.0m (31 December 2015: £1.4m).

## Outlook

The successful establishment of a profitable platform for growth into 2017 and beyond is supported by a strong order book and pipeline of business.

With the support of the Group's dedicated and skilled staff, the Board is confident of further revenue growth in 2017 from both existing contracts and also new customers and markets.

David Cutler  
**Chairman**

# Strategic Report

## Introduction

I am pleased to report that as a result of the actions initiated by the Board in early 2016 and the continuing efforts by our dedicated staff during the year, the Group generated cash during the second half of 2016, while also achieving a profit before tax in the last quarter of the year.

During the year, the Group continued to win new business in both its main CTM™ software services and from its Business Alerts services, and it has augmented this and its competitive position with customer-paid enhancements. The new SaaS contracts are expected to generate additional recurring revenues on top of the Group's existing revenue base creating top-line growth.

## Business review

The SaaS business is growing with additional layers of recurring revenues added, with revenues of recurring or repeated nature at 31 December 2016 of 71% of 2016 revenues.

The Group continued to consolidate its strong position in Denmark, with SaaS contracts entered into with several new customers, such as the Danish Ministry of Employment, Verdo A/S and Orbicon A/S, in 2016 and in 2017. In addition, the business in Norway has developed strongly with a number of new customers added during 2016, such as Vest-Agder County Council (including a number of associated regional and local authorities) and Nye Veier (a Norwegian road entity).

The Group has also won several mid-sized and larger orders for customer-paid enhancements projects, mostly in the UK and Ireland, in the second half of 2016 which have continued into 2017, complementing the increasing SaaS revenues generated by our CTM™ solution. Delivery of most of these projects is anticipated in the first half of 2017, with the potential for improved annual service fees from this in 2018 and beyond.

In the last quarter of 2016, the Group signed a distribution agreement with T-Systems Multimedia Solutions GmbH ("T-Systems"), a subsidiary of information and communication technology provider T-Systems International GmbH, part of the Deutsche Telekom AG group. Under this agreement, T-Systems will distribute the Group's CTM™ platform's services in the German market and provide local user support and implementation services while the Group will provide the SaaS platform and back-end support.

The Group's Business Alert services continued to show strength delivering revenues in 2016 of close to £0.5m (2015: £0.25m) with most of the revenues coming from Norway.

The Group and one of its partners are also in discussions with several blue chip oil and gas companies for various services (including licences) that subject to the geopolitical development may develop toward the end of 2017 with the potential of generating revenues in 2018 and beyond.

The Group expects to deliver continuing revenue growth in 2018 from its existing recurring revenue base, a strong order book from contracts already announced and a promising pipeline of small and mid-sized SaaS opportunities.

## Development of the e-Procurement market

The Group is seeing an accelerated demand for its services, in part driven by the new EU Directives that were ratified in the EU Parliament in January 2014, now implemented in most EU Member States in their respective legislations with effective dates for certain mandatory e-tendering provisions at milestones before November 2018. The 2014 EU Directives include new requirements for mandatory electronic submission of tender responses and electronic availability of tender documents.

The Directors expect accelerated revenue growth particularly in those markets where it is already well positioned, for example in Denmark and Norway and in markets where there is still significant potential in further adoption, for example Germany. Discussions are also ongoing with prospective distributor partners in additional EU Member States where there are potential new customer and revenue opportunities ahead of the mandatory provisions.

With the short time remaining until the 2018 deadlines, the Directors note that public sector organisations are commonly looking for acquiring either a light touch solution with a focus on compliance and “ease of use”, similar to the Group’s “Tender Lite” basic service configuration, or already developed more advanced e-Procurement systems. The Group is one of a few suppliers to have built a more advanced platform which has the flexibility to operate in all European markets (and in others) and in multiple sub-sectors without the need to develop and maintain multiple versions of the software. There are already examples of the Group’s customers which initially started using the Tender Lite solution, which have later sought additional features of the system giving the Group incremental annual revenues.

Although there has been some consolidation, the European market remains, in the Board’s opinion, very fragmented with a handful of competitors in each of the EU and EEC countries. As a result, the Group is still experiencing strong pricing pressure in open tenders and therefore continues to focus on those sectors and sub-sectors of markets where it considers that reasonable or better pricing can be achieved for its CTM™ platform and related services.

Additional mandatory requirements are also expected to be implemented by the EU/EEC Member States. Such new requirements are expected to generate further revenues for the Group through paid-for enhancements and/or new module licences. These requirements are also expected to increase the hurdles for smaller competitors. Examples of such new requirements following the implementation of the 2014 EU Directives include a large number of new contract notice publication schema and an electronic qualification through the use of European Single Procurement Document (“ESPD”).

Additional certifications of management systems are also common to ensure security and quality of services. These additional requirements may over time accelerate the consolidation of the e-Procurement market and also improve the pricing.

The Directors believe that the UK leaving the EU should have limited implications on the e-Procurement market as UK public sector authorities will continue to seek cost reductions and transparency with resulting continuing demand for e-Procurement solutions.

## **Financial Performance**

In the year ended 31 December 2016, revenues grew by 22% to £3.4m (2015: £2.8m). The operational costs were held at £4.3m (2015: £4.3m) and the loss before interest and tax was reduced by 42% to £0.8m (2015: £1.4m).

In the last quarter of 2016, the Group achieved its targeted run-rate operating profitability before the end of 2016, with a profit before tax being achieved. The Group also generated cash in the second half of 2016 with cash as at 31 December 2016 of £1.0m (30 June 2016: £0.9m and 31 December 2015: £1.4m).

## **People, certifications and appointments**

In the first half of 2016, the Group aligned its staffing to achieve operational profit. Later in the year, in response to its strengthening order book, the Group made certain selective hires in key operational positions.

The Group has also achieved continued ISO 27001:2013 certification of all business processes. During 2016, it also achieved certification of all business processes to ISO 20000-1:2011 IT Service Management System, ISO 9001:2015 Quality Management and ISO14001:2015 Environmental Management System, as required by an increasing number of customers.

## **Dividend**

The Board is not recommending the payment of a dividend.

## Outlook

During 2017, the Group will continue to focus on further building its base of SaaS revenues which will substantially continue to be of recurring or repeated nature. The Group also has a strong order book and pipeline from paid-for enhancements, which will complement the SaaS revenues during 2017 and further strengthen the competitiveness of the Group's CTM™ platform.

In the second half of 2017 and into 2018, the Group anticipates further increased activity by public sector organisations which do not currently have an e-Procurement solution meeting the new requirements. With our CTM™ platform, we are well positioned to gain market share in the countries where we are active.

In Denmark, where the Group already has a strong position, we expect to achieve considerable revenue growth ahead of the implementation of regulatory requirements for public sector bodies in the country.

In Norway, there is already an accelerated interest in the Group's CTM™ platform and several tenders for a tender management solution service are being considered at any one point in time.

In the UK and Ireland, we are seeing new prospects for both CTM™ services and paid-for enhancements and a pipeline of further business is being developed in several other EU/EEC countries.

Growth in Business Alert services is expected to continue in 2017, particularly in Norway, the first market where this service was launched in scale and actively promoted.

In Germany, our new distributor T-Systems is actively working to market and sell our CTM™ platform as a service. The Directors anticipate first contracts to be signed in Germany during 2017 with more significant revenues being generated during 2018.

The Group is also approached by potential distributors in additional larger EU Member States where the current adoption of e-Procurement solutions is still relatively low, and where the potential in 2017-2018 is still high. The Group may qualify and support such additional distributor relationships where conditions for success is deemed high compared to opportunities in the currently addressed markets.

