

RNS
26 April 2019

EU Supply plc
(“EU Supply”, the “Company” or the “Group”)

Final Results

EU Supply plc (LSE AIM: EUSP), the e-procurement software provider, is pleased to announce its audited final results for the year ended 31 December 2018.

Financial highlights:

- Revenue grew by 10% to £5.1m (2017: £4.7m)
- 70% of revenues estimated to be of recurring or repeatable nature at year-end (2017: 66%)
- Profit before tax of £0.4m (2017: loss of £0.2m)
- Cash balance of £0.9m at 31 December 2018 (2017: £0.7m)

Operational highlights:

- 2018 saw continued strengthening of the Group’s position in its core markets
- The Group won several mid-to-large sized orders for projects which complemented the increasing SaaS revenues generated by the Group’s CTM™ solution
- New routes to the German market opened and expected to generate additional revenues
- Successful fundraising provided liquidity to develop new services in the medium-term, broadening the Group’s target market, particularly aiming at increasing the growth of annual recurring revenues

Highlights post-year end:

- Signed first contract in the oil and gas sector which may lead to considerable additional business in the next 3 years
- Positive cash flow in Q1 confirms the strengthening working capital position of the Company
- Exceptionally strong growth is currently being experienced in recurring revenue, with annual recurring revenue run rate estimated to be up approximately £620k, representing a 17% increase in the year to date, leading to a substantially increased proportion of SaaS revenues in 2019 and beyond
- The annual value of orders received since the launch five weeks ago of new value added services is approximately £600k, in approximately 730 orders, the majority being of recurring or repeatable nature
- The EU Commission has also communicated its intention to phase out its ESPD service at the end of April 2019, which should create additional business for the Company across its markets

David Cutler, Chairman of EU Supply, commented:

“A profitable platform for growth was achieved in 2018.

Our highest ever rate of increase in annual recurring revenue run rate has been secured already in 2019 with annualised values of contracts in aggregate of approximately £620k being signed this year, and this without any higher staffing levels. We anticipate continued growth in annual recurring revenue during the coming months which gives us confidence in further profitable growth beyond 2019.

The Board is also confident of securing further revenue from both other existing contracts and new markets.”

FURTHER ENQUIRIES

EU Supply PLC

Thomas Beergrehn, CEO
Fredrik Wallmark, CFO

Tel: 020 7127 4545

A copy of this announcement is available at 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 e-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 8,000 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. On 25 May 2018, the Company announced that it had raised a further £600k (before expenses) through a placing and subscription of new shares.

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 2018.

I am pleased to report that the Group has achieved its target of a first full year of profit before tax. This has been achieved by further continued revenue growth whilst again tightly controlling costs.

Revenues in 2018 increased all organically by 10% to £5.1m (including the impact of the application of IFRS 15 in these accounts of £(19k)) (2017: £4.7m), whilst operating costs were held at £4.5m (2017: £4.6m). A maiden profit before tax was achieved of £0.4m (2017: loss of £0.2m). Development costs of £0.3m net of amortisation have been capitalised in 2018 as required by IAS 38 (2017: £Nil).

As at December 2018, approximately 70% of the 2018 revenues were of recurring or repeatable nature (2017: 66%) providing a growing recurring revenue base for 2019 and beyond.

In 2018, Lithuania, Ireland and Scandinavia were the strongest growth markets for the Group, whilst revenues were also generated in the UK, The Netherlands, Germany, France and Spain. New revenues from paid for enhancements also provided growth which is anticipated to accelerate in the future.

I am grateful to shareholders for supporting the successful fundraise of £0.6m (before expenses) in May 2018 which has provided the liquidity to develop new products which are anticipated to broaden the market for the Group for 2020 as they are completed and released.

Cash at 31 December 2018 was £0.9m (31 December 2017: £0.7m). Significant amounts have been received in H1 2019 for several ongoing projects delivered in 2018 and the Group has sufficient liquidity to support its continued growth and development.

Outlook

A profitable platform for growth was achieved in 2018. Our highest ever rate of increase in annual recurring revenue run rate has been secured already in 2019 with annualised values of contracts in aggregate of approximately £620k being signed this year, and this without any higher staffing levels. We anticipate continued growth in annual recurring revenue during the coming months which gives us confidence in further profitable growth beyond 2019. The Board is also confident of securing further revenue from both other existing contracts and new markets.

David Cutler

Chairman

Date: 25 April 2019

Strategic Report

Introduction

I am pleased to report our first year of profit before tax together with continued revenue growth.

