appScatter Group PLC

Annual report and accounts 2017

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Chairman’s statement

I am pleased to present appScatter Group plc’s first full-year results as a public company.

The Company’s shares were admitted to trading on AIM, the junior market operated by the London Stock Exchange, in September 2017, raising £9 million for the Group’s development. Since then we have launched the appScatter platform, agreed partnerships and have almost completed our first acquisition.

Our stated objective is to generate sustainable growth for shareholders by broadening the licensed user base for the appScatter platform through product development, targeted sales campaigns and partnerships. This remains the central focus of our activity.

As the usage of our platform by the developer community increases it is becoming clear that in addition to the income expected from app developers, a major source of revenue will be from blue chip multinational organisations, ‘‘*enterprise customers*’’, seeking to manage their international portfolio of apps to ensure compliance with group policy and external regulations.

A further meaningful source of income is expected to be generated by the use of appScatter’s technology by organisations seeking to comply with the GDPR regulations, which were introduced across the EU towards the end of May 2018.

The partnerships agreed with Airpush and IronSource announced after the period end in March and April 2018 respectively, who between them will open access to the appScatter platform to their 300,000 registered customers, mark significant steps in broadening our channels to market.

The management of large quantities of data is the key to our business. In the future, appScatter aims to monetise the billions of app data points it has been collecting on a daily basis since 2014. While it is not yet possible to assess the quantum of the income likely to arise from the future monetisation of data, given the extent and commerciality of that asset we believe it could ultimately exceed revenues generated from licence payments.

In this regard, in April 2018 we made a significant step by announcing our conditional agreement to acquire Priori Data GmbH, a Berlin based B2B SaaS platform provider of mobile app intelligence for a consideration of £13.5 million. We see an exciting opportunity to expand our data intelligence capability by combining with Priori Data and we look forward to completing the acquisition in the near future.

We believe we have a first-mover advantage in a market poised for dramatic growth. Much remains to be done to execute successfully on our plans, but our progress so far and the momentum we are generating in our business enable me to look forward to the future with confidence.

Clive Carver
Non-executive Chairman

6 June 2018

CEO Statement

2017 Highlights

2017 was an exciting year for the Group, with appScatter welcoming its first paying customers and reporting maiden revenues in the first half, being admitted to the AIM Market in September and unveiling the full appScatter platform for public use in November. For the year ended 31 December 2017, the Group reported revenue of £1.9 million.

Following the successful completion of the IPO and admission to AIM, the Group has made good on a range of commitments to enhance the platform and improve the range of services it can offer to customers. First, we released an in-app billing software developer kit (SDK), which allows developers to conveniently integrate in-app billing to multiple Android app stores worldwide, including Amazon, Samsung and the Google Play Store. By using either each store's native in-app billing service or integrating with third-parties, it enables developers to monetise their apps across a wider market, including the 75 app stores appScatter supports.

During the period we also launched appScatter's App Store Data API service (the 'API Service') to provide licensed users with access to the Group's wealth of raw historical app store data. This includes app intelligence from the Apple App Store, the Google Play store and all major alternative app stores worldwide. The Company believes this data will be a valuable forecasting and planning tool for app developers and app designers across all business sectors.

Operational performance of the business

During 2017 the business worked hard to improve the technology at the heart of its core proposition. Firstly, we began developing our marketplace. This ongoing process will enable users to access a range of add-on products and drive incremental revenue for the business. The work done during the second half of the year laid the foundation for the launch of the first new products on the marketplace in Q1 2018. We also successfully integrated the powerful Statful telemetry system into the platform, which enables us to measure and understand performance and ensure quality. In future, Statful will also be offered to our clients as part of the appScatter marketplace.

Beyond our core platform, we continued to strengthen our sales and marketing departments which, alongside the partnerships we have formed in the first part of 2018, form a marketing strategy that we expect to deliver quality user growth whilst reducing the user acquisition cost. Whilst our sales team are relatively new they have already had a number of significant successes, including the introduction of household names to the Group's customer list.

Operational key performance indicators

As at 31 May 2018, the Company had 16,835 registered users, of which 2,238 were licensed users of the appScatter platform (comprising free users, trial users and paying users).

As at 31 December 2017, appScatter supported 75 mobile app stores for distribution and reporting whilst tracking and collecting data daily from 25 app stores in 150 countries. This amounts to over 1 billion unique app URLs from 10 million apps by 2.2 million active app publishers.

Financial key performance indicators

During 2017 we reported our first revenues, following the launch of the appScatter platform, of £1,937,020 (2016: £nil). The loss after tax was £5,840,562 (2016: £8,790,222) as the Group continued to invest in the development of the platform. The cash balance at the end of the year was £3,781,109 (2016: £226).

Development since the balance sheet date

2018 has started in a promising manner, with many new products being released, new partners coming on board and new users joining daily.

Airpush Inc

In March 2018 we announced our first major partnership with Airpush Inc., a leading mobile advertising network, which is intended to significantly broaden the reach of the appScatter platform.

Airpush helps advertisers improve campaign performance with powerful platforms integrated into over 250,000 mobile app, mobile web, and virtual reality properties, as well as one of the world's largest consumer data marketplaces. Airpush provides amongst the most diverse and high performing monetisation and advertising solutions in its industry, providing a reliable route to a vital revenue stream for app developers.

IronSource Ltd

In April 2018 we announced our strategic partnership with IronSource Ltd the leading mobile monetisation and marketing platform including one of the industry's largest in-app video ad networks.

appScatter and IronSource have agreed to implement a co-marketing initiative to introduce the appScatter platform to IronSource's large global developer community.

App Security Scanning Service

In May 2018 we launched the appScatter app Scanning Service. This service can be used, in conjunction with the wider appScatter platform, by appScatter users to identify and highlight areas of potential vulnerability in their app portfolios (such as security of underlying app users' personal data) and enabling appScatter users to address any potential security issues as part of app maintenance. The Scanning Service application is part of the Company's planned wider platform development programme and is being made available to existing and new customers for an additional subscription fee.

A key feature of the new Scanning Service is that it can be used by appScatter customers as part of their programme to assess and ensure their compliance with certain key aspects of the EU General Data Protection Regulation ("GDPR"), which came into force on 25 May 2018.

GDPR requires all organisations operating in the EU to protect the personal data and privacy of European citizens and violation of the requirements of the GDPR can have severe financial consequences for organisations, with potential fines for severe data breaches of up to €20 million or four percent of global revenues.

Acquisition of Priori Data

We announced signature of a conditional sale and purchase agreement to acquire Priori Data in April 2018, and we expect to complete this transaction shortly after the publication of this report. Priori Data will add extra expertise to our team as well as new products and customers.

We believe that the acquisition, if completed, will allow the enlarged group to provide significantly enhanced, market leading, data-led app insights. The Directors believe that these insights, when combined with Priori's data intelligence software, will enhance the Group's ability to meet the increasing data demands of existing and prospective customers. The combined range of the appScatter and Priori datasets will be available to the Group's targeted customers such as brands, app publishers, advertising agencies and mobile networks to conduct more targeted demographic campaigns.

Once completed, the associated fundraise will fund the cash element of the consideration for the acquisition and provide additional working capital resources for the enlarged group.

I wish to thank our shareholders, customers, users and partners for their support and our employees for their hard work and dedication to the project.

Philip Marcella
Chief Executive Officer

6 June 2018

Strategic report

Company overview

appScatter offers a centralised app management and distribution platform offering unrivalled audience reach, efficient app management and precision monitoring all on a global scale.

Market overview

There are estimated to be more than 300 legitimate app stores worldwide and appScatter has grouped these app stores into four main categories being stores related to: 1) Operating Systems; 2) Wireless Carriers; 3) Device Manufacturers; and 4) Independent app stores.

The Apple App Store and Google Play app store are dominant in the US where they currently are estimated to account for a combined 85 per cent. of US downloads, however, they account for as little as 62 per cent. of EU downloads in the top five countries (UK, Germany, France, Spain and Italy) and only 24 per cent. of downloads in China.

Accessing more than just the most popular app stores can greatly increase market penetration for commercial and other enterprises but requires significant effort on behalf of app developers and publishers to register, monitor and manage each app store used and draw holistic analysis of downloads across multiple stores.