Additional mandatory requirements in the EU public sector are expected to lead to additional software functionality being demanded by our customers. This is expected to provide an additional source of revenues in 2017 and 2018. A targeted increase of development capacity is required to ensure sufficient resources are available to deliver these contracts which forms a key part of the Group's development plan.

Revenues have continued to grow in the first quarter of 2017 compared to the same period last year and the Board anticipates that the Group will continue to move towards profitability before interest and tax in 2017. Revenue growth is expected to continue in 2018 with operational costs tightly controlled.

Thomas Beergrehn  
**Chief Executive Officer**

# Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2016 £	Year ended 31 December 2015 £
<b>Revenue</b>	4	<b>3,444,015</b>	2,832,443
Administrative expenses excluding restructuring expenses		(4,163,425)	(4,262,111)
Restructuring expenses	5	(113,816)	-
Total administrative expenses		(4,277,241)	(4,262,111)
<b>Operating loss</b>		<b>(833,226)</b>	(1,429,668)
Finance Costs - net	8	(247,413)	(58,265)
<b>Loss before taxation</b>		<b>(1,080,639)</b>	(1,487,933)
Taxation	9	125,517	58,471
<b>Loss for the year attributable to equity holders of the parent</b>		<b>(955,122)</b>	(1,429,462)
Other Comprehensive income:			
Exchange differences arising on the translation of foreign subsidiaries		22,769	4,114
<b>Total comprehensive loss for the year attributable to equity holders of the parent</b>		<b>(932,353)</b>	(1,425,348)
<b>Basic and diluted loss per share attributable to the owners of the parent</b>	10	<b>(0.014)</b>	(0.022)

The results reflected above relate to continuing activities.

# Company Statement of Comprehensive Income

Company Registration Number: 08513444

	Note	Year ended 31 December 2016 £	Year ended 31 December 2015 £
<b>Revenue</b>	4	<b>199,536</b>	150,894
Administrative expenses excluding impairment expense		(202,170)	(202,190)
Provision for impairment	5	-	(2,363,000)
Total administrative expenses		(202,170)	(2,565,190)
<b>Operating loss</b>		<b>(2,634)</b>	(2,414,296)
Finance Costs - net	8	(246,109)	(59,391)
<b>Loss before taxation</b>		<b>(248,743)</b>	(2,473,687)
Taxation	9	-	-
<b>Loss for the year attributable to the owners of the parent</b>		<b>(248,743)</b>	(2,473,687)
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive loss for the year attributable to owners of the parent</b>		<b>(248,743)</b>	(2,473,687)

# Consolidated Statement of Financial Position

Company Registration Number: 08513444

		31 December 2016 £	31 December 2015 £
<b>Non-current assets</b>	<b>Note</b>		
Property, plant and equipment	11	50,125	91,845
Intangible assets	12	-	-
Other long term receivables		8,685	7,394
		58,810	99,239
<b>Current assets</b>			
Trade and other receivables	14	575,898	870,126
Current tax assets		151,149	72,844
Cash and cash equivalents	15	965,270	1,430,963
		1,692,317	2,373,933
<b>Total assets</b>		1,751,127	2,473,172
<b>Equity</b>			
Called up share capital	19	67,716	67,716
Share premium		6,497,128	6,497,128
Merger reserve		2,676,055	2,676,055
Other reserve		510,897	625,811
Foreign exchange reserve		(24,179)	(46,948)
Retained earnings		(10,529,732)	(9,714,342)
<b>Total equity</b>		(802,115)	105,420
<b>Non-current liabilities</b>			
Deferred tax liability		27,211	21,080
Borrowings	17, 18	1,172,080	1,105,399
		1,199,291	1,126,479
<b>Current liabilities</b>			
Trade and other payables	16	1,353,951	1,233,741
Borrowings	17	-	7,532
		1,353,951	1,241,273
<b>Total equity and liabilities</b>		1,751,127	2,473,172

The financial statements were approved by the Board and authorised for issue on 24 April 2017 and signed on its behalf by:

# Company Statement of Financial Position

Company Registration Number: 08513444

		31 December 2016 £	31 December 2015 £
<b>Non-current assets</b>	<b>Note</b>		
Investment in subsidiary company	13	-	-
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
<b>Current assets</b>			
Trade and other receivables	14	3,109,068	2,991,249
Cash and cash equivalents	15	604,227	883,531
		<hr/>	<hr/>
		3,713,295	3,874,780
		<hr/>	<hr/>
<b>Total assets</b>		<hr/> <b>3,713,295</b> <hr/>	<hr/> <b>3,874,780</b> <hr/>
<b>Equity</b>			
Called up share capital		67,716	67,716
Share premium		6,497,128	6,497,128
Merger reserve		(35,541)	(35,541)
Other reserve		414,420	551,072
Retained earnings		(4,518,639)	(4,409,628)
		<hr/>	<hr/>
<b>Total equity</b>		<hr/> <b>2,425,084</b> <hr/>	<hr/> <b>2,670,747</b> <hr/>
<b>Non-current liabilities</b>			
Borrowings	17, 18	1,172,080	1,083,618
		<hr/>	<hr/>
		1,172,080	1,083,618
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	16	116,131	120,415
		<hr/>	<hr/>
		116,131	120,415
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<hr/> <b>3,713,295</b> <hr/>	<hr/> <b>3,874,780</b> <hr/>

The financial statements were approved by the Board and authorised for issue on 24 April 2017 and signed on its behalf by:

## Consolidated & Company Statements of Changes in Equity

Group	Share capital £	Share premium account £	Retained earnings £	Foreign exchange reserve £	Other reserve £	Merger reserve £	Total £
As at 1 January 2015	62,566	6,126,198	(8,284,881)	(51,063)	176,302	2,676,055	705,177
Total comprehensive loss for the year	-	-	(1,429,461)	4,115	-	-	(1,425,346)
Issue of ordinary shares	5,150	406,850	-	-	-	-	412,000
Issuing costs recognised in equity	-	(35,920)	-	-	-	-	(35,920)
Issue of convertible loan notes	-	-	-	-	414,420	-	414,420
Untaxed reserves reclassified to equity	-	-	-	-	16,353	-	16,353
Share based payment	-	-	-	-	18,736	-	18,736
<b>At 31 December 2015</b>	<b>67,716</b>	<b>6,497,128</b>	<b>(9,714,342)</b>	<b>(46,948)</b>	<b>625,811</b>	<b>2,676,055</b>	<b>105,420</b>
Total comprehensive loss for the year	-	-	(955,122)	22,769	-	-	(932,353)
Untaxed reserves reclassified to equity	-	-	-	-	21,738	-	21,738
Share based payment	-	-	139,732	-	(136,652)	-	3,080
<b>At 31 December 2016</b>	<b>67,716</b>	<b>6,497,128</b>	<b>(10,529,732)</b>	<b>(24,179)</b>	<b>510,897</b>	<b>2,676,055</b>	<b>(802,115)</b>

  

Company	Share capital £	Share premium account £	Retained earnings £	Foreign exchange reserve £	Other reserve £	Merger reserve £	Total £
As at 1 January 2015	62,566	6,126,198	(1,935,941)	-	117,916	(35,541)	4,335,198
Total comprehensive loss for the year	-	-	(2,473,687)	-	-	-	(2,473,687)
Issue of ordinary shares	5,150	406,850	-	-	-	-	412,000
Issuing costs recognised in equity	-	(35,920)	-	-	-	-	(35,920)
Issue of convertible loan notes	-	-	-	-	414,420	-	414,420
Share based payment	-	-	-	-	18,736	-	18,736
<b>At 31 December 2015</b>	<b>67,716</b>	<b>6,497,128</b>	<b>(4,409,628)</b>	<b>-</b>	<b>551,072</b>	<b>(35,541)</b>	<b>2,670,747</b>
Total comprehensive loss for the year	-	-	(248,743)	-	-	-	(248,743)
Share based payment	-	-	139,732	-	(136,652)	-	3,080
<b>At 31 December 2016</b>	<b>67,716</b>	<b>6,497,128</b>	<b>(4,518,639)</b>	<b>-</b>	<b>414,420</b>	<b>(35,541)</b>	<b>2,425,084</b>