During the year, the Group continued to win new business primarily in its main CompleteTenderManagement™ (“CTM™”) software services, and has augmented this and its competitive position with customer-paid enhancements and new supplier side service revenues. The new Software as a Service (“SaaS”) contracts and supplier side services will generate increasing recurring revenues to provide the stable foundation to build an increasingly profitable business over the coming years.

Business review

The SaaS business continued to grow in 2018 with revenues of recurring or repeatable nature at 31 December 2018 of 70% of 2018 revenues (2017: 66%).

The Group continued to consolidate its strong position in the markets where it is already well established, with SaaS contracts entered into with both existing and new customers, and with over 90% of revenues accrued in the UK, Ireland, The Netherlands, Norway, Denmark, Lithuania and Sweden.

In 2018, the Group won several mid-sized and larger orders for customer-paid enhancement projects, in the UK, Lithuania and Ireland, complementing the increasing SaaS revenues generated by our CTM™ solution. New modules for more flexible working in the CTM™ solution, including “drag and drop”, and more flexible criteria management were introduced. Grants awarded during 2017 from the Innovations and Networks Executive Agency (“INEA”) for the development of a module to support the management of European Single Procurement Document (“ESPD”) and system-to-system communications (via “eDelivery”) have been completed or in material parts been completed during 2018.

The first end customer contract in Germany was signed in 2017 but further take up from that initiative was initially slow. In order to seek an acceleration of growth in this important market new routes to market have been opened in 2018 with additional licence agreements being closed in H2 2018, and one of these already having ordered integrations with other systems, suggesting a longer-term view of using the CTM™ solution. Post-year end, further marketing initiatives have been made to improve our access to the German public sector market. Some new business has also been generated with bigger clients in Spain and France.

In 2018, the Group’s Business Alert services delivered revenues of £0.39m (2017: £0.45m) but with a leaner and more cost effective team increasing margin. The results include a decrease in reported revenue of £19k in 2018 on the application of IFRS 15. To grow the supplier side revenues, additional services were launched during H2 2018, and further refined post-period end. Additional more experienced staff have also been contracted, hired and trained in H2 2018, and post-period end.

Post-year end, the Group also signed a first contract in the oil and gas sector, with a service provider that facilitates cost effective services and solutions for collaboration and information sharing within this sector, which may also lead to considerable additional business in the next three years. The Group is also engaged in a few larger competitive processes, and it is in advanced discussions with a central purchasing body for the piloting of micro-procurement services, which could also enhance its strategic positioning for the longer-term.

The Group has to date delivered continued revenue growth in 2019 especially in its recurring revenue base and also 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 EU Directives that were ratified in the EU Parliament in January 2014, implemented across EU Member States in their respective legislations and

complemented with other mandatory provisions below the EU thresholds at different milestones in 2019 and 2020, which should fit well with the Group's ambition to build its micro-procurement service business to address such needs.

The Directors expect continued revenue growth particularly in those markets where it is already well positioned.

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 EEA 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 and EEA 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, requirements of system-to-system communication support and an electronic qualification through the use of ESPD. Support for these new requirements have been developed by the Group during 2017 and 2018, and places the business in a strong position for this sector going forward.

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 may also improve pricing.

Brexit

The Directors believe that should the UK leave the EU there will be 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, and that EU regulations in material parts would be transposed into UK law with essentially the same requirements initially (and UK Contracts Regulations 2015 also already fully capture the EU Directives from 2014) EU-Supply is also in direct contact with UK government in respect of preparations for any scenario.

Financial Performance

In the year ended 31 December 2018, revenues grew by 10% to £5.1m (2017: £4.7m). Operating costs were held to £4.5m (2017: £4.6m) and a maiden profit before tax was achieved of £0.4m (2017: loss of £0.2m).

A successful placing of new shares raised £0.6m (before expenses) in May 2018 with the proceeds providing liquidity for new product development and increased marketing support.

Cash as at 31 December 2018 of £0.9m (31 December 2017: £0.7m) provides sufficient liquidity for the future development of the business.

People, certifications and appointments

The Group has aligned its staffing to achieve a stable and profitable business. In response to its strong order book, the Group increased headcount in 2018 in key operational positions, which will enable new products to be developed to time and quality, and will also assist in developing existing and new markets.