This B2B SaaS platform for the management of mobile apps and games has a growing suite of tools to enable publishers to effectively manage their app portfolio. These tools include app distribution across multiple app stores consolidated report generation from advertising and analytic networks, mobile data intelligence and, more recently, app security reporting and scanning for data protection.

Business Review

A detailed review of the business is included in the CEO Statement above.

Business Model

appScatter offers a free limited service which allow non-paying users to import their apps and consolidate their sales and downloads from any of the appScatter supported stores. In addition, they also have access to the appScatter market place where they can access a selection of free services.

There are two types of paying customer: Professional users (consisting of small, medium and large professional customers) and Enterprise users. Professional users tend to have a small portfolio of apps and use appScatter to increase downloads and sales. The Enterprise users are typically from regulated industries such as Finance, Insurance, Aviation Automotive and Real Money Gaming.

The appScatter Marketplace, which launched in Q1 2018, allows users to integrate with third party tools and products (add-ons); for an additional monthly charge in the case of paid for add-ons. The add-ons it makes available will further enhance the Group's ability to both increase user numbers and retain existing paying users whilst increasing individual user spend.

The appScatter Platform is highly scalable and uses cloud technology. Hosted in Amazon Web Services, appScatter uses a micro services architecture to allow each component of the Platform to scale independently based on demand. Amazon Web Services' relational database services are used for storage in parallel with MongoDB for big data sets and Amazon Elastic Search services are used in providing appScatter's proprietary app and publisher search engine.

Strategy

Growth is planned to come from increasing the user base through product development, targeted sales campaigns and partnerships.

The Group's focus remains rapidly growing its free users and converting those into paying users with an initial focus on enterprise customers and to continue to seek to improve the functionality of the platform.

The Group has already begun to form strategic partnerships with key industry partners such as analytics services or mobile advertising networks, some of which have hundreds of thousands of their own users who are potential appScatter users.

Principal risks & uncertainties

1. Reliance on third party data availability

Certain aspects of the appScatter Platform rely on the continued availability of extensive data, free of charge, from app stores regarding such matters as the level of sales of apps, which data is then processed or re-presented by the appScatter software for the benefit of users. Access to such data is regulated by the terms and conditions of each app store and by the agreements between users and the app stores. To date the Group has received no notification from any app store or user that the use to which the app store data is put by the appScatter Platform infringes the app store's rights to such data, or that any app store has any intention of restricting access to or use of such data or levying charges for access to it, and the Directors believe that app stores are unlikely to restrict or charge for access to such data, or the use to which the data may be put, in a way which impacts the appScatter Platform. However, such a decision is out of the hands of the Company. If one or more app stores sought to impose or enforce restrictions on access to and/or use of such data, or to levy charges for it, the ability of appScatter to continue to provide the full range of services, and accordingly the credibility of the appScatter Platform, could be seriously diminished and, in the extreme, certain elements of the appScatter Platform would be unable to operate, or the costs of operation could be significantly increased.

2. Technological risks

The Group's business is dependent upon technology which could be superseded by superior technology, more competitively priced technology or a shift in working practices which could affect both the potential profitability and saleability of the Group's product offering.

Staying abreast of technological changes may require substantial investment. The Group's existing software products need to develop continually in order to meet customer requirements. The technology used in the Group's products is still evolving and is highly complex and may change. Research and development by other companies may render any of the Group's products in development or currently available obsolete.

3. Intellectual property protection

The Group may be unable to successfully establish and protect its intellectual property which may be significant to the Group's competitive position. The Group's current or future intellectual property rights may or may not have priority over other third parties' claims to the same intellectual property.

The steps which the Group has taken and intends to take to protect its intellectual property may be inadequate to prevent the misappropriation of its proprietary technology. Any misappropriation of the Group's intellectual property could have a negative impact on the Group's business and its operating results. Furthermore, the Group may need to take legal action to enforce its intellectual property, to protect trade secrets or to determine the validity or scope of the proprietary rights of others. Litigation relating to the Group's intellectual property, whether instigated by the Group to protect its rights or arising out of alleged infringement of third party rights, may result in substantial costs and the diversion of resources and management attention and there can be no guarantees as to the outcome of any such litigation, or that it can be effectively used to enforce the Group's rights.

4. Dependence on key executives and personnel

The future performance of the Group will to a significant extent be dependent on its ability to retain the services and personal connections or contacts of key executives and to attract, recruit, motivate and retain other suitably skilled, qualified and industry experienced personnel. The loss of the services of any of the key executives or personnel may have a material adverse effect on the business, operations, relationships and/or prospects of the Group.

5. appScatter Platform and its market

The Group derives substantially all of its revenue and cash flows from subscriptions for, and services related to, the Platform. Demand for the Platform is affected by several factors beyond the Group's control, including market acceptance of the Platform by existing customers and potential new customers, the extension of the Platform for new user cases, the timing of development and release of new products by the Group's competitors and additional capabilities and functionality by the Group, technological change, and growth or contraction of the market in which the Group competes. In addition, the Group cannot assure investors that the Platform and future enhancements to the Platform will be able to address future advances in technology or requirements of existing customers or potential new customers. If the Group is unable to continue to meet customer demands or to achieve more widespread market acceptance of the Platform, its business, results of operations, financial condition and growth prospects will be adversely affected.

The Group has encountered and will continue to encounter risks and uncertainties frequently experienced by growing companies operating in new or developing markets. If the Group's assumptions regarding these uncertainties, which the Group uses to plan its business, are incorrect or change in reaction to changes in its markets, or if the Group does not address these risks successfully, its results of operations and financial condition could differ materially from its expectations and its business could suffer.

The market for services such as the appScatter Platform is still new, and therefore, it is difficult to predict the size and growth rate of this market, whether and how rapidly customers will adopt the Platform, whether the Group will be able to retain such customers and expand their usage of the Platform, and the impact of competitive products and services. If the market for services such as the Platform does not achieve significant growth or there is a reduction in demand for solutions in the Group's market for any reason, it could result in reduced customer adoption of the Platform, decreased customer retention, or weaker customer expansion with respect to the use of the Platform, any of which would adversely affect the Group's business, results of operations, and financial condition.

The Directors believe that there are currently no direct competitors to appScatter that offer a similar breadth of tools to those being offered by appScatter. There are companies which offer some of the services provided by appScatter but these competitors typically cover only a handful of app stores and with only a portion of the services offered by appScatter.

The Directors also believe that these competitors do not provide pre-existing integration (together with future add-ons which will be available via the Marketplace) to best-of-breed workflow tools. For a number of reasons, including the complexity of the Platform's technology and historical data already gathered by appScatter new entrants seeking to enter the market would, the Directors believe, face significant barriers to entry.

By order of the Board

Clive Carver
Chairman

6 June 2018

Directors' report

The Directors present their annual report on the affairs of the Group and Parent Company (hereafter referred to as "The Company"), together with the Group financial statements for the year ended 31 December 2017.

The Company was incorporated on 3 April 2017 and on 21 August 2017 acquired the entire issued share capital of appScatter Limited in a share for share exchange. This combination has been accounted for as a group reconstruction under FRS 102 as the sole motivation for incorporating appScatter Group plc was for the purposes of executing the transaction to facilitate an initial public offering and the ownership structure of appScatter Limited and appScatter Group plc at the time of the group reconstruction was identical.

Results and dividends

The Group's results are set out in the Group Income Statement on page 18. The audited financial statements for the year ended 31 December 2017 are set out on pages 18 to 42.

The Group made a loss after taxation of £5,840,562 (2016: £8,790,222). The Directors cannot recommend the payment of a dividend (2016: nil).

Business review and future developments

The business review and future developments are dealt with in the Chairman's statement, CEO Review and Strategic Report on pages 3 to 8.

Directors

The Directors who served during the period to date are as follows:

Clive Carver, *Non-executive Chairman*	(appointed 21 June 2017)
Philip Marcella, *Chief Executive Officer*	(appointed 3 April 2017)
Manish Kotecha, *Finance Director*	(appointed 21 June 2017)
Jason Hill, *Sales Director*	(appointed 21 June 2017)
Michael Buchen, *Non-executive Director*	(appointed 21 June 2017)
William Booth, *Director*	(appointed 3 April 2017 & resigned 21 June 2017)

The direct and beneficial interests of the Board in the shares of the Company as at 31 December 2017 were as follows:

	Shares held	**% of issued Share Capital**
Clive Carver	187,892	0.30%
Philip Marcella	16,472,280	26.07%
Manish Kotecha	741,025	1.17%
Jason Hill	224,462	0.36%
Michael Buchen	173,225	0.27%

Events after the reporting period

Events after the reporting period are set out in note 19 to the financial statements.