# Consolidated Statement of Cash Flows

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
<b>Cash flows from operating activities</b>		
Loss after taxation	(932,353)	(1,425,348)
Adjustments for:		
Interest expense (net)	247,413	58,265
Income tax	(59,519)	68,330
Depreciation	28,949	22,628
Share option charge	3,080	18,736
Net foreign Exchange gain	(31,905)	22,588
<b>Operating cash flows before movements in working capital</b>	<b>(744,335)</b>	<b>(1,234,801)</b>
Decrease/(increase) in trade and other receivables	294,228	(255,600)
Increase/(decrease) in trade and other payables	120,209	(4,689)
Cash used in operations	(329,898)	(1,495,090)
Net Interest paid	(176,951)	(40,282)
<b>Net cash used in operating activities</b>	<b>(506,849)</b>	<b>(1,535,372)</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(8,446)	(46,644)
(Increase)/decrease in long term receivables	(1,291)	3,597
<b>Net cash used in investing activities</b>	<b>(9,737)</b>	<b>(43,047)</b>
<b>Financing activities</b>		
Proceeds from issue of share capital	-	826,420
Issue costs of shares	-	(35,920)
Increase in borrowings	-	1,111,931
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>1,902,431</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(516,586)</b>	<b>324,012</b>
Cash and cash equivalents at beginning of year	1,430,963	1,119,059
Effect of foreign exchange translation on cash equivalents	50,893	(12,108)
<b>Cash and cash equivalents at end of year</b>	<b>965,270</b>	<b>1,430,963</b>

# Company Statement of Cash Flows

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
<b>Cash flows from operating activities</b>		
Loss after taxation	(248,743)	(2,473,687)
Adjustments for:		
Interest expense	246,109	59,391
Share based payments	3,080	18,736
Provision for intercompany debt	-	2,363,000
Currency exchange adjustment	(13,435)	-
<b>Operating cash flows before movements in working capital</b>	<b>(12,989)</b>	<b>(32,560)</b>
Decrease in trade and other receivables	(117,268)	(1,003,444)
Increase/(decrease) in trade and other payables	2,868	85,735
Cash used in operations	(127,389)	(950,269)
Interest paid	(165,352)	(59,391)
<b>Net cash used in operating activities</b>	<b>(292,741)</b>	<b>(1,009,660)</b>
<b>Financing activities</b>		
Proceeds from issue of share capital	-	826,420
Issue costs of shares	-	(35,920)
<b>Increase in borrowing</b>	<b>-</b>	<b>1,083,618</b>
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>1,874,118</b>
<b>Net (decrease)/increase in cash and cash</b>	<b>(292,741)</b>	<b>864,458</b>
Cash and cash equivalents at beginning of year	883,531	11,369
Effect of foreign exchange translation on cash equivalents	13,437	7,704
<b>Cash and cash equivalents at end of year</b>	<b>604,227</b>	<b>883,531</b>

# Notes to the consolidated financial information

## General information

EU Supply plc is a public limited company incorporated in the United Kingdom under the Companies Act. The address of its registered office is given on page 1. The principal activities of the Company and its subsidiaries (the Group) are described in note 4.

### 1. Accounting policies

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

#### *Basis of preparation*

These company and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS. These accounts have been prepared under the historical cost convention.

The Group financial statements consolidate the financial statements of the Company and its subsidiaries (together referred to as 'the Group'). The parent Company financial statements present information about the Company as a separate entity and not about its Group.

#### *Going concern*

With cash generation in the second half of 2016 the directors believe that the Group has demonstrated further progress in achieving its objective of positioning itself as market-leading, multilingual e-procurement platform for e-sourcing, e-tendering and contract management, tailored for the highly regulated European public sector market.

The directors have prepared a cash flow forecast covering a period extending beyond 12 months from the date of these financial statements. After taking account of anticipated costs and revenues, the directors are confident that sufficient funds are in place to support the going concern status of the Group.

Therefore the directors consider that it is appropriate to prepare the Group's financial statements on a going concern basis, which assumes that the Group is to continue in operational existence for the foreseeable future. When assessing the foreseeable future, the directors have looked at a period of at least 12 months from the date of approval of the financial statements.

#### *New and Revised Standards*

##### *Standards in effect in 2016 adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2016:

- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The adoption of these amendments has had no impact on the current period or any prior period and is not likely to affect future periods.

## ***IFRS in issue but not applied in the current financial statements***

The following new and revised IFRSs have been issued but have not been applied by the Group in preparing these financial statements as they are not as yet effective. The Group intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- IFRS 9, 'Financial instruments', effective date 1 January 2018
- IFRS 15 'Revenue from Contracts with Customers', effective date 1 January 2018
- IFRS 16 'Leasing', effective date 1 January 2019

The directors of the Company anticipate that the application of these accounting standards in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

A number of amendments to existing IFRSs are also currently in issue which are not relevant for the Group's activities and which have not therefore been adopted in preparing these financial statements.

## ***Basis of consolidation***

Where the Group has power, either directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities, it is classified as a subsidiary.

### *Merger accounting*

The accounting treatment in relation applied to introduction of EU Supply PLC as a new UK holding Company of the Group was considered be outside the scope of the IFRS3 'Business Combinations'. The share scheme arrangement constituted a combination of entities under common control as EU Supply PLC was not a business as defined by IFRS 3 at the time that the Share Scheme became effective. The relative rights of the shareholders remained unaltered post transaction and was facilitated entirely by a share for share exchange.

Paragraph 10 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' requires management to use its judgement in developing and applying a policy that is relevant, reliable, represents faithfully the transaction, reflects the economic substance of the transaction, is neutral, is prudent, and is complete in all material respects when selecting the appropriate methodology for consolidation accounting. The directors have therefore treated the insertion of EU Supply PLC as the ultimate parent entity as a Group reconstruction and have applied the merger accounting principles to prepare the consolidated financial statements and treated the reconstructed Group as if it had always been in existence. The difference between the nominal value of shares issued in the share exchange and the book value of the shares obtained is recognised in a merger reserve.

The Group has taken advantage of merger relief available under Companies Act 2006 in respect of the share for share exchange as the issuing company has secured more than 90% equity in the other entity. The carrying value of the investment is carried at the nominal value of the shares issued less provision for impairment.

## ***Segment reporting***

In accordance with IFRS 8, segmental information is presented based on the way in which financial information is reported internally to the chief operating decision maker. The group's internal financial reporting is organised along service lines and therefore segmental information has been presented about business segments. A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns which are different from those of other business segments.

The Group currently has two reportable segments, Business Alert services and services relating to the Group's CTM™ platform. The Group categorises all revenue from operations to these two segments. The segmental information for 2015 has been restated to reflect that Business Alert services now constitute a reportable segment under IFRS 8.

The Group currently does not allocate costs on a segment basis and is therefore unable to report segment profit and loss. Further, the Group does not allocate assets on a segment basis and is therefore unable to report total assets per segment.

Information regarding geographical revenues and non-current assets is disclosed in note 4 to the financial statements.

### ***Revenue Recognition***

Revenue represents the gross amounts billed to clients in respect of revenue earned and other client recharges, net of discounts, sales taxes, accrued, and deferred amounts.