The Group has maintained its ISO certifications of its integrated management system covering all business processes:

- ISO 27 001:2013 (information security)
- ISO 9 001:2015 (quality management)
- ISO 20 000-1: 2011 (service management)
- ISO 14 001:2015 (environmental management)

Principal risks and uncertainties

The key business risks affecting the Group are set out below:

Financial

See financial risk management and policies section in the Directors' report.

Technology

The Group's performance is dependent on its technology keeping pace with developments in e-Procurement market. The Group manages this risk by a commitment to research and development combined with ongoing dialogue with trading partners and sector specialists to ensure that market developments are understood.

Retention of staff

The Group's performance depends largely on its ability to recruit and retain key individuals with the right experience and skills. To ensure that the Group retains the highest calibre staff, the Group seeks to provide competitive incentives, flexible work hours, and a dynamic and inclusive work environment.

Dividend

The Board is not recommending the payment of a dividend.

Outlook

During 2019, the Group will continue to build its base of SaaS revenues in order to continue to grow its recurring revenue base. The Group also has a strong order book and pipeline from paid-for enhancements, which will complement the SaaS revenues during 2019 and further strengthen the competitiveness of the Group's CTM™ platform.

In 2019, the Group anticipates further increased activity by public sector organisations which do not currently have an e-Procurement solution meeting the new requirements, or which work via consultants and advisors having solutions to address their needs above the EU thresholds, but which may not yet have any solutions to address their needs for lower value contracts and requests. With our CTM™ platform, we are well positioned to gain market share in the countries where we are active.

Growth in Business Alert services and other supplier side services is expected to pick up in 2019, particularly in Norway, Denmark and Sweden with added sales resources in this area. In Germany, we look forward to improved results from our additional reseller approach which was adopted in 2018. New opportunities are also being developed in other EU/EEA markets where the Group is well positioned with its own sales and/or sales via distributors.

Additional mandatory requirements in the EU public sector have led to additional software functionality being demanded by our customers which provided project implementation revenues in 2018. The future recurring revenues from these completed contracts should provide a sound foundation for the continued growth of the Group.

Recurring revenues are growing to date in line with the Board's objective of increasing the proportion of SaaS revenue with fewer one off projects. The Board looks forward to continued profitability in 2019 based on stable organic growth leading to the potential for accelerating revenue in 2020 and beyond.

Thomas Beergrehn

Chief Executive Officer

Date: 25 April 2019

Consolidated Statement of Comprehensive Income

		Year ended 31 December 2018 £	Year ended 31 December 2017 £
Revenue	4	5,138,441	4,679,427
Total administrative expenses		(4,490,669)	(4,587,033)
Operating profit	5	647,772	92,394
Finance Costs - net	8	(287,522)	(264,390)
Profit/(Loss) before taxation		360,250	(171,996)
Taxation	9	39,253	65,343
Profit/(Loss) for the year attributable to equity holders of the parent		399,503	(106,653)
Other Comprehensive income: <i>Items that may be reclassified to profit or loss</i>			
Exchange differences arising on the translation of foreign subsidiaries		2,627	(901)
Total comprehensive profit/(loss) for the year attributable to equity holders of the parent		402,130	(107,554)
Basic and diluted profit/(loss) per share attributable to the owners of the parent	10	0.006	(0.002)

The results above relate to continuing activities.

Company Statement of Comprehensive Income

		Year ended 31 December 2018 £	Year ended 31 December 201 £
Revenue	4	265,703	227,315
Administrative expenses		(235,732)	(222,368)
Operating profit		29,971	4,947
Finance Costs - net	8	(286,556)	(263,843)
Reversal of provision for impairment of intercompany debt	2(c)	2,184,885	-
Profit/(Loss) before taxation		1,928,300	(258,896)
Taxation	9	-	-
Profit/(Loss) for the year attributable to the owners of the parent		1,928,300	(258,896)
Other comprehensive income for the year		-	-
Total comprehensive profit/(loss) for the year attributable to owners of the parent		1,928,300	(258,896)

The results above relate to continuing activities.