Auditor

The Directors will place a resolution before the Annual General Meeting to re-appoint Kingston Smith LLP as auditor for the coming year.

Management incentives

During the year, the Company granted options over ordinary shares for the benefit of Directors and senior members of staff, none of which have been exercised at 31 December 2017. Further details on share options are set out in note 16 to the financial statements.

Directors' remuneration

The remuneration of the Executive Directors paid during the year was fixed on the recommendation of the Remuneration Committee. The remuneration of the Non-executive Directors paid during the year was fixed on the recommendation of the Executive Directors. This has been achieved acknowledging the need to maximise the effectiveness of the Company's limited resources during the year.

Remuneration paid to each Director for the year ended 31 December 2017 is set out in note 5 to the financial statements.

Control procedures

The Board has approved financial budgets and cash forecasts. In addition, it has implemented procedures to ensure compliance with accounting standards and effective reporting.

Environmental responsibility

The Company is aware of the potential impact that its subsidiary companies may have on the environment. The Company ensures that it and its subsidiaries at a minimum comply with the local regulatory requirements and the revised Equator Principles, the industry standard for environmental and social risk.

Employment policies

The Group is committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Group are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

Health and safety

The Group's aim is to achieve and maintain a high standard of workplace safety. In order to achieve this objective, the Group provides training and support to employees and sets demanding standards for workplace safety.

Going concern

The consolidated entity has incurred a loss after tax of £5,840,562 for the year ended 31 December 2017 (2016: loss of £8,790,222) and had a net cash outflow from operations of £8,187,948 (2016: £1,682,935).

The accounts have been prepared on a going concern basis. The loss and cash outflow have been incurred as the Company is currently in a growth phase as it develops its platform and launches its initial customer propositions. Further detail on the trading prospects of the Group are included in the Strategic Report above.

The Group has commitments from investors including certain existing shareholders to invest in new equity independent of the Priori transaction completing. The Board have prepared cash flow forecasts under various scenarios including those with conservative growth projections and where costs are reduced accordingly. Whilst revenue growth is expected in the coming year, the commitments from investors, once taken up by the Company, provide sufficient funding even with no sales growth. The Directors consider that the Group has sufficient cash to fund operations for at least the next twelve months from the date of this report.

Disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Group's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

Clive Carver
Chairman

6 June 2018

Directors and Advisers

Directors	Clive Carver Philip Marcella Manish Kotecha Jason Hill Michael Buchen
Registered Office	Salisbury House London Wall London EC2M 5PS
Nominated Adviser and Joint Broker	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY
Joint Broker	Stifel Nicolaus Europe Limited 150 Cheapside London EC2V 6ET
Solicitor	Druces LLP Salisbury House London Wall London EC2M 5PS
Auditor	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater House Bristol BS99 6ZY

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM Market.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and Accounts are made available on a website. Financial statements are published on the Group's website (www.appscatter.co.uk) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Independent auditor's report

to the members of appScatter Group plc

Opinion

We have audited the financial statements of appScatter Group Plc for the year ended 31 December 2017 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

Audit Area and Description	Audit approach
Accounting for group reconstruction	
The group reconstruction which took place in 2017 when appScatter Plc acquired the entire share capital of appScatter Ltd was accounted for using merger accounting. The reconstruction was effected by a share for share exchange with no change in ultimate control. As IFRS does not provide guidance on accounting for common control transactions, reference was made by the directors to FRS102when formulating an accounting policy for the transaction.	We have reviewed the explanation provided in note 1 to the accounts in respect of the accounting policy used to account for the group reconstruction and concluded that the accounting treatment used was appropriate in order to present a true and fair view of the transaction.
Revenue recognition	
Given that there is only one key contact for sales, who manages relationships with clients and invoicing, we considered revenue recognition to be a key audit risk.	We performed cut-off testing to confirm that revenue was recorded in the correct accounting period. A sample of post year end invoices was reviewed to confirm that income had not been understated. We reviewed the postings to nominal codes associated with research and development costs for expenditure which met the criteria for capitalisation under IAS 38. We critically assessed the Directors' assertion as to which expenditure should be capitalised by reference to revenue generated from the intangible assets.
Carrying value of intangibles	
As a result of the development work carried out during the current and prior accounting period, intangible assets represented a significant part of the assets of the Group.	We considered the appropriateness of the amortisation policy for the intellectual property. We critically assessed the calculations of amounts to be capitalised in respect of staff and contractor time spent on the IP in the year.

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Due to the nature of the Group we considered expenditure to be the main focus for the readers of the financial statements, and accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the Group to be £87,612, based on one percent of expenditure.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group was 60% of materiality, namely £52,567.

We agreed to report to the Audit Committee all audit differences in excess of the threshold that we had calculated as being clearly trivial to the financial statements, and any other differences that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group and parent company audit was scoped by obtaining an understanding of the Group and parent company and their environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and parent company level. The entire Group is audited by one audit team, led by the Senior Statutory Auditor. Our approach in respect of key audit matters is set out in the table in the Key Audit Matters Section above.

The audit is performed centrally and comprises all of the companies within the Group, significant components of which were visited by the audit team.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Use of our report

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

Jonathan Sutcliffe (**Senior Statutory Auditor**)

for and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London ECIM 7AD

6 June 2018

Consolidated Income Statement & Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	Group 2017 £	Group 2016 £
Revenue		1,937,020	—
Cost of sales		(856,101)	—
Gross profit		**1,080,919**	**—**
Administrative expenses		(7,373,552)	(3,535,818)
Deemed cost on reverse takeover		—	(5,167,128)
Operating loss	3	**(6,292,633)**	**(8,702,946)**
Finance income		397	
Finance expenses	6	(48,326)	(87,276)
Loss before income tax		**(6,340,562)**	**(8,790,222)**
Tax credit	7	500,000	—
Loss for the year		**(5,840,562)**	**(8,790,222)**
Other comprehensive income			
Exchange losses arising on the translation of foreign subsidiaries		(55,405)	(31,352)
Total comprehensive loss for the period attributable to the owners		**(5,895,967)**	**(8,821,574)**
Loss per share from continuing and total operations – basic & diluted	8	0.11	0.70

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share Capital £	Share Premium £	Shares to be issued £	Other Reserves £	Share Option Reserve £	Merger reserve £	Reverse acquisition reserve £	Foreign exchange reserve £	Retained earnings £	Total £
At 1 January 2016	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**7,930**	**(2,539,684)**	**(2,531,754)**
Loss for the period	—	—	—	—	—	—	—	—	(8,790,222)	**(8,790,222)**
Other comprehensive income										
FX Gains / (Losses)	—	—	—	—	—	—	—	(31,352)	—	**(31,352)**
Shares issued – appScatter LLC	616,195	—	—	(17,313)	(17,312)	—	—	—	—	**581,570**
Transfer to reverse acquisition reserve	(616,195)	—	—	17,313	17,312	—	598,882	—	—	**17,312**
Issue of share capital (net of expenses)	—	—	—	—	—	14,113,765	—	—	—	**14,113,765**
Unpaid shares to be issued	—	—	4,824,227	—	—	—	—	—	—	**4,824,227**
Reverse acquisition reserve	—	—	—	—	—	—	(5,021,741)	—	—	**(5,021,741)**
At 31 December 2016 and 1 January 2017	**—**	**—**	**4,824,227**	**—**	**—**	**14,113,765**	**(4,422,859)**	**(23,422)**	**(11,329,906)**	**3,161,805**
Loss for the period	—	—	—	—	—	—	—	—	(5,840,562)	**(5,840,562)**
Other comprehensive income										
FX Gains / (Losses)	—	—	—	—	—	—	—	(55,405)	—	**(55,405)**
Unpaid shares paid for	—	—	(4,824,227)	—	—	4,824,227	—	—	—	**—**
Shares issued pre-IPO	—	—	—	—	—	2,023,476	—	—	—	**2,023,476**
Shares issued – appScatter Ltd acquired by PLC	2,466,599	—	—	—	—	(2,466,599)	—	—	—	**—**
Issue of share capital on IPO	692,308	8,307,692	—	—	—	—	—	—	—	**9,000,000**
Expenses associated with Placing	—	(1,634,952)	—	—	—	—	—	—	—	**(1,634,952)**
Share options issued	—	—	—	—	528,876	—	—	—	—	**528,876**
At 31 December 2017	**3,158,907**	**6,672,740**	**—**	**—**	**528,876**	**18,494,869**	**(4,222,859)**	**(78,827)**	**(17,170,468)**	**7,183,238**

See note 15 for a description of each reserve included above.