Each type of revenue is recognised on the following basis:

- a) Licence fees are recognised over the period of the relevant contracts or agreements, in line with the terms of the contract;
- b) Ongoing support and maintenance fees are spread over the period of the contract on a straight line basis.
- c) The Business Alert service is typically a service where the main work for the Group is performed at the start of each subscription period. The Business Alert subscription fees are therefore recognised in the accounting period when payment is received by the Group.
- d) Certain other services fees are recognised in the accounting periods in which work is performed.

Gross revenue is recognised as the Group acts as principal and not agent in its dealings with customers. The Group is also responsible for the quality of the service delivery.

Grants are recognised as revenue in accordance with the performance of the underlying grant conditions and where there is reasonable assurance that the grant will be received. Income from grants is presented as Other Income in the Group's segmental analysis in Note 4 to the financial statements.

### ***Taxation***

Income tax expense represents the sum of the current tax and deferred tax charge for the year.

The charge in respect of current taxation is based on the estimated taxable profit for the year. Taxable profit for the year is based on the profit as shown in the income statement, as adjusted for items of income or expenditure which are not deductible or chargeable for tax purposes. The current tax liability for the year is calculated using tax rates which have either been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates which have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Untaxed reserves in the group's subsidiaries are presented within deferred tax liabilities and equity within other reserves.

### ***Share-based payment***

In accordance with IFRS 2 'Share-based payments', the Group reflects the economic cost of awarding shares and share options to employees and directors by recording an expense in the statement of comprehensive income equal to the fair value of the benefit awarded. The expense is recognised in the statement of comprehensive income over the vesting period of the award.

Fair value is measured by the use of a Black-Scholes option pricing model, which takes into account the expected life of the awards, the expected volatility of the return on the underlying share price, the market value of the shares, the strike price of the awards and the risk-free rate of return. The charge to the income statement is adjusted for the effect of service conditions and non-market performance conditions such that it is based on the number of awards expected to vest. Where vesting is dependent on market-based performance conditions, the likelihood of the conditions being achieved is adjusted for in the initial valuation and the charge to the income statement is not therefore adjusted so long as all other conditions are met.

Where an award is granted with no vesting conditions, the full value of the award is recognised immediately in the income statement.

### ***Foreign currency***

Items included in the financial statements of each group company are measured using their functional currency, being the currency of the primary economic environment in which each company operates. The functional currency of EU Supply PLC and EUS Holdings Ltd. is Pound Sterling, whereas the functional currency of EU-Supply Holdings AB is Swedish Krona.

The consolidated financial statements are presented in Pound Sterling, which is the company's functional and presentational currency.

Foreign currency transactions are translated using the rate of exchange applicable at the date of or a date in close proximity to the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at the year-end of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of group companies whose functional currency is not Sterling are translated as follows:

- Assets and liabilities at each balance sheet date presented are translated using the closing exchange rate at that balance sheet date;
- Income and expenses for each income statement are translated using average exchange rates for the period which reasonably approximate the effect of the rates prevailing on the transaction dates.

Exchange differences arising on Consolidation are recognised on the group balance sheet in a separate component of equity, the foreign exchange reserve.

### ***Property, plant and equipment***

Items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Office equipment – 20% -33% per annum straight line

### ***Intangible Assets***

Intangible assets consists of development costs relating to the CTM™ platform. Development activities involve a planned investment in the building and enhancement of the trading platform. Development expenditure is only capitalised if the development costs can be measured reliably and the platform being built will be completed and will generate future economic benefits in the form of cash flows to the Group. Expenditure being capitalised includes internal staff time and cost spent directly on developing the CTM™ platform.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment costs. The amortisation period was 5 years. All previously capitalised costs for the development of the CTM™ platform had been amortised by end of December 2016.

The directors have chosen a prudent approach and do not consider that there is not sufficient certainty that the development costs incurred in the year meet all of the criteria set out in IAS 38 'Intangible Assets' and therefore such costs have not been capitalised during the period. Therefore no additional development expenditures have been capitalised during the period.

### ***Impairment of assets***

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A review for indicators of impairment is performed annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment charge is recognised in the income statement in the year in which it occurs. When an impairment loss, other than an impairment loss on goodwill, subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years.

### ***Investments in subsidiaries***

The Company's investments in its subsidiaries are carried at cost less provision for any impairment.

### ***Financial assets***

The Group classifies its financial assets into one of the categories disclosed below, depending on the purpose for which the asset was acquired.

#### *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

#### *Cash and cash equivalents*

Cash and cash equivalents deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and – for the purpose of the statement of cash flows - bank overdrafts or outstanding credit card balances. Bank overdrafts and credit card advances are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

### ***Financial liabilities and equity***

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Interest-bearing borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method with any difference between the proceeds (net of transaction costs) and the redemption value being recognised over the period of the borrowings.

The component parts of convertible loans issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the liability portion of convertible loan stock is determined using a market interest rate for a comparable loan stock with no conversion option. This amount is recorded as a liability on an amortised cost basis using the effective interest method until the loan stock is redeemed or converted. The remainder of the carrying amount of the loan stock is allocated to the conversion option and shown within equity, and is not subsequently re-measured. The conversion option recognised as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in the income statement upon conversion or expiration of the conversion options.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the life of the loan notes using the effective interest method.

Other financial liabilities including trade payables and other short-term monetary liabilities, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. As the payment period of trade payables is short future cash payments are not discounted as the effect is not material.

### ***Derecognition of financial liabilities***

The Group derecognises financial liabilities when and only when the Group's obligations are discharged, cancelled or they expire.

### ***Share Capital***

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group only has one class of ordinary shares, denominated as £0.001 (2015: £0.001) ordinary shares, as set out in note 19. The Company's ordinary shares are classified as equity instruments.

### ***Leases***

On inception of a lease of an item of property, plant and equipment, the terms and conditions of the lease are reviewed to determine the appropriate classification for the lease. Where the Group bears substantially all the risks and rewards of ownership of the item, the lease is classified as a finance lease and the item is capitalised within the appropriate class of

property, plant and equipment at the lower of the fair value of the leased item and the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to obtain a constant rate on the finance balance outstanding. The outstanding capital element of the lease payments are included within current and long-term payables as appropriate; the interest element of the lease payments is charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight line basis over the term of the lease.

### ***Provisions***

Provisions are recognised in the balance sheet where there is a legal or constructive obligation to transfer economic benefits as a result of a past event. Provisions are discounted using a rate which reflects the effect of the time value of money and the risks specific to the obligation, where the effect of discounting is material.

### ***Pensions***

The group operates a defined contribution pension scheme under which fixed contributions are payable. Pension costs charged to the income statement represent amounts payable to the scheme during the year.

## **2. Critical accounting estimates and judgements**

The preparation of financial statements in compliance with generally accepted accounting practice, in the case of the Group and Company being International Financial Reporting Standards as adopted by the European Union, requires the Group to make estimates and judgements that affect the reported amount of assets, liabilities, income and expenditure and the disclosures made in the financial statements. Such estimates and judgements must be continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The significant judgements made by management in applying the Group's accounting policies as set out above, and the key sources of estimation, were:

### ***(a) Revenue recognition***

Revenue from the services provided is measured at the fair value of the consideration received or to be received, net of returns, trade discounts and volume rebates.

Revenue is either recognised in the statement of comprehensive income or deferred based on a review of all live contracts at the period end. Based on the judgement of management and with reference to the stage of completion the licence fees and maintenance contracts, a determination of the appropriate revenue to recognise is made. Following this assessment, an appropriate adjustment to deferred income is made. In the current year the value of the deferred revenue is £574,118 (2015: £399,771).