Consolidated Statement of Financial Position

		31 December 2018 £	31 December 2017 £
Non-current assets	Note		
Property, plant and equipment	11	44,987	39,326
Intangible assets	12	338,838	-
Other long term receivables		14,758	14,894
		<u>398,583</u>	<u>54,220</u>
Current assets			
Trade and other receivables	14	1,807,847	1,154,004
Current tax assets		67,406	100,979
Cash and cash equivalents	15	876,269	650,237
		<u>2,751,522</u>	<u>1,905,220</u>
Total assets		<u><u>3,150,105</u></u>	<u><u>1,959,440</u></u>
Equity			
Called up share capital	19	71,716	67,716
Share premium		7,055,778	6,497,128
Merger reserve		2,676,055	2,676,055
Other reserve		518,109	521,157
Foreign exchange reserve		(22,453)	(25,080)
Retained earnings		(10,399,277)	(10,636,385)
Total equity		<u>(100,072)</u>	<u>(899,409)</u>
Non-current liabilities			
Deferred tax liability		33,134	30,104
Borrowings	17, 18	1,392,679	1,271,023
		<u>1,425,813</u>	<u>1,301,127</u>
Current liabilities			
Trade and other payables	16	1,824,364	1,557,722
		<u>1,824,364</u>	<u>1,557,722</u>
Total equity and liabilities		<u><u>3,150,105</u></u>	<u><u>1,959,440</u></u>

Company Statement of Financial Position

		31 December 2018 £	31 December 2017 £
Non-current assets	Note		
Investment in subsidiary company	13	-	-
		-	-
Current assets			
Trade and other receivables	14	5,821,473	3,502,253
Cash and cash equivalents	15	360,231	70,907
		6,181,704	3,573,160
Total assets		6,181,704	3,573,160
Equity			
Called up share capital	19	71,716	67,716
Share premium		7,055,778	6,497,128
Merger reserve		(35,541)	(35,541)
Other reserve		414,420	414,420
Retained earnings		(2,849,235)	(4,777,535)
Total equity		4,657,138	2,166,188
Non-current liabilities			
Borrowings	17, 18	1,392,679	1,271,023
		1,392,679	1,271,023
Current liabilities			
Trade and other payables	16	131,887	135,949
		131,887	135,949
Total equity and liabilities		6,181,704	3,573,160

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 2017	67,716	6,497,128	(10,529,732)	(24,179)	510,897	2,676,055	(802,115)
Total comprehensive loss for the year	-	-	(106,653)	(901)	-	-	(107,554)
Untaxed reserves reclassified to equity	-	-	-	-	10,260	-	10,260
At 31 December 2017	67,716	6,497,128	(10,636,385)	(25,080)	521,157	2,676,055	(899,409)
Adjustment on initial application of IFRS 15	-	-	(162,395)	-	-	-	(162,395)
Adjusted balance at 1 Jan 2018	67,716	6,497,128	(10,798,780)	(25,080)	521,157	2,676,055	(1,061,804)
Total comprehensive profit for the year	-	-	399,503	2,627	-	-	402,130
Untaxed reserves reclassified to equity	-	-	-	-	(3,048)	-	(3,048)
Transactions with owners in their capacity as owners							
Placing and subscription	4,000	596,000	-	-	-	-	600,000
Costs of issuing shares	-	(37,350)	-	-	-	-	(37,350)
At 31 December 2018	71,716	7,055,778	(10,399,277)	(22,453)	518,109	2,676,055	(100,072)

Company	Share capital £	Share premium account £	Retained earnings £	Foreign exchange reserve £	Other reserve £	Merger reserve £	Total £
As at 1 January 2017	67,716	6,497,128	(4,518,639)	-	414,420	(35,541)	2,425,084
Total comprehensive loss for the year	-	-	(258,896)	-	-	-	(258,896)
At 31 December 2017	67,716	6,497,128	(4,777,535)	-	414,420	(35,541)	2,166,188
Total comprehensive profit for the year	-	-	1,928,300	-	-	-	1,928,300
Transactions with owners in their capacity as owners							
Placing and subscription	4,000	596,000	-	-	-	-	600,000
Costs of issuing shares	-	(37,350)	-	-	-	-	(37,350)
At 31 December 2018	71,716	7,055,778	(2,849,235)	-	414,420	(35,541)	4,657,138