Company Statement of Changes in Equity

For the period ended 31 December 2017

	Share Capital £	Share Premium £	Share Options £	Merger Reserve £	Retained earnings £	Total £
At incorporation on 3 April	**—**	**—**	**—**	**—**	**—**	**—**
Loss for the period	—	—	—	—	(891,942)	**(891,942)**
Shares issued – appScatter Ltd acquired by PLC	2,466,599	—	—	664,540	—	**3,131,139**
Issue of share capital	692,308	8,307,692	—	—	—	**9,000,000**
Expenses associated with Placing	—	(1,634,953)	—	—	—	**(1,634,952)**
Share options issued	—	—	528,876	—	—	**528,876**
At 31 December 2017	**3,158,907**	**6,672,740**	**528,876**	**664,540**	**(891,942)**	**10,133,121**

See note 15 for a description of each reserve included above.

Statement of Financial Position – Group & Company

At 31 December 2017

	Note	Group 2017 £	Group 2016 £	Company 2017 £
Non-current assets				
Intangible assets	9	1,444,349	959,101	—
Investment in subsidiaries	10	—	—	3,131,139
Intercompany receivables	10	—	—	3,815,922
Total non-current assets		**1,444,349**	**959,101**	**6,947,061**
Current assets				
Trade & other receivables	11	3,464,229	5,101,587	70,215
Cash & cash equivalents		3,781,109	226	3,200,654
Total current assets		**7,245,338**	**5,101,813**	**3,270,869**
Total assets		**8,689,687**	**6,060,914**	**10,217,930**
Equity				
Share capital	14	3,158,907	—	3,158,907
Share premium		6,672,740	—	6,672,740
Shares to be issued		—	4,824,227	—
Share option reserve	16	528,876	—	528,876
Merger reserve		18,494,869	14,113,765	664,540
Reverse acquisition reserve		(4,422,859)	(4,422,859)	—
Foreign exchange reserve		(78,827)	(23,422)	—
Retained earnings		(17,170,468)	(11,329,906)	(891,942)
Total equity		**7,183,238**	**3,161,805**	**10,133,121**
Current liabilities				
Trade & other payables	12	1,506,449	2,613,614	84,809
Loans & borrowings	13	—	285,495	—
Total current liabilities		**1,506,449**	**2,899,109**	**84,809**
Total liabilities		**1,506,449**	**2,899,109**	**84,809**
Total equity and liabilities		**8,689,687**	**6,060,914**	**10,217,930**

The accompanying notes on page 24 to 42 form an integral part of these financial statements.

As permitted by Section 408 Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The Company's loss and comprehensive loss for the financial year was £891,942.

These financial statements were approved by the Board of Directors and authorised for issue on 6 June 2018 and are signed on its behalf by:

Clive Carver

6 June 2018

Consolidated Statement of Cash flows

For the year ended 31 December 2017

	Group 2017 £	Group 2016 £
Cash flows from operating activities		
Operating loss after taxation	(5,840,562)	(8,790,222)
Adjustments for:		
Finance expenses	48,326	87,276
Finance income	(397)	—
Amortisation	729,202	—
Deemed costs on reverse takeover	—	5,167,128
Share-based payments charge	528,876	—
Tax credit	500,000	—
Exchange differences	12,324	—
Unrealised gain	—	10,027
Operating loss before working capital changes	**(4,022,231)**	**(3,525,791)**
Changes in working capital		
(Increase) / decrease in trade & other receivables	(2,773,058)	(241,035)
Increase / (decrease) in trade & other payables	(1,392,659)	2,083,891
Net cash used in operations	**(8,187,948)**	**(1,682,935)**
Investing activities		
Purchase of intangible assets	(1,282,178)	—
Interest received	397	—
Acquisition of business (net of cash)	—	3,487
Net cash flows used in investing activities	**(1,282,781)**	**3,487**
Financing activities		
Net proceeds from loans	—	230,025
Interest paid	(48,326)	(55,029)
Issue of ordinary shares (net of expenses)	13,298,938	1,296,599
Issue of common stocks (appScatter LLC)	—	204,872
Net cash flows from financing activities	**13,250,612**	**1,676,467**
Net change in cash and equivalents	3,780,883	(2,981)
Cash and equivalents at the beginning of the period	226	3,207
Cash and equivalents at the end of the period	**3,781,109**	**226**

The accompanying notes on page 24 to 42 form an integral part of these financial statements.

Company Statement of Cash flows

For the year ended 31 December 2017

	Company 2017 £
Cash flows from operating activities	
Operating loss after taxation	(891,942)
Adjustments for:	
Finance income	(397)
Share based payment charge	528,876
Unrealised gain	13
Operating loss before working capital changes	**(363,452)**
Changes in working capital	
(Increase) / decrease in trade & other receivables	(70,217)
(Increase) / decrease in intercompany receivables	(3,815,922)
Increase / (decrease) in trade & other payables	84,809
Net cash used in operations	**(4,164,780)**
Investing activities	
Interest received	397
Net cash flows used in investing activities	**397**
Financing activities	
Issue of ordinary shares (net of expenses)	7,365,037
Net cash flows from financing activities	**7,365,037**
Net change in cash and equivalents	3,200,654
Cash and equivalents at the beginning of the period	—
Cash and equivalents at the end of the period	**3,200,654**

The accompanying notes on page 24 to 42 form an integral part of these financial statements.

Notes to financial statements

1. Accounting policies

1.1. Authorisation of financial statements and statement of compliance with IFRS

The Group financial statements of appScatter Group Plc for the year ended 31 December 2017 were authorised for issue by the Board on 6 June 2018 and signed on the Board's behalf by Clive Carver.

appScatter Group Plc is a public limited company incorporated and domiciled in England and Wales with its registered office at Salisbury House, London Wall, London EC2M 5PS. It was incorporated on 3 April 2017. The Company's ordinary shares are traded on AIM.

1.2. Basis of preparation

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

The financial information has been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), as adopted by the European Union. This is the first financial information of the Company prepared in accordance with IFRS and the Company has applied IFRS 1 'First time adoption of IFRS'.

The preparation of financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Company does not believe there were any areas where significant judgments and estimates have been made in preparing the financial statements except for the intangible assets, which is discussed in the accounting policy below.

The presentation currency of the financial information is Pound Sterling (£) rounded to the nearest pound. The Company, and appScatter Limited's functional currency is Pound Sterling (£) and its other subsidiaries' functional currency is US Dollar (US$).

appScatter Group PLC was incorporated on 3 April 2017. The Company acquired the share capital of the trading entity, appScatter Limited, on 21 August 2017. Therefore, at 31 December 2017, appScatter Group PLC had no comparative year information to report.

1.3. Company Statement of Comprehensive Income

As permitted by Section 408 Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The Company's loss and comprehensive loss for the financial year was £891,942.

1.4. Composition of the group

appScatter Group PLC was incorporated on 3 April 2017. The Company acquired the share capital of the trading entity, appScatter Limited, on 21 August 2017.Therefore, these consolidated financial statements for the year ended 31 December 2017, including the comparative financials the year ended 31 December 2016 represent the trading results of appScatter Limited (a company with the same registered address as the appScatter Group PLC) and its subsidiaries (appScatter LLC and DSH Labs LLC) and the Company's results from the date of incorporation see note 1.7.

A list of the subsidiary undertakings which, in the opinion of the Directors, principally affected the amounts of profit or loss and net assets of the Group is given in note 10 of the financial information.