### ***(b) Share based payments***

Share options are measured at their fair value utilising a Black-Scholes valuation model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

### ***(c) Convertible loan notes***

On issue of the convertible loan in the year ended 31 December 2015, the group was required to estimate the market interest rate for a comparable loan stock with no conversion option, in order to determine the fair value of the liability and

equity components. The use of a greater market interest rate would have resulted in a lower liability component and greater finance cost over the life of the convertible loan notes.

*(d) Intercompany receivable impairment*

The Company has performed an impairment test of the intercompany receivable from EUS Holdings Ltd. The impairment test requires that the Company estimates the future cash flows available to repay the intercompany debt and also estimates a suitable discount rate in order to calculate the present value of the anticipated future cash flows.

Following the review of the carrying value of the receivable from EUS Holdings Ltd, the Board considered it prudent to provide for a part of the receivable in the year ended 31 December 2015 (see note 14).

The key assumptions for the impairment test are those regarding the discount rates, growth rates and expected changes to forecast profitability.

Future cash flows are derived from the most recent financial forecast.

Future cash flows are derived from a financial forecast for a period of 7 years. The rate used to discount forecast future cash flows is 10%. This test resulted in no provision for impairment for the year while the test in 2015 resulted in a provision for impairment of £2,363,000 with a resulting total provision for impairment balance of £3,951,000 at 31 December 2016. This provision is fully eliminated on Consolidation and has no impact on the Group's reported financial performance for the year or financial position at the balance sheet date.

### **3 (a). Financial instruments – Risk management**

#### ***General objectives, policies and processes***

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

The Board receives monthly financial reports from the Financial Director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Group reports in Pound Sterling. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of directors. The Group does not use derivative financial instruments such as forward currency contracts, interest rate swaps or similar instruments. The Group does not issue or use financial instruments of a speculative nature.

#### ***Principal financial instruments***

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables;
- Cash and cash equivalents;
- Trade and other payables; and
- Borrowings and convertible loan notes.

Trade and other receivables are initially measured at face value and subsequently at amortised cost. Book values and expected cash flows are reviewed by the Board and any impairment charged to the consolidated statement of comprehensive income in the relevant period. Trade and other payables are measured at book value. The book value of financial assets and liabilities equates to their fair value.

A summary of the financial instruments held by category is provided below:

	<b>Year ended 31 December 2016</b>	<i>Year ended 31 December 2015</i>
	<b>£</b>	<b>£</b>
Cash and cash equivalents	965,270	1,430,963
Trade receivables - due at reporting date	54,560	95,655
Trade receivables - not due at reporting date	292,969	366,791
<b>Gross trade receivables</b>	<b>347,529</b>	<b>462,446</b>
Less: Provision for impairment	-	-
<b>Net trade receivables</b>	<b>347,529</b>	<b>462,446</b>
Other receivables	228,369	407,680
	<b>575,898</b>	<b>870,126</b>

Trade receivables principally comprise amounts outstanding for sales to customers and are payable within 3 months. The average debtor days to settle invoices are 30-60 days (2015: 30-60 days). An impairment review of outstanding trade receivables is carried out at the period end and a specific amount provided for. The Group invoices the total value of licence fees once a binding contract is established between the customer and the Group and defers any revenue according to the revenue recognition policy stated earlier.

### **Financial Liabilities**

	<b>Year ended 31 December 2016</b>	<i>Year ended 31 December 2015</i>
	<b>£</b>	<b>£</b>
Trade payables	118,111	208,218
Finance lease obligations	-	29,313
Borrowings	1,172,080	1,083,618
Accruals	1,235,840	1,025,523
	<b>2,526,031</b>	<b>2,346,672</b>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs and are payable within 3 months. The average credit period taken for trade purchases is 20-30 days (2015: 30-40 days).

### **Cash and cash equivalents**

Cash and cash equivalents comprise balances on bank accounts, cash in transit and cash floats held in the business. Finance charges are accounted for on an accruals basis and charged to the statement of comprehensive income when payable.

Cash and cash equivalents are held in Pound Sterling, SEK, NOK, DKK and EUR and placed on deposits in UK, Swedish, Norwegian and Danish banks.

The main risks arising from the Group's financial instruments are as follows:

- Credit risk;
- Liquidity risk, and
- Foreign exchange risk;

### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. At 31 December 2016 the Group has net trade receivables of £ 347,529 (2015: £462,446).

The Group is exposed to credit risk in respect of these balances such that, if one or more customers encounter financial difficulties, this could materially and adversely affect the Group's financial results. The Group attempts to mitigate credit risk by assessing the credit rating (or equivalent) of new customers with expected net trade receivables of over £2,000 prior to entering into contracts and by entering contracts with customers with agreed credit terms. During the year the Group held bank accounts at Nordea Bank in Pound Sterling, Swedish Krona, Danish Krona, Norwegian Krona and Euros.

The analysis below shows the ageing of trade and other receivables and the movement in bad debt provision in the year.

	<b>Year ended 31 December 2016</b>	<i>Year ended 31 December 2015</i>
	<b>£</b>	<i>£</i>
Ageing of trade & other receivables		
Up to 3 months	327,886	437,839
3 to 6 months	10,225	12,797
Above 6 months	9,418	11,810
<b>Gross receivables</b>	<b>347,529</b>	<i>462,446</i>
Less: allowance for receivables	-	-
<b>Net receivables</b>	<b>347,529</b>	<i>462,446</i>

### **Liquidity risk**

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Group has the ambition to maintain cash balances to meet expected requirements for a period of at least 45 days.

The table below analyses the Group's financial liabilities by contractual maturities. All amounts disclosed in the table are the contractual undiscounted cash flows.

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Ageing of trade & other payables		
Up to 3 months	117,510	204,260
3 to 6 months	-	-
Above 6 months	601	3,958
	<b>118,111</b>	<b>208,218</b>

### **Foreign exchange risk**

Foreign exchange risk arises when Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow customers to settle liabilities denominated in the customer's functional currency, being primarily Swedish Krona, Euros, Norwegian Krona, Danish Krona or Pound Sterling.

The Group is predominantly exposed to currency risk on sales and purchases made from customers and suppliers based in the Eurozone, Sweden, Denmark and Norway. Sales and purchases from customers and suppliers are made on a central basis and the risk is monitored centrally, but not hedged utilising any forward exchange contracts. Apart from these particular cash flows the Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

As at 31 December 2016, the Group's net exposure to foreign exchange risk was as follows:

	Swedish Krona £	Euro £	Norwegian Krone £	Danish Krone £	Total £
As at 31 December 2015					
Trade and other receivables	40,111	127,443	38,608	107,694	313,856
Cash and cash equivalents	251,175	1,622	6,031	19,711	278,539
Trade and other payables	(139,862)	(2,436)	(17,344)	(4,445)	(164,087)
<b>Net assets</b>	<b>151,424</b>	<b>126,629</b>	<b>27,295</b>	<b>122,960</b>	<b>428,308</b>
As at 31 December 2016					
Trade and other receivables	19,929	161,597	18,889	52,313	252,728
Cash and cash equivalents	754,608	1	5,385	150,473	910,467
Trade and other payables	(76,902)	(2,031)	(20,321)	(11,977)	(111,231)
<b>Net assets</b>	<b>697,635</b>	<b>159,567</b>	<b>3,953</b>	<b>190,809</b>	<b>1,051,964</b>

The impact of a 10% weakening/strengthening in the foreign exchange rate of £ will result in an increase/(decrease) in net assets of £116,885 and (£95,633) respectively for 2016 (£47,590 and (£38,937) respectively for 2015).

### **3 (b). Capital risk management**

The Group's capital is made up of share capital, share premium, merger reserve, foreign currency reserve, other reserve and retained losses totalling £-802,115 at 31 December 2016 (2015: £105,420).