Consolidated Statement of Cash Flows

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Cash flows from operating activities		
Profit/(Loss) after taxation	402,130	(107,554)
Adjustments for:		
Interest expense (net)	287,522	264,390
Income tax	105,080	62,253
Amortisation of intangible assets	52,088	-
Depreciation	23,698	24,907
Net foreign Exchange gain	(5,264)	(16,556)
Operating cash flows before movements in working capital	865,254	227,440
Increase in trade and other receivables	(717,072)	(578,105)
Increase in trade and other payables	104,247	203,771
Cash provided by/(used in) operations	252,429	(146,894)
Net Interest paid	(165,866)	(165,447)
Net cash provided by/(used in) operating activities	86,563	(312,341)
Investing activities		
Purchases of property, plant and equipment	(29,359)	(14,108)
Generation of intangible assets	(390,926)	-
Increase in long term receivables	136	(6,209)
Net cash used in investing activities	(420,149)	(20,317)
Financing activities		
Proceeds from issue of share capital	600,000	-
Issue costs of shares	(37,350)	-
Net cash generated from financing activities	562,650	-
Net increase/(decrease) in cash and cash equivalents	229,064	(332,658)
Cash and cash equivalents at beginning of year	650,237	965,270
Effect of foreign exchange translation on cash equivalents	(3,032)	17,625
Cash and cash equivalents at end of year	876,269	650,237

Company Statement of Cash Flows

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Cash flows from operating activities		
Profit/(Loss) after taxation	1,928,300	(258,896)
Adjustments for:		
Interest expense	286,556	263,843
Currency exchange adjustment	(3,251)	(9,732)
Operating cash flows before movements in working capital	2,211,605	(4,785)
Increase in trade and other receivables	(2,319,220)	(393,737)
(Decrease)/Increase in trade and other payables	(4,062)	20,369
Cash used in operations	(111,677)	(378,153)
Interest paid	(164,900)	(164,900)
Net cash used in operating activities	(276,577)	(543,053)
Proceeds from issue of share capital	600,000	-
Issue costs of shares	(37,350)	-
Net cash generated from financing activities	562,650	-
Net increase/(decrease) in cash and cash equivalents	286,073	(543,053)
Cash and cash equivalents at beginning of year	70,907	604,227
Effect of foreign exchange translation on cash equivalents	3,251	9,733
Cash and cash equivalents at end of year	360,231	70,907

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 and 13.

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

Being PBT positive (also when excluding effects from the capitalization of R&D) with a 10% growth rate, the directors believe that the Group has demonstrated even 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 continuing business 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 2018 adopted by the Group

The Group has initially adopted IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" from 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations.

The Group has applied IFRS 15 using the cumulative effect method (adopting all practical expedients), therefore, comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

The impact of the application of IFRS 15 has been in respect of the period over which income is recognised in the Group's Business Alert services segment. Whereas previously income was recognised in full on a customer signing-up to the service, IFRS 15 requires that income be spread over the course of the contract. The impact on the Company's full year results for the twelve months ended 31 December 2018 has been a decrease in reported revenue (and profit) by £19k for the period, and an increase in deferred revenues by £181k. Under the cumulative effect method, the impact on previous

period has been recognised as a reduction to brought forward retained earnings of £162k in the statement of changes in equity.

IFRS 9 Financial Instruments

IFRS 9 “Financial Instruments” sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 “Financial Instruments: Recognition and Measurement”.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, and the adoption of IFRS 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities and derivative financial instruments.

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 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

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group’s accounting policies.

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.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

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 other than income relating to government grants which is presented as other income.

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 a subscription service where revenues are recognised over the period of the relevant contracts or agreements
- d) Certain other services fees are recognised in the accounting periods in which work is performed. This includes the design and creation of bespoke modules or products under contract. Where the performance obligations are performed over more than one accounting period, revenue is recognised on the basis of a proportion of total contract revenue in accordance with an estimate of the completion of the contract at the reporting date.

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 revenue in the Income Statement and 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.

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. Amortisation is recognised on a straight-line basis over 3 years and the expense is included in Administrative Expenses in the Income Statement.

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, 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 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 £899,116 (2017: £580,097).

(b) Capitalisation and amortisation of development costs

Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives which is estimated to be three years. The capitalisation of development costs requires the exercise of management judgement to identify when sufficient uncertainties have been dealt with to meet the criteria under IAS 38 for capitalisation. The useful economic lives of deferred development expenditure are based on management's judgement and experience. Variations between the actual and estimated useful economic lives could impact the financial results both positively and negatively.

(c) 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 continue to consider it necessary to provide against the receivable at the balance sheet date.

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 an average of 6 and 7 years. The rate used to discount forecast future cash flows is 15%. The result of the impairment review is that the directors consider the current provision of £3,951,000 should be adjusted to £1,766,115 because of the strengthened position. This provision is however 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:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Cash and cash equivalents	876,269	650,237
Trade receivables – past due at reporting date	293,315	58,898
Trade receivables - not due at reporting date	404,011	592,961
Gross trade receivables	697,327	651,859
Less: Provision for impairment	-	-
Net trade receivables	697,327	651,859
Other receivables	1,110,520	502,145
	1,807,847	1,154,004

Trade receivables principally comprise amounts outstanding for sales to customers and are payable within 3 months. 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

	Year ended 31 December 2018	<i>Year ended 31 December 2017</i>
	£	£
Trade payables	209,425	250,685
Borrowings	1,392,679	1,271,023
	1,602,104	1,521,708

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs and are payable within 3 months.