The Company's subsidiaries are:

– appScatter Limited registered in England and Wales with the registration number 09786498
– appScatter LLC registered in Delaware with the federal ID number 46-3445738
– DSH Labs LLC registered in Delaware with the federal ID number 46-3918193

1.5. Changes in accounting policies and disclosures

As this is the first set of IFRS accounts being prepared, all relevant standards have been adopted for the first time.

1.6. New and amended standards adopted by the Group

The Group has applied any applicable new standards, amendments to standards and interpretations that are mandatory for the financial year beginning on or after 1 January 2016. However, none of them has a material impact on the Group's consolidated financial statements.

1.7. New, amended standards, interpretations not adopted by the Group

At the date of authorisation of this financial information, certain new standards, amendments and interpretations to existing standards applicable to the Company's accounting period beginning after 1 January 2017 have been published but are not yet effective and have not been adopted early by the Company. These are listed below:

- IFRS 15 Revenue from Contracts with Customers, effective date 1 January 2018. IFRS 15 is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. This standard replaces the previous standard IAS 11 Construction Contracts, IAS18 Revenue and revenue related IFRICs. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard is not expected to affect the reported figures.
- IFRS 9 Financial Instruments, effective date 1 January 2018. IFRS 9 is a replacement for IAS 39 'Financial Instruments' and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting. This standard is not expected to affect the reported figures.
- IFRS 16 Leases, effective date 1 January 2019 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 completes the IASB's project to improve the financial reporting of leases and replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. This standard is not expected to have a material impact on the reported figures given the value of leases to which the Company is party to.
- Annual Improvements to IFRSs (2014-2016 cycle) (issued on 8 December 2016), effective for the periods beginning on or after 1 January 2017 (not yet endorsed by EU);
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016), effective for the accounting periods beginning on or after 1 January 2018 (not yet endorsed in the EU).

1.8. Going concern

The consolidated entity has incurred a loss after tax of £5,840,562 for the year ended 31 December 2017 (2016: loss of £8,790,222) and had a net cash outflow from operations of £8,187,948 (2016: £1,682,935).

The accounts have been prepared on a going concern basis. The loss and cash outflow have been incurred as the Group is currently in a growth phase as it develops its platform and launches its initial customer propositions. Further detail on the trading prospects of the Group are included in the Strategic Report above.

The Group has commitments from investors including certain existing shareholders to invest in new equity independent of the Priori transaction completing. The Board have prepared cash flow forecasts under various scenarios including those with conservative growth projections and where costs are reduced accordingly. Whilst revenue growth is expected in the coming year, the commitments from investors, once taken up by the Company, provide sufficient funding even with no sales growth. The Directors consider that the Group has sufficient cash to fund operations for at least the next twelve months from the date of this report.

1.9. Basis of consolidation

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

1.10. Business combinations

Acquisition of appScatter LLC by appScatter Limited

On 18 May 2016 appScatter Merger Sub LLC, a subsidiary of appScatter Limited was merged with and into appScatter LLC, with the latter company continuing as the surviving entity. The entire issued share capital of appScatter LLC was for acquired for a consideration of £12,659,030 and this was satisfied by the issue of 9,967,740 shares in appScatter Limited.

The Board have treated the acquisition as a reverse takeover, after identifying appScatter LLC (the accounting acquirer or ''appScatter'') as the acquirer under IFRS 3 'Business Combinations'. In addition, this transaction cannot be considered a business combination, as appScatter Limited did not meet the definition of a business, under IFRS 3 'Business Combinations'. Based on available guidance, the difference on consolidation arising on such transactions should be treated as a share-based payment transaction and therefore accounted for under IFRS 2 'Share-based payment'. Any difference between the consideration transferred, which is the fair value of the shares deemed to have been issued by appScatter and the fair value of appScatter Limited's identifiable net assets represents service received by the accounting acquirer. This deemed cost on reverse takeover is expensed to profit or loss.

The fair value of the consideration transferred is calculated using the number of appScatter's shares that would have been issued to the owners of appScatter Limited on the acquisition date to give them an equivalent ownership interest in appScatter as it has in the combined company at the share price of the Company at the acquisition date. The fair value of each share of the Company is deemed to have been issued by appScatter is based on the fair value of the share price of appScatter Limited at the time of the acquisition, which was the market price third party investors were subscribing for new shares at shortly before the transaction.

Although the consolidated financial information has been issued in the name of the Company, the legal parent, it represents in substance continuation of the financial information of appScatter LLC and DSH LLC, its subsidiary (''appScatter subgroup'').

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

Acquisition of appScatter Limited by appScatter Group PLC

On 21 August 2017 appScatter Limited was acquired by appScatter Group PLC. The entire issued share capital of appScatter Limited was acquired for a consideration of £32,065,792 and this was satisfied by the issue of 49,331,988 shares in appScatter Group PLC in a share for share exchange.

The Board have treated the acquisition as a group reconstruction under FRS 102. IFRS does not contain requirements for accounting for common control transactions and an accounting policy for accounting for the transaction therefore needs to be formulated based on other available guidance. Management has chosen to use FRS102 as a reference. appScatter group PLC was incorporated a short time before the combination with an identical ownership structure to appScatter Limited with the sole purpose of completing the acquisition of appScatter Limited to facilitate the initial public offering and listing on AIM.

Group reconstructions can be accounted for using merger accounting where the use of merger accounting is not prohibited by law, where the ultimate equity holders remain the same and no non-controlling interest is altered by the transaction. The combination of appScatter Group plc and appScatter Limited meets all three of these criteria.

The carrying values of assets and liabilities are not adjusted to fair value and the difference between the nominal value of the shares issued and the nominal value of the shares received has been transferred to the merger reserve and is shown in the statement of changes in equity.

The results and cash flows of all the combining entities have been brought into the financial statements of the combined entity from the beginning of the financial year in which the combination occurred, adjusted so as to achieve uniformity of accounting policies. The comparative information did not need to be restated as appScatter Group plc was incorporated during 2017 and thus figures reported in the Admission document represent the Group in 2016.

1.11. Basis of preparation

Year ended 31 December 2016

The financial information for 2016 reporting year is that of appScatter subgroup, headed by appScatter Limited as explained above, and the post-acquisition results of appScatter Limited from 18 May 2016 (date of reverse takeover) to 31 December 2016. The appScatter Limited's pre-acquisition results from 1 January 2016 to 18 May 2016 have been transferred and included in the reverse takeover reserve as permitted by IFRS.

Year ended 31 December 2017

The financial information for 2017 reporting year is that of appScatter Group, headed by appScatter Group PLC as explained above, and the results of appScatter Group PLC from incorporation to 31 December 2017. appScatter Group PLC had carried out no transactions prior to the date of the combination.

1.12. Foreign Currency

The main functional currencies for the Company's US registered subsidiaries are US$.

(i) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

(ii) Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Share capital, share premium and brought forward earnings are translated using the exchange rates prevailing at the dates of the transactions.

1.13. Consolidation of foreign entities

On consolidation, results of the foreign entities are translated from the local functional currency to Pound Sterling using average exchange rates during the period. All asset and liabilities are translated from the local functional currency to Pound Sterling using the reporting period end exchange rates. These exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in a separate component of equity.

Post transition exchange differences are recycled to profit or loss as a reclassification adjustment upon disposal of the foreign operation.

1.14. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Value Added Tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

1.15. Sale of software licences

The Group sells licences to use its software products either on a rental basis for a fixed period of time. Revenue from licenses sold on a rental or subscription basis is recognised over the period for which the Group has obligations under the contract.

1.16. Intangible assets

Externally acquired: developed technologies

The externally acquired developed technologies which are the distribution platform for mobile applications are initially recognised at cost. This asset will be amortised over its useful life when it is being sold or used. Subsequent to initial recognition, this intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses. The carrying values are tested for impairment when there is an indication that the value of the assets might be impaired during the period. The amortisation period and amortisation method with a finite useful life are reviewed annually at year end. The assets are being amortised over three reporting years.

The assessment of the future economic benefits generated by the above intangible asset involves a significant degree of judgement based on management estimation of future potential revenue and profit and the useful life of the assets. Reviews are performed regularly to ensure the recoverability of this intangible asset.

Research and development

Research expenditure is recognised in income statement in the period in which it is incurred.

Internal development expenditure is capitalised only if it meets the recognition criteria of IAS 38 'Intangible Assets'. Where the criteria are not met, the expenditure is expensed to income statement. At each reporting year, £1.2m has met recognition criteria and been capitalised in 2017. This expenditure is being amortised over an expected useful economic life of three years.