The Group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of shareholders equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources.

#### 4. Segmental analysis

The Group currently has two reportable segments, Business Alert services and services relating to the Group's CTM™ platform. The Group categorises all revenue from operations to these two segments. The segmental information for 2015 has been restated to reflect that Business Alert services now constitute a reportable segment under IFRS 8. The Group currently does not allocate costs on a segment basis and is therefore unable to report segment profit and loss. Further, the Group does not allocate assets on a segment basis and is therefore unable to report total assets per segment.

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Revenue arises from:		
<i>Business Alert services</i>	489,743	254,757
<i>Services relating to the CTM™ platform</i>	2,941,001	2,528,681
<b>Total provision of services</b>	<b>3,430,744</b>	<b>2,783,438</b>
Other Income	13,271	49,005
Administrative expenses	(4,163,425)	(4,262,111)
Restructuring expenses	(113,816)	-
Operating Loss	(833,226)	(1,429,668)
Finance charges (Net)	(247,413)	(58,265)
<b>Loss before tax</b>	<b>(1,080,639)</b>	<b>(1,487,933)</b>

In 2016 there was no single customer generating more than 10% of total revenue for the Group. This compares to £309,608 of revenue generated from the largest customer in 2015.

Other income consist of a grant received from EUREKA programme for further development of the Group's Complete Tender Management System.

All revenues in the Company of £199,536 for the year ended 31 December 2016 arises from services relating to the CTM™ platform. All revenue in the Company of £150,894 for the year ended 31 December 2015 arises from services relating to the CTM™ platform.

The Group operates in three main geographic areas: UK, European Union and Rest of the World. Revenue and non-current assets by origin of geographical segment for all entities in the group is as follows:

	Revenue		Non- current assets	
	Year ended 31 December 2016 £	Year ended 31 December 2015 £	Year ended 31 December 2016 £	Year ended 31 December 2015 £
UK	879,982	853,706	-	-
European Union	1,381,402	1,270,577	58,810	99,239
Rest of World	1,182,631	708,160	-	-
<b>Total</b>	<b>3,444,015</b>	<b>2,832,443</b>	<b>58,810</b>	<b>99,239</b>

All revenues in the Company of £199,536 for the year ended 31 December 2016 originated from the UK and all all revenues in the Company of £150,894 for the year ended 31 December 2015 originated from the UK.

## 5. Operating Loss

Group operating loss for the year is stated after charging the following:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Depreciation of fixed assets	28,949	22,628
Auditor's remuneration:		
Audit fees – Subsidiaries	8,200	11,525
Company	14,050	14,750
Non-audit professional fees	5,980	7,290

The provision for impairment expense for 2015 of £2,363,000 in the Company relates to the provision for impairment in respect of intercompany receivables. The provision has been estimated in accordance with IAS 39 with key assumptions detailed in Note 2(d).

## 6. Staff Costs

Staff costs (including directors' emoluments) incurred in the year were as follows:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Wages and salaries *	2,220,130	2,397,874
Social Security costs	537,046	551,796
Share based payments	3,080	18,736
<b>Net staff costs</b>	<b>2,760,256</b>	<b>2,968,406</b>

\*Of which pension cost is £185,894 (2015: £199,334).

The average monthly number of permanent employees during the period was as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Directors	5	4
Administration, sales and support	43	51
	<b>48</b>	<b>55</b>

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
<b>Directors remuneration</b>		
Salaries and bonus	267,051	260,828
Pension	34,950	30,983
Share based payments	495	3,012
	<b>302,496</b>	<b>294,823</b>

The number of Directors accruing benefits under the defined contribution pension scheme were 2 (2015: 2). During the year there was no key management compensation other than the Directors remuneration shown above with the exception of Consultancy fees as outlined in note 21.

Information regarding the highest paid director is as follows:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
<b>Directors remuneration</b>		
Salaries & bonus	136,501	115,147
Pension	20,899	18,505
Share based payments	495	3,012
	<b>157,895</b>	<b>136,664</b>

The average monthly number of employees in the Company where Nil during the period (2015: Nil) with two of the Company's five Directors (2015: 1 of 4 Directors) remunerations being expensed in the Company at a total amount of £35,712 in Salaries & bonus (2015: £35,000) as well as the Consultancy fees outlined in note 21.

## 7. Operating Leases

At 31 December 2016 the group had the following total commitments under operating leases:

	Year Ended 31 December 2016 £		Year Ended 31 December 2015 £	
	Land and buildings	Other	Land and buildings	Other
Minimum lease payments payable:				
Within one year	127,747	27,778	10,446	13,889
In two to five years	45,493	7,842	240,938	53,935
	<b>173,240</b>	<b>35,620</b>	<b>251,384</b>	<b>67,824</b>

The Land and buildings lease costs amount to £136,419 for 2016 (2015: £118,579). Other lease costs amount to £45,759 for 2016 (2015: £10,875).

The operating leases in the Company were £Nil in the period (2015: £Nil).

## 8. Finance income and expenses

Group	Year ended 31 December 2016 £	Year ended 31 December 2015 £
<b>Finance income</b>		
Bank interest	250	3,614
<b>Finance expense</b>		
Interest payable	(1,554)	(2,488)
Convertible loan note interest	(246,109)	(59,391)
	<b>(247,413)</b>	<b>(58,265)</b>
Company	Year ended 31 December 2016 £	Year ended 31 December 2015 £
<b>Finance expense</b>		
Convertible loan note interest	(246,109)	(59,391)
	<b>(246,109)</b>	<b>(59,391)</b>

## 9. Income tax

### *Analysis of the tax charge*

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2016 nor for the year ended 31 December 2015. The tax charge for both 2016 and 2015 arose in respect of operations in Sweden. However, the Group recorded a tax credit of in total £153,099 (2015: £84,502) in the fiscal year of 2016 (of which £27,000 relates to the fiscal year 2015).

Group	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Current tax credit	(125,517)	(58,471)

### **Factors affecting the tax credit**

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

	<b>Year ended 31 December 2016</b>	<i>Year ended 31 December 2015</i>
	<b>£</b>	<b>£</b>
Loss before tax	<b>(1,080,639)</b>	<i>(1,487,933)</i>
Tax charge at 20%	<b>(216,128)</b>	<i>(297,587)</i>
Non-deductible expenses	<b>22,560</b>	<i>1,994</i>
Tax payable by foreign subsidiaries	<b>11,109</b>	<i>12,571</i>
Tax appropriations by foreign subsidiaries	<b>16,473</b>	<i>22,136</i>
Effect of different tax rates of subsidiaries operating in non-UK jurisdictions	<b>2,963</b>	<i>1,257</i>
Effect of enhanced deductions for research and development expenditure and surrender for tax credits	<b>(77,478)</b>	<i>(84,502)</i>
Losses carried forward	<b>114,984</b>	<i>285,660</i>
<b>Tax credit for the year</b>	<b>(125,517)</b>	<i>(58,471)</i>

### **Deferred tax**

The Group has estimated carried forward losses amounting to £8.7million as of 31 December 2016 (2015: £8.1million). As the timing and extent of taxable profits are uncertain, the potential deferred tax asset of £1.5million arising on these losses has not been recognised in the financial statements.

### **10. Loss per share**

Loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The basis for calculating the basic loss per share is as follows:

	<b>Year ended 31 December 2016</b>	<i>Year ended 31 December 2015</i>
	<b>£</b>	<b>£</b>
Weighted average number of shares for the purpose of earnings per share	<b>67,716,406</b>	<i>64,358,324</i>
Loss after tax	<b>(932,353)</b>	<i>(1,425,348)</i>
<b>Loss per share</b>	<b>(0.014)</b>	<i>(0.022)</i>

Due to the loss in the period, the effect of the share options were considered anti-dilutive and hence no diluted loss per share information has been provided.