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 2018 the Group has net trade receivables of £697,327 (2017: £651,859).

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 NatWest and 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.

	Year ended 31 December 2018	<i>Year ended 31 December 2017</i>
	£	£
Ageing of trade & other receivables		
Up to 3 months	669,972	639,927
3 to 6 months	14,523	11,744
Above 6 months	12,832	188
Gross receivables	697,327	651,859
Less: allowance for receivables	-	-
Net receivables	697,327	651,859

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 2018	<i>Year ended 31 December 2017</i>
	£	£
Ageing of trade & other payables		
Up to 3 months	207,929	250,062
3 to 6 months	1,496	-
Above 6 months	0	623
	209,425	250,685

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 2018, the Group's net exposure to foreign exchange risk was as follows:

	Swedish Krona £	Euro £	Norwegian Krone £	Danish Krone £	Total £
As at 31 December 2017					
Trade and other receivables	0	433,709	39,610	104,921	578,240
Cash and cash equivalents	476,810	0	1,512	138,062	616,384
Trade and other payables	(215,084)	(21,397)	(5,834)	(6,264)	(248,579)
Net assets	261,726	412,312	35,288	236,719	946,045
As at 31 December 2018					
Trade and other receivables	0	537,615	39,983	110,127	687,725
Cash and cash equivalents	605,500	0	5,107	219,144	829,751
Trade and other payables	(180,604)	(6,974)	(9,599)	(7,988)	(205,165)
Net assets	424,896	530,641	35,491	321,283	1,312,311

The impact of a 10% weakening/strengthening in the foreign exchange rate of £ will result in an increase/(decrease) in net assets of £145,813 and (£119,301) respectively for 2018 (£105,116 and (£86,004) respectively for 2017).

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 £-163,301 at 31 December 2018 (2017: £-899,409).

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

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Revenue arises from:		
<i>Business Alert services</i>	394,464	447,501
<i>Services relating to the CTM™ platform</i>	4,554,657	4,075,069
Total provision of services	4,949,121	4,522,570
Other Income	189,320	156,857
Total revenue	5,138,441	4,679,427
Administrative expenses	(4,490,669)	(4,587,033)
Operating Profit/(loss)	647,772	92,394
Finance charges (Net)	(287,522)	(264,390)
Profit/(Loss) before tax	360,250	(171,996)

In 2018 there was one customer generating approximately 12% (£639,265) of total revenues from Services relating to the CTM™ platform segment. This compares to 2017 where one customer was generating 22% of total revenue for the Group and the second largest 11%.

Other income consists of a grant received for further development of the Group's Complete Tender Management System and from European Union on the behalf of Difi in Norway.

All revenues in the Company of £265,703 (2017: £227,315) for the year ended 31 December 2018 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 2018 £	Year ended 31 December 2017 £	Year ended 31 December 2018 £	Year ended 31 December 2017 £
UK	930,614	858,085	-	-
European Union	2,740,639	2,614,776	398,583	54,220
Rest of World	1,467,188	1,206,566	-	-
Total	5,138,441	4,679,427	398,583	54,220

All revenues in the Company of £244,676 (2017: £215,793) for the year ended 31 December 2018 originated from the UK.

5. Operating Profit

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

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Depreciation of tangible fixed assets	23,698	24,907
Amortisation of intangible fixed assets	52,088	-
Auditor's remuneration:		
Audit fees - Subsidiaries	8,450	8,200
- Company	15,568	15,410
Non-audit professional fees		
Taxation compliance services	5,910	4,445
Other taxation advisory services	3,270	620
Other services	4,676	4,146

6. Staff Costs

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

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Wages and salaries	2,175,564	2,123,189
Social Security costs	623,550	612,169
Pensions	269,203	214,426
Share based payments	-	-
Net staff costs	3,068,317	2,949,784

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

	Year ended 31 December 2018	Year ended 31 December 2017
Directors	4	5
Administration, sales and support	51	41
	55	46