1.17. Employee benefits

Short-term benefits

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

Share-based payments

The Group operates an equity-settled share-based payment arrangement whereby the fair value of services provided is determined indirectly by reference to the fair value of the instrument granted. The fair value of options granted to Directors and other employees in respect of services provided is recognised as an expense in the income statement with a corresponding increase in equity reserves – the share-based payment reserve until the award has been settled and then make a transfer to reserves.

On exercise or lapse of share options, the proportion of the share-based payment reserve relevant to those options is transferred to retained earnings. On exercise, equity is also increased by the amount of the proceeds received.

The fair value is measured at grant date and charged over the vesting period during which the option becomes unconditional.

The fair value of options is calculated using the Black-Scholes model taking into account the terms and conditions upon which the options were granted. The exercise price is fixed at the date of grant.

Non-market conditions are performance conditions that are not related to the market price of the entity's equity instruments. They are not considered when estimating the fair value of a share-based payment. Where the vesting period is linked to a non-market performance condition, the Group recognises the goods and services it has acquired during the vesting period based on the best available estimate of the number of equity instruments expected to vest. The estimate is reconsidered at each reporting date based on factors such as a shortened vesting period, and the cumulative expense is 'trued up' for both the change in the number expected to vest and any change in the expected vesting period.

Market conditions are performance conditions that relate to the market price of the entity's equity instruments. These conditions are included in the estimate of the fair value of a share-based payment. They are not taken into account for the purpose of estimating the number of equity instruments that will vest. Where the vesting period is linked to a market performance condition, the Group estimates the expected vesting period. If the actual vesting period is shorter than estimated, the charge is being accelerated in the period that the entity delivers the cash or equity instruments to the counterparty. When the vesting period is longer, the expense is recognised over the originally estimated vesting period.

1.18. Deferred taxation

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

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

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

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

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

1.19. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as Philip Marcella.

The Board considers that the Company's activity constitutes one reporting segment, as defined under IFRS 8 and reviews the performance of the Company against forecasts.

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

1.20. Equity instruments

Ordinary shares are classified as equity. Costs, net of VAT, directly attributable to the issue of new shares or options are shown in equity as a deduction from share premium.

1.21. Financial assets

The Group classifies its financial assets into the categories, discussed below, based upon the purpose for which the asset was acquired. Financial assets are recognised when the Group becomes party to the provisions of a contract.

1.22. Loans and receivables

The Group classifies all its financial assets other than cash and cash equivalents as trade and other receivables (excluding prepayments). The classification depends on the nature of the financial assets.

1.23. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call, together with other short-term highly liquid investments which are not subject to significant changes in value and have original maturities of less than three months.

1.24. Trade and other Receivables

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

1.25. Financial liabilities

Financial liabilities are recognised when the Group becomes party to the provisions of a contract. The Group's financial liabilities are all categorised as loans and payables. The loans and payables are made up of:

– Trade payables and other short-term monetary liabilities excluding other taxes and social security costs and deferred income which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

– Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument and, if interest-bearing, are subsequently measured at amortised cost using the effective interest rate method.

A financial liability is no longer recognised when the obligation under the liability is discharged, cancelled or expires.

1.26. Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on practical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information. Such changes are recorded in the period in which the estimate is revised.

The application of the Group's accounting policies may require management to make judgements, apart from those involving estimates, which can have a significant effect on the amounts amortised in the financial statements. Management judgement is particularly required when assessing the substance of transactions that have a complicated structure or legal form.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

– Accounting for the business combination of appScatter Limited and appScatter Group PLC (see note 1.10 above).

– Treatment of research & development expenditure (see note 1.16 above).

In the process of applying the Group's accounting policies, management has made the following estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

– Accounting for share-based payments (see note 1.27 below).

– R&D tax credit recoverable.

1.27. Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options is determined using the Black-Scholes model.

1.28. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

– In the principal market for the asset or liability; or

– In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

– Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

– Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

– Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2. Financial Risk Management

2.1. Financial instruments by category

	Group 2017	Group 2016	Company 2017
Financial assets	**£**	**£**	**£**
Cash & equivalents	3,781,109	226	3,200,654
Trade receivables	1,204,330	—	—
Other receivables	1,325,966	106,355	20,150
Shares issued for prepaid services	502,509	—	—
Amounts receivable on shares to be issued	—	4,824,228	—
Loans due from related parties	60,664	—	—
Loans and receivables	**6,874,578**	**4,930,809**	**3,220,804**
Financial liabilities			
Trade payables	1,097,168	510,604	17,810
Other payables	5	196,792	—
Accruals	145,882	1,299,299	34,340
Loans due to related parties	—	298,212	—
Loans and borrowings – current	—	285,495	—
Loans and payables	**1,243,055**	**2,590,402**	**52,150**

2.2. Fair value hierarchy

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

2.3. Risk and sensitivity analysis

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

The Group's overall risk management programme focuses on unpredictability and seeks to minimise the potential adverse effects on the Group's financial performance. The Group's Board, on a regular basis, reviews key risks and, where appropriate, takes actions to mitigate the key risks identified.

2.4. Credit risk

The aggregate financial exposure is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of other receivables and bank balances. The Group does not consider that there is any concentration of risk within other receivables, therefore, no impairment was required. The Group's exposure to credit risk on cash and cash equivalents is considered low as the bank accounts are with banks with high credit ratings.

2.5. Interest risk

The Group's exposure in these areas as at the financial position date was minimal.

2.6. Foreign exchange risk

The Group's exposure to foreign currency risk related primarily to cash and cash equivalents, trade and other payables that are denominated in US$ other than the functional currency of the relevant group entities.

2.7. Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in US$. Differences resulting from the translation of the financial statements of the entity within the Group into the Group's presentation currency are excluded.

	Group 2017 £	Group 2016 £	Company 2017 £
	Group 2017 £	Group 2016 £	Company 2017 £
Cash & equivalents	2,288	186	—
Trade & other receivables	60	83,470	—
Other payables and accruals	(54,764)	(833,988)	—
	(52,416)	**(750,332)**	**—**

2.8. Sensitivity analysis

The following table indicates the change in the Group's loss for the period and accumulated losses that would arise if foreign exchange rates in US$ to which the Group has significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant.

	USD Currency change	
Group	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Profit or loss	**£**	**£**
10% strengthening of sterling	**49,897**	98,237
10% weakening of sterling	**(60,985)**	(120,068)
Equity		
10% strengthening of sterling	**86,630**	39,592
10% weakening of sterling	**(105,881)**	(48,390)

There is no foreign exchange impact on the Company.

2.9. Liquidity risk

The Group and the Company currently hold cash balances to provide funding for normal trading activity. Trade and other payables are monitored as part of normal management routine.

Borrowings and other liabilities mature according to the following schedule:

	Within 1yr	**1-2 years**	**2-5 years**
Group – 2017	**£**	**£**	**£**
Trade & other payables	1,097,168	—	—
Loans & borrowings	—	—	—
	1,097,168	**—**	**—**
Group – 2016			
Trade & other payables	2,304,907	—	—
Loans & borrowings	285,495	—	—
	2,590,402	**—**	**—**
Company – 2017			
Trade & other payables	17,810	—	—
Loans & borrowings	—	—	—
	17,810	**—**	**—**

2.10. Capital risk management

The Group's capital management objectives are to ensure its ability to continue as a going concern by pricing products and services commensurate with the level of risk; and to provide an adequate return to shareholders.

To meet these objectives, the Board reviews the budgets and forecasts on a regular basis to ensure there is sufficient capital to meet the needs of the Group through to profitability and positive cash flow. All working capital requirements have been financed to date through fundraising and borrowings.