## 11. Property, plant and equipment

2015	Office equipment & Other equipment £
<b>Cost</b>	
At 1 January 2015	303,925
Additions	46,644
	<u>350,569</u>
At 31 December 2015	<u>350,569</u>
<b>Accumulated depreciation</b>	
At 1 January 2015	236,096
Charge for the year	22,628
	<u>258,724</u>
At 31 December 2015	<u>258,724</u>
<b>As at 31 December 2015</b>	<u>91,845</u>
<i>As at 31 December 2014</i>	<u>67,829</u>
2016	Office equipment & Other equipment £
<b>Cost</b>	
At 1 January 2016	350,569
Additions	8,446
Disposals	(29,816)
	<u>329,199</u>
At 31 December 2016	<u>329,199</u>
<b>Accumulated depreciation</b>	
At 1 January 2016	258,724
Charge for the year	28,949
Disposals	(8,599)
	<u>279,074</u>
At 31 December 2016	<u>279,074</u>
<b>As at 31 December 2016</b>	<u>50,125</u>
<i>As at 31 December 2015</i>	<u>91,845</u>

Included in office equipment & other equipment are assets held under finance leases which had a net book value at 31 December 2016 of £nil (2015: £29,816). Depreciation charged on finance leases for the year was £4,590 (2015: £3,207).

## 12. Intangible assets

2015	CTM Platform £
<b>Cost</b>	
At 1 January 2015	765,485
Additions	-
	<hr/>
At 31 December 2015	<u>765,485</u>
<b>Accumulated depreciation</b>	
At 1 January 2015	765,485
Charge for the year	-
	<hr/>
At 31 December 2015	<u>765,485</u>
<b>As at 31 December 2015</b>	<u>-</u>
<i>As at 31 December 2014</i>	<u>-</u>
<b>2016</b>	CTM Platform £
<b>Cost</b>	
At 1 January 2016	765,485
Additions	-
	<hr/>
At 31 December 2016	<u>765,485</u>
<b>Accumulated depreciation</b>	
At 1 January 2016	765,485
Charge for the year	-
	<hr/>
At 31 December 2016	<u>765,485</u>
<b>As at 31 December 2016</b>	<u>-</u>
<i>As at 31 December 2015</i>	<u>-</u>

### 13. Investments in subsidiaries

The Company owns 100% of the issued share capital of the following subsidiary undertakings, which have been included in the consolidated financial statements:

<b>Subsidiary undertaking</b>	<b>Registered office address</b>	<b>Principal activity</b>
EUS Holdings Limited	26 Red Lion Square, London WC1R 4AG, United Kingdom	Development & licensing of software and related services
EU-Supply Holding AB*	Gävlegatan 16, 113 30 Stockholm, Sweden	Development & licensing of software and related services

\* is owned 100% via EUS Holdings Limited.

### 14. Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>Year ended 31 December 2016 £</b>	<i>Year ended 31 December 2015 £</i>	<b>Year ended 31 December 2016 £</b>	<i>Year ended 31 December 2015 £</i>
Gross trade receivables	<b>347,529</b>	462,446	<b>10,290</b>	46,440
Intercompany receivable	-	-	<b>7,035,060</b>	6,867,247
Provision for impairment	-	-	<b>(3,951,000)</b>	(3,951,000)
<b>Net trade receivables</b>	<b>347,529</b>	462,446	<b>3,094,350</b>	2,962,687
Prepayments and accrued income	<b>228,369</b>	407,680	<b>14,718</b>	28,562
<b>Total</b>	<b>575,898</b>	870,126	<b>3,109,068</b>	2,991,249

As at 31 December 2016 trade receivables of £19,643 (2015: £24,607) were past due over 3 months but not impaired.

All amounts shown under receivables are due within 1 year.

The provision for impairment relates to intercompany receivables due for the Company's wholly owned subsidiary EUS Holdings Limited. The provision for impairment has been estimated in accordance with IAS 39 and the key assumptions disclosed in Note 2(d).

### 15. Cash and cash equivalents

Cash and cash equivalents comprise balances on bank accounts, cash in transit and cash floats held in the business. Finance charges are accounted for on an accruals basis and charged to the statement of comprehensive income when payable.

Cash and cash equivalents are held in Pound Sterling, Euro, Danish Krona, Norwegian Krona and Swedish Krona and placed on deposits in UK, Swedish, Norwegian and Danish banks.

## 16. Trade and other payables

	Group		Company	
	Year ended 31 December 2016 £	Year ended 31 December 2015 £	Year ended 31 December 2016 £	Year ended 31 December 2015 £
<b>Current</b>				
Trade payables	118,111	208,218	3,143	36,373
Intercompany payables	-	-	872	932
Other payables	98,839	60,655	-	15,941
Tax Appropriations	-	11,898	-	-
Deferred revenue	574,118	399,771	96,402	49,510
Social security and other taxes	91,401	120,657	604	893
Accruals	471,482	432,542	15,110	16,766
	<b>1,353,951</b>	<b>1,233,741</b>	<b>116,131</b>	<b>120,415</b>

## 17. Borrowings

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
<b>Non-current</b>		
Finance leases	-	21,781
Convertible loan stock (see Note 18)	1,172,080	1,083,618
	<b>1,172,080</b>	<b>1,105,399</b>
<b>Current</b>		
Finance leases	-	7,532
	<b>-</b>	<b>7,532</b>

The Group's borrowing in respect of convertible loan notes of £1,649,000 is secured by way of a fixed and floating charge over the assets of parent company and EUS Holdings Limited and a licence of the software conditional upon the charge being enforced.

The fair value of the Group's current borrowings is considered to be equivalent to their carrying amount as the effect of the time value of money is not significant. The fair values of the Group's long term borrowings are as follows:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Finance leases	-	21,781
Convertible loan stock	1,172,080	1,083,618
	<b>1,172,080</b>	<b>1,105,399</b>

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

At 31 December 2016 the Group had obligations under finance leases as set out below:

	<b>Year ended 31 December 2016</b>	<i>Year ended 31 December 2015</i>
	£	£
Gross amounts payable:		
Within one year	-	8,473
In two to five years	-	23,903
	<hr/>	<hr/>
Less: finance charges allocated to future periods	-	3,323
	<hr/>	<hr/>
	-	29,053
	<hr/> <hr/>	<hr/> <hr/>

	<b>Year ended 31 December 2016</b>	<i>Year ended 31 December 2015</i>
	£	£
Obligations under finance leases are analysed:		
Within one year	-	7,532
In two to five years	-	21,781
	<hr/>	<hr/>
	-	29,313
	<hr/> <hr/>	<hr/> <hr/>

## 18. Convertible Loan Notes

On 27 August 2015 the company issued 941,000 of £1 convertible loan notes. This was followed by the issue of 708,000 £1 convertible loan notes on 23 September 2015. The convertible loan notes carry a coupon of 10% payable quarterly in arrears.

The convertible loan notes are to be redeemed by the company as follows:

- (a) on demand, following certain events of default;
- (b) automatically, upon the sale of the company and/or its subsidiary or their respective undertakings;
- (c) 60 months following issue of the first tranche of convertible loan notes; or
- (d) at any time after 30 months from the drawdown of the first tranche of convertible loan notes at the election of the company.