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Directors' remuneration		
Salaries and bonus	271,338	320,363
Pension	26,336	36,509
Share based payments	-	-
	<u>297,674</u>	<u>356,872</u>

The number of Directors accruing benefits under the defined contribution pension scheme were 2 (2017: 3). 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 2018 £	Year ended 31 December 2017 £
Directors' remuneration		
Salaries & bonus	142,429	134,498
Pension	21,582	21,997
	<u>164,011</u>	<u>156,495</u>

The average monthly number of employees in the Company were Nil during the period (2017: Nil) with one of the Company's four Directors (2017: 2 of 5 Directors) remunerations being expensed in the Company at a total amount of £36,000 in Salaries & bonus (2017: £47,000) as well as the Consultancy fees outlined in note 21.

7. Operating Leases

At 31 December 2018 the group had the following total commitments under operating leases:

	Year Ended 31 December 2018 £		Year Ended 31 December 2017 £	
	Land and buildings	Other	Land and buildings	Other
Minimum lease payments payable:				
Within one year	166,844	11,238	78,572	6,536
In two to five years	536,636	36,459	48,089	1,720
	<u>703,480</u>	<u>47,697</u>	<u>126,661</u>	<u>8,256</u>

The Land and buildings lease costs amount to £174,787 for 2018 (2017: £148,343). Other lease costs amount to £4,986 for 2018 (2017: £29,243).

Operating lease expenditure in the Company was £Nil in the year (2017: £Nil).

8. Finance income and expenses

Group	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Finance income		
Bank interest	-	28
Finance expense		
Interest payable	(966)	(575)
Convertible loan note interest	(286,556)	(263,843)
	(287,522)	(264,390)

Company	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Finance expense		
Convertible loan note interest	(286,556)	(263,843)
	(286,556)	(263,843)

9. Income tax

Current tax

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Group		
Current tax credit	(27,229)	(65,343)
Adjustments in respect of previous periods	(12,024)	-
Total tax credit	(39,253)	(65,343)

Factors affecting the tax credit

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

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Profit/(Loss) before tax	360,250	(171,996)
Income tax at UK average rate of 19% (2017: 19.25%)	68,447	(33,109)
Non-deductible expenses	2,977	59
Adjustments to tax in respect of prior periods	(12,024)	4,137
Tax appropriations by foreign subsidiaries	16,897	12,109
Effect of different tax rates of subsidiaries operating in non-UK jurisdictions	(26,029)	1,702
Effect of enhanced deductions for research and development expenditure and surrender for tax credits	(77,548)	(97,183)
Movement in deferred tax not recognised	(11,973)	47,895
Other differences leading to a decrease in income tax	-	(953)
Tax credit for the year	(39,253)	(65,343)

Deferred tax

The Group has estimated carried forward losses amounting to £9.3million as of 31 December 2018 (2017: £9.0million). As the timing and extent of taxable profits are uncertain, the potential deferred tax asset of £1.6million arising on these losses has not been recognised in the financial statements.

10. Profit/(Loss) per share

Profit/(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:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Weighted average number of shares for the purpose of earnings per share	70,072,570	67,716,406
Profit/(Loss) after tax	402,130	(107,554)
Profit/(Loss) per share	0.006	(0.002)

The potential ordinary shares associated with share options and convertible loan notes are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of calculating diluted earnings per share.

11. Property, plant and equipment

	Office equipment & other equipment £
2017	
Cost	
At 1 January 2017	329,199
Additions	<u>14,108</u>
At 31 December 2017	<u><u>343,307</u></u>
Accumulated depreciation	
At 1 January 2017	279,074
Charge for the year	<u>24,907</u>
At 31 December 2017	<u><u>303,981</u></u>
As at 31 December 2017	<u><u>39,326</u></u>
<i>As at 31 December 2016</i>	<u><u>50,125</u></u>
2018	
Cost	
At 1 January 2018	343,307
Additions	<u>29,359</u>
At 31 December 2018	<u><u>372,666</u></u>
Accumulated depreciation	
At 1 January 2018	303,981
Charge for the year	<u>23,698</u>
At 31 December 2018	<u><u>327,679</u></u>
As at 31 December 2018	<u><u>44,987</u></u>
<i>As at 31 December 2017</i>	<u><u>39,326</u></u>