3. Loss from operations

	2017 £	2016 £
The Group operating loss is stated after charging		
Auditors remuneration		
– fees payable to the Company's auditors for the audit of the Group and Company	18,000	—
– fees payable to the Company's auditor for the audit of subsidiaries	12,000	—
– fee's payable to the Company's auditor for tax advice	13,683	5,240
– fee's payable to the Company's auditor for corporate finance advice (prior to their appointment as auditor)	95,500	—
Research & development expenses	1,217,062	935,579
Legal & professional fees	379,254	156,891
Acquisition related costs	—	14,795
Staff costs (note 4)	2,397,395	998,059
Foreign exchange losses	12,324	15,002
Deemed cost on reverse takeover	—	5,167,128
Amortisation	729,202	—

4. Staff costs

The aggregate employment costs of staff (including Directors) for the year was:

	2017 £	2016 £
Wages & salaries	1,659,241	988,023
Pension	6,768	—
Social security costs	184,510	10,036
Employee share-based payment charge	528,876	—
Total staff costs	**2,379,395**	**998,059**

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

	2017	2016
The average number of employees in the period was:		
Executives	5	5
Administration	1	5
Other	24	0
	30	**10**

5. Directors' emoluments

Key management personnel compensation included in the loss for the following periods were as follows:

2017	Fees £	Consulting fees £	Bonus £	Pension £	Total £
Executive directors					
Philip Marcela	195,619	—	97,500	975	294,094
Manish Kotecha	125,542	70,000	—	196	195,738
Jason Hill	110,206	—	83,880	391	194,477
	431,367	**70,000**	**181,380**	**1,562**	**684,309**
Non-executive directors					
Clive Carver	30,000	83,849	—	—	113,849
Michael Buchen	25,000	10,704	—	—	35,704
	55,000	**94,553**	**—**	**—**	**149,553**

2016	Directors Fees £	Consulting fees £	Bonus £	Pension £	Total £
Executive directors					
Philip Marcela	168,328	—	180,000	—	348,328
Manish Kotecha	74,909	—	—	—	74,909
Jason Hill	42,339	115,000	—	—	157,339
	285,576	**115,000**	**180,000**	**—**	**580,576**
Non-executive directors					
Clive Carver	12,500	—	—	—	12,500
Michael Buchen	14,583	—	—	—	14,583
	27,083	**—**	**—**	**—**	**27,083**

The majority of remuneration to directors in 2016 & 2017 was paid in shares.

6. Finance expenses

	2017 £	2016 £
Bank interest	—	2,115
Interest paid on loans	41,938	72,257
Other interest	—	2,004
Finance arrangement fees	6,388	10,900
	48,326	**87,276**

7. Taxation

	2017	2016
	£	£
The tax credit is as follows:		
UK Corporation tax	—	—
Total current tax	500,000	—
Origination and reversal of timing differences	—	—
Total tax credit	500,000	—

Factors affecting the tax credit

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

	2017	2016
	£	£
Loss on ordinary activities before income tax	(6,340,562)	(8,790,222)
Standard rate of corporation tax	19.25%	20%
Loss before tax multiplied by the standard rate of corporation tax	1,220,558	1,758,044
Adjustments		
Deemed reverse takeover costs	—	(1,033,426)
R&D enhancement related to 2016	125,000	—
R&D enhancement related to 2017	375,000	—
Losses carried forward	(1,220,558)	(724,618)
Tax credit	**500,000**	**—**

Changes in tax rates for the two periods

The UK corporation tax rate for small company profit has reduced to 19 per cent from 1 April 2017. Accordingly, the deferred tax asset or liability would have been calculated based on the rate of 19 per cent. at the balance sheet date. Future enacted tax rates of 18 per cent. will apply from 1 April 2020.

Deferred tax assets have not been recognised in respect of tax losses due to lack of certainty of future profitability as the Company is still in its early start-up stage.

8. Earnings per share

	2017	2016
	£	£
Loss for the year and earnings used in basic & diluted EPS	(5,572,650)	(8,790,222)
Weighted number of average shares for basic EPS	50,904,215	12,574,169
Basic loss per share £	(0.11)	(0.70)
Weighted number of average shares for diluted EPS	55,340,447	12,574,169
Fully diluted loss per share £	(0.11)	(0.70)

9. Intangible assets

Intangible assets	Capitalised R&D £	Developed Technology £	Total £
Cost			
At 1 January 2015	**—**	**5,041**	**5,041**
Additions	—	765,793	765,793
Exchange adjustment	—	27,362	27,362
At 31 December 2015 and 1 January 2016	**—**	**798,196**	**798,196**
Additions	—	—	—
Exchange adjustment	—	160,905	160,905
At 31 December 2016 and 1 January 2017	**—**	**959,101**	**959,101**
Additions	1,282,178	—	1,282,178
Exchange adjustment	—	(67,728)	(67,728)
At 31 December 2017	**1,282,178**	**891,373**	**2,173,551**
Amortisation	£	£	£
At 1 January 2015 & 31 December 2015	**—**	**—**	**—**
At 1 January 2016 & 31 December 2016	**—**	**—**	**—**
At 1 January 2017	**—**	**—**	**—**
Charge for the year	427,392	301,810	729,202
At 31 December 2017	**427,392**	**301,810**	**729,202**
Carrying value			
At 31 December 2017	854,786	589,563	1,444,349
At 31 December 2016	—	959,101	959,101
At 1 January 2016	—	798,196	798,196

During 2017 the Company has capitalised research and development expenditure directly related to products which have been implemented in the platform. This expenditure is being amortised over three years.

On 1 October 2013 appScatter LLC entered into a conditional agreement to purchase the intellectual property of the developed technologies of the application distribution platform from Digital Software House Limited (a related party because Mr Philip Marcella and Mr William Booth were directors of this entity) for a consideration of £488,537 ($800,000). However, as the conditions were not met, this transaction only took place in October 2015 when the purchase consideration was revised up to £765,793 ($1,170,000). This was satisfied by the issue of shares in appScatter LLC of £654,524 ($1,000,000) and cash of £111,269 ($170,000).

Management believes that no impairment of the developed technology asset is required at the reporting date (2016: nil).

10. Investments in subsidiaries

The principal subsidiaries of the Company, all of which have been included in the consolidated financial information, are as follows:

Name	Principal activity	Parent	% of ordinary shares directly held by parent
appScatter Limited	Software development	appScatter Group Plc	100%
appScatter LLC (Delaware)	Software development	appScatter Limited	100%
DSH Labs LLC (Delaware)	Software development	appScatter LLC	100%

On 18 May 2016 appScatter Limited acquired the entire issued share capital of appScatter LLC and its subsidiary for a consideration of £12,659,030 satisfied by the issue of 9,967,740 shares.

On 21 August 2017 appScatter Group Plc acquired the share capital of the trading entity appScatter Limited for the consideration of £32,065,792 satisfied by the issue of 49,331,988 shares. This has been written down to reflect the fair value of the net assets acquired.

	Company 2017
Investment in subsidiaries and joint ventures	3,131,139
Intercompany receivables	
– From appScatter Limited	3,815,922
– From appScatter LLC	—
– From DSH Labs	—

11. Trade and other receivables

	Group 2017 £	Group 2016 £	Company 2017 £
Trade receivables	1,204,330	—	—
Prepayments	107,310	20,285	41,044
Other receivables	825,966	106,355	20,150
Shares issued for prepaid services	502,509	—	—
R&D Tax Credit receivable	500,000		
Amounts receivable on shares to be issued	—	4,824,228	—
Other taxes receivable	263,450	150,719	9,021
Loans due from related parties	60,664	—	—
	3,464,229	**5,101,587**	**70,215**

In 2016, amounts receivable on shares to be issued included £2.9 million related to cash consideration receivables from shareholders, £0.4 million for accrued staff bonus and £1.6 million for services to be provided by suppliers in 2017. The total shares to be issued to satisfy the amounts receivable on shares to be issued was 2,996,414.

12. Trade and other payables

	Group 2017 £	Group 2016 £	Company 2017 £
Trade payables	1,097,168	510,604	17,810
Accruals	145,882	1,299,299	34,340
Social security & other taxes	263,394	308,707	32,659
Other payables	5	196,792	—
Loans due to related parties	—	298,212	—
	1,506,449	**2,613,614**	**84,809**

13. Loans and borrowings

	Group 2017 £	Group 2016 £	Company 2017 £
Current	—	285,495	—

The carrying value of the loans and borrowings approximates to their fair value.

The interest-bearing loan in 2016 of £285,495 was due to Kuflink Bridging Ltd and was repaid in 2017.