The convertible loan stocks are convertible into ordinary shares of the company at the option of the holder at any time following 30 days after issue of the respective loan notes. The conversion price is dependent on the date of issue of the related loan notes as follows:

1. Prior to 30 September 2015 at a 30 per cent. premium to 9p (being 11.7p); and
2. From 1 October 2015 at a 30 per cent. premium to the higher of the following:
  - a. 9p (being 11.7p); and
  - b. the average closing middle market price of an Ordinary Share for the 5 trading days prior to the date of issue of the relevant convertible loan notes.

The company has the right to serve a notice on all noteholders to convert all or part of the notes in multiples of £20,000 where the volume weighted average mid-market price of the ordinary shares is greater than 70% above the conversion Price for the prevailing 5 dealing days prior to the day before the notice to convert is served at the conversion Price. Once

notice to convert has been served, noteholders may not choose to redeem. This call option is a derivative however as the repayment price is equal to the amortised cost of the debt instrument this is, in accordance with IAS 39, considered to be closely related to the loan notes and therefore not separately recognised.

The fair value of the liability component of the loan stocks was calculated using a market interest rate on a similar loan stock with no conversion option which the directors estimated to be 20%. The value of the equity component was £414,420 and is included in shareholders' equity in other reserves.

The convertible loan notes are presented in the consolidated and company statements of financial position as follows:

	2016	2015
	£	£
Face value of convertible loan notes issued	1,649,000	1,649,000
Less: Liability component at date of issue	(1,192,818)	(1,192,818)
Less: Finance costs allocated to equity	(41,762)	(41,762)
<b>Equity component</b>	<b>414,420</b>	<b>414,420</b>
Net liability component at the beginning of the year	1,083,618	-
Liability component on date of issue	-	1,192,818
Less: Finance costs allocated to liability element on the date of issue	-	(109,200)
Interest charge in period	246,109	59,391
Interest paid in period	(157,647)	(59,391)
<b>Liability component at end of period included in borrowings (Note 17)</b>	<b>1,172,080</b>	<b>1,083,618</b>

## 19. Share capital

### Share capital allotted and fully paid up

Ordinary shares of £0.001 carry the right to one vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up. The shares are denominated in Pounds Sterling.

A placing of new shares raised £0.41m (before expenses) for working capital in August 2015.

The table below shows the movements in share capital for the year:

	Number of shares		Share Capital (£)		Share Premium (£)	
	2016	2015	2016	2015	2016	2015
<b>Movement in ordinary share capital</b>						
<b>Balance at the beginning of the year</b>	<b>67,716,406</b>	62,566,406	<b>67,716</b>	62,566	<b>6,497,128</b>	6,126,198
Issue of new shares	-	5,150,000	-	5,150	-	370,930
<b>Balance at the end of the year</b>	<b>67,716,406</b>	67,716,406	<b>67,716</b>	67,716	<b>6,497,128</b>	6,497,128

## 20. Share based payments

### Employee Share Option Scheme

The Company has had a share option scheme since 2013 for selected employees and Directors of the Group and a total of 1,243,895 options were granted during 2013.

Under the terms of the scheme, employees paid an option premium, valued at arm's length using the Black & Scholes formula for option pricing, in return for an option over a number of shares. The options were exercisable at a multiple of the quoted market price of the Company's shares on the date of grant dependent on the option premium paid. The options vested from the 29 February 2016 and were exercisable for a period of 15 days. In the event that an employee ceased to be employed by any company within the Group they had to offer their options up for sale to the Company.

No employees or Directors chose to exercise their options which have now lapsed.

The Group used historical data to estimate option exercise and employee retention within the valuation model. Expected volatilities were based upon implied volatilities as determined by a simple average of a sample of listed companies based in similar sectors. The risk free rate for the period within the contractual life of the option was based on the UK gilt yield curve at the time of the grant.

The following reconciles the share options outstanding at the beginning and end of year:

	<b>Year ended 31 December 2016</b>		<i>Year ended 31 December 2015</i>	
	Number of options	Weighted Average Exercise price	<i>Number of options</i>	<i>Weighted Average Exercise price</i>
At the beginning of the year	<b>1,243,895</b>	40.5p	1,243,895	40.5p
Issued/granted during the year	-	-	-	-
Exercised in the year	-	-	-	-
Lapsed/forfeited during the year	<b>(1,243,892)</b>	-	-	-
<b>At the end of the year</b>	-	-	<b>1,243,895</b>	<b>40.5p</b>

The fair values were calculated using a Black Scholes pricing model. The inputs into the model in respect of options granted were as follows:

Expected life of options – years	2.5 years
Weighted average exercise price – pence	40.5p
Weighted average share price at grant date – pence	23p
Expected volatility - %	60%
Risk free rate - %	1.5%

The group has recognised a charge of £3,080 (2015: £18,736) relating to equity-settled share-based charges during the year on the employee share option scheme.

With all options having lapsed and none of these being exercised the total balance relating to equity settled share-based charges of £139,732 has at 31 December 2016 been transferred from other reserves to retained earnings.

#### **Adviser warrants**

In part settlement of advisers' fees in 2013 the following warrants were granted:

- (a) a warrant to subscribe for up to 144,164 shares of £0.01 each at a price of 13.56p per share. Such right may be exercised at any time during the period starting on 13 November 2013 and ending on the fifth anniversary of that date.

(b) a warrant to subscribe for up to 432,491 shares of £0.01 each at 22.6p per share. Such right may be exercised at any time during the period starting on 13 November 2013 and ending on the fifth anniversary of that date.

The fair value of both tranches of adviser warrants were calculated using a Black Scholes pricing model. The inputs of the model in respect of expected volatility and the risk free rate were consistent with that adopted for the employee and Directors share option scheme.

No Advisor warrants were exercised during 2015 or 2016.

## Other warrants

In 2013 Internet Startups Holding BV was granted a warrant to subscribe for up to 2,883,275 ordinary shares of £0.01 each at a price of 22.6p at any time during the period starting on 13 November 2013 and ending on the fifth anniversary of that date. None of these warrants were exercised during 2015 or 2016.

These warrants are considered to share based payment arrangements with holders of equity instruments in their capacity as holders of equity instruments.

## 21. Related party transactions

Compensation or other related payments to key management personnel (including directors):

	<b>Year ended 31 December 2016</b>	<i>Year ended 31 December 2015</i>
	<b>£</b>	<b>£</b>
Consultancy fees *	<b>10,061</b>	-
	<b>10,061</b>	-

\* The consultancy fees 2016 were paid to CHB Partners GmbH, an entity in which Andreas Kemi, a director of the company, has an interest.

Remuneration paid directly to all directors has been disclosed in note 6.

Steffen Karlsson (through Trilibo AB\*) owns Convertible Loan notes of £80,000, Mattias Strom owns Convertible Loan notes of £8,000 and Thomas Beergrehn (through Internet Start Ups Holding BV\*\*) owns Convertible Loan Notes of £200,000. The Convertible Loan notes are further described in Note 18.

\* Trilibo AB is a company in which Steffen Karlsson has an interest.

\*\* Internet Startups Holding BV is an investment company controlled by Thomas Beergrehn.

## 22. Company related party balances

The balance of EU Supply PLC debt due to EUS Holdings Ltd as of 31 December 2016 was £872 (2015: £872).

The balance of EU Supply PLC debt due to EU-Supply Holding AB as of 31 December 2016 was £Nil (2015: £60).

The balance of EU Supply PLC claim on EUS Holdings Ltd as of 31 December 2016 was £3,084,060 (2015: £2,916,247) after provision for impairment of £3,951,000 (2015: £3,951,000). The impairment charge recognised in the Company income statement for the year ended 31 December 2016 is £Nil (2015: £2,363,000).

The balance of EU Supply PLC claim on EU-Supply Holding AB as of 31 December 2016 was £Nil (2015: £Nil).

### **23. Control**

The board consider that there is no ultimate controlling party.