12. Intangible assets

2017	CTM Platform £
Cost	
At 1 January 2017	765,485
Additions	-
	<hr/>
At 31 December 2017	<u>765,485</u>
Accumulated depreciation	
At 1 January 2017	765,485
Charge for the year	-
	<hr/>
At 31 December 2017	<u>765,485</u>
As at 31 December 2017	<u>-</u>
<i>As at 31 December 2016</i>	<u>-</u>
2018	CTM Platform £
Cost	
At 1 January 2018	765,485
Additions	390,926
	<hr/>
At 31 December 2018	<u>1,156,411</u>
Accumulated depreciation	
At 1 January 2018	765,485
Charge for the year	52,088
	<hr/>
At 31 December 2018	<u>817,573</u>
As at 31 December 2018	<u>338,838</u>
<i>As at 31 December 2017</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:

Subsidiary undertaking	Registered office address	Principal activity
EUS Holdings Limited	10 Queen Street Place, London EC4R 1AG, United Kingdom	Development & licensing of software and related services
EU-Supply Holding AB*	Sveavägen 159, 113 46 Stockholm, Sweden	Development & licensing of software and related services

* is owned 100% via EUS Holdings Limited.

14. Trade and other receivables

	Group		Company	
	Year ended 31 December 2018 £	<i>Year ended 31 December 2017 £</i>	Year ended 31 December 2018 £	<i>Year ended 31 December 2017 £</i>
Gross trade receivables	697,327	651,859	300	10,167
Intercompany receivable	-	-	7,572,376	7,425,814
Provision for impairment	-	-	(1,766,115)	(3,951,000)
Net trade receivables	697,327	651,859	5,806,561	3,484,981
Prepayments and accrued income	1,110,520	502,145	14,912	17,272
Total	1,807,847	1,154,004	5,821,473	3,502,253

As at 31 December 2018 trade receivables of £27,355 (2017: £11,932) 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 IFRS 9 and the key assumptions disclosed in Note 2(c).

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 2018 £	Year ended 31 December 2017 £	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Current				
Trade payables	209,425	250,685	2,522	195
Intercompany payables	-	-	872	872
Other payables	128,993	163,467	-	-
Tax Appropriations	-	-	-	-
Deferred revenue	899,116	580,097	108,492	114,713
Social security and other taxes	96,090	96,809	1,618	1,566
Accruals	490,740	466,664	18,383	18,603
	1,824,364	1,557,722	131,887	135,949

17. Borrowings

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Non-current		
Convertible loan stock (see Note 18)	1,392,679	1,271,023
	1,392,679	1,271,023

The Group's borrowing consists of convertible loan notes of which are 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.

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:

- on demand, following certain events of default;
- automatically, upon the sale of the company and/or its subsidiary or their respective undertakings;
- 60 months following issue of the first tranche of convertible loan notes; or
- 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:

- Prior to 30 September 2015 at a 30 per cent. premium to 9p (being 11.7p); and
- 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:

	2018	2017
	£	£
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)
Equity component	414,420	414,420
Net liability component at the beginning of the year	1,271,023	1,172,080
Interest charge in period	286,556	263,843
Interest paid in period	(164,900)	(164,900)
Liability component at end of period included in borrowings (Note 17)	1,392,679	1,271,023

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.

On 31 May 2018, 4 million ordinary shares of £0.001 were issued at £0.15 per share. This raised proceeds of £600,000 before expenses of £37,350.

	Number of shares		Share Capital (£)		Share Premium (£)	
	2018	2017	2018	2017	2018	2017
Ordinary share capital						
Balance at the beginning of the year	67,716,406	67,716,406	67,716	67,716	6,497,128	6,497,128
Issue of new shares	4,000,000	-	4,000	-	558,650	-
Balance at the end of the year	71,716,406	67,716,406	71,716	67,716	7,055,778	6,497,128

20. Share based payments

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 2017 or 2018 and were elapsed unexercised.

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 2017 or 2018 were elapsed unexercised.

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):

	Year ended 31 December 2018	<i>Year ended 31 December 2017</i>
	£	£
Consultancy fees *	1,083	12,996
	1,083	12,996

* The consultancy fees 2018 and 2017 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 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 2018 was £872 (2017: £872).

At the balance sheet date total amounts due from EUS Holdings Ltd to EU Supply PLC were £5,806,261 (2017: £3,474,814) after provision for impairment of £1,766,115 (2017: £3,951,000). A credit of £2,184,885 was recognised in the Company Statement of Comprehensive Income in respect of the reversal of the provision against amounts due from EUS Holdings Ltd (2017: £Nil)

23. Control

The board consider that there is no ultimate controlling party.

24. Post balance sheet events

None.