14. Share Capital

	Shares	£
At incorporation on 3 April 2017	**2**	**—**
Shares issued to shareholders of appScatter Ltd	49,331,986	2,466,599
Shares issued on IPO	13,846,154	692,308
At 31 December 2017	**63,178,142**	**3,158,907**

appScatter Group plc was incorporated on 3 April 2017 with 2 ordinary shares of £0.05 allotted.

On 21 August 2017 appScatter Group plc acquired the entire issued share capital of appScatter Ltd which was satisfied by the issuance of 49,331,986 ordinary shares of £0.05 each, issued to the shareholders of appScatter Ltd at the ratio of 2.5 shares for every 1 held.

On 5 September 2017, appScatter Group plc completed the initial public offering and admission to AIM; 13,846,154 ordinary shares of £0.05 each were issued at a price of £0.65 per ordinary share.

15. Reserves

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

Share premium	Amount subscribed for share capital in excess of nominal value less any issue or fundraising costs related to shares issued, written off against this account.
Shares to be issued	Amount subscribed for share capital that has been committed to but not yet issued in excess of nominal value.
Share option reserve	Value of share options granted and calculated with reference to a binomial pricing model. When options lapse or are exercised, amounts are transferred from this account to retained earnings.
Merger reserve	Effect on equity as a result of the group reconstruction of appScatter Limited and appScatter Group plc as discussed in note 1.10.
Reverse acquisition reserve	Effect on equity of the reverse acquisition of appScatter LLC.

Foreign exchange reserve	Foreign exchange translation gains and losses arising on the translation of the financial statements from the functional to the presentation currency.
Retained earnings	Retained earnings represents all other net gains and losses and transactions with shareholders (for example dividends) not recognised elsewhere.

16. Share-based payments

Shortly after incorporation in April 2017, the Company has established an employee share option plan to enable the issue of options as part of the remuneration Directors and employees to enable them to purchase ordinary shares in the Company. Under IFRS 2 ''Share-based Payments'', the Company determines the fair value of the options issued to Directors and employees as remuneration and recognises the amount as an expense in the Profit or Loss account with a corresponding increase in equity. No comparative information is presented for share-based payments.

At 31 December 2017, the Company had outstanding options to subscribe for Ordinary shares as follows:

Company & Group

	2017 Options No.	2017 Weighted average exercise price £
Outstanding at the beginning of the period	—	—
Granted during the period	4,436,232	0.583
Outstanding at the end of the period	4,436,232	0.583
Exercisable at the end of the period	1,321,367	0.523

The weighted average contractual life of the options outstanding at 31 December 2017 was 10 years. Of the total number of options outstanding at 31 December 2017, 1,321,367 had vested and were exercisable. The weighted average share price (at the date of exercise) of options exercised during the year was nil as no options were exercised.

On 15 May 2017 options were granted to employees of the Group to subscribe for a total of 891,472 shares in appScatter Limited at £1.29 per share (of which 193,798 were granted to Jason Hill, a Director of the Company). Following the Company's acquisition of the entire issued share capital of appScatter Limited on 21 August 2017, invitations were made to each grantee, in accordance with the terms of their original option agreements, to release their options in appScatter Limited in exchange for the grant to them of options to subscribe for Ordinary Shares. All such holders agreed to do so and accordingly on 22 August 2017 options were granted to these employees to subscribe for up to 2,228,680 Ordinary Shares in the Company at a price of £0.516 per Ordinary Share (of which 484,495 were granted to Jason Hill). These options are exercisable until 15 May 2027. With the exception of Jason Hill and one other employee, one half of each holder's options vest on the first anniversary of the commencement of their employment start date and the balance vest in 24 equal instalments over a two-year period. In the case of Jason Hill and one other employee, the initial 50 per cent. of the Options granted to them vested immediately on grant.

On 21 August 2017 the Company granted to Ruffena Capital Limited warrants to subscribe for up to 70,156 new Ordinary Shares at £0.644 per Ordinary Share. These warrants expire in tranches on a range of dates between 24 August 2023 and 4 May 2024 and were issued by way of replacement of a warrant of equivalent value and duration granted on 26 July 2017 which had entitled Ruffena Capital Limited to subscribe for up to 28,060 ordinary shares in appScatter Limited at £1.61 per appScatter Limited share.

On 24 August 2017 options were granted to the Directors, subject to Admission, over a total of 2,137,396 new Ordinary Shares, representing an aggregate of 3.38 per cent. of the Enlarged Share Capital on Admission, at an exercise price equal to the Placing Price. These options are exercisable until the tenth anniversary of Admission and vest in three equal annual instalments commencing on the first anniversary of Admission.

The value of the options is measured by the use of a binomial pricing model. The inputs into the binomial model made in 2017 were as follows:

	EMI Options	Directors Options	Warrants
Weighted average shares price at grant date, pence	64.4	65.0	65.0
Exercise price, pence	51.6	65.0	65.0
Weighted average contractual life, months	10.0	10.0	10.0
Expected volatility %	50.00%	50.00%	50.00%
Expected dividend growth rate %	0.00%	0.00%	0.00%
Risk-free interest rate %	0.51%	0.51%	0.51%

Share based remuneration expense related to the share options grant is included into the Administrative expenses line in the Consolidated Income Statement in the amount of £528,876.

17. Commitments

Operating lease commitments

The commitment under non-cancellable operating leases as at 31 December 2017 was £163,944. This was all due within one year.

Capital commitments

There were no amounts contracted for but not provided as at 31 December 2017 (2016: nil).

18. Related Party Transactions

Group companies

During 2017 appScatter Group plc invoiced appScatter Limited for £216,202 in Management charges and recharged £31,255 of costs. appScatter Group plc also advanced £4,172,000 in cash appScatter Limited. appScatter Limited invoiced appScatter Group plc for £646,697 in recharged costs. At the 31 December the net intercompany balance owed by appScatter Limited to appScatter Group plc was £3,815,922.

Directors

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

Related party	Type	2017 Transactions	2017 Balance due (from)/ to	2016 Transactions	2016 Balance due (from)/ to
Mobile Software House LLC (1)	Funding	—	—	(386)	—
Philip Marcella (1)	Fees & expenses	132,167	23,966	(180,856)	(856)
Philip Marcella (1)	Shares to be issued	—	—	180,000	180,000
William Booth (2)	Funding & expenses	—	—	38,094	47,334
William Booth (2)	Fees	—	—	85,675	85,675
Manish Kotecha (3)	Fees	90,126	—	68,117	68,117
Elk Associates LLC (4)	Fees	100,833	—	12,500	—
Polar Lights 2 Ltd (5)	Fees	10,902	—	14,483	—
R Malhotra (6)	Consultancy	—	—	106,500	30,000
R Teideman (6)	Consultancy	—	—	216,106	148,441
High Value Partners (7)	Consultancy	—	—	30,689	26,522
High Value Partners (7)	Fees	—	—	14,583	—

Notes

1. Philip Marcella is a director of appScatter Group plc as well as the sole shareholder of Mobile Software House LLC. Philip Marcella's current account for 2016 and 2017 included fees £168,329 and £nil respectively. Included within loans due from related parties is £23,966 in relation to expenses.
2. William Booth was a director of appScatter Group plc during the period, his current account for 2016 and 2017 included fees of £73,150 and £nil respectively. William Booth provided services to the company as a self-employed consultant. His services were partly paid in shares and cash. William Booth's services in 2016 and 2017 includes £25,700 and £45,407 respectively of fees which will are included in the pre-acquisition losses as they are between September 2015 and April 2016.
3. Manish Kotecha is a director of appScatter Group plc; during 2016 he invoiced £48,131 through MMDN LLP, a company where he has an interest. This is included in the above transaction amount.
4. Clive Carver is a non-executive director of appScatter Group plc and has an interest in ELK Associates LLP.
5. Michael Buchen is a non-executive director of appScatter Group plc and has an interest in Polar Lights 2 Limited.
6. There were current accounts with R Malhotra and R Teideman who were former directors of appScatter Limited. Both were appointed as directors on 1 June 2016 and both resigned on 31 July 2016.
7. As at 31 December 2016, Priyanka Lilaramani was a non-executive director of appScatter Limited and is the sole shareholder of High Value Partners Limited. Her service was paid in shares.

The amounts due from/(to) for the above parties are non-interest-bearing balances and included under trade and other receivables and trade and other payables notes.

19. Events after the reporting date

On 5 March 2018 the Company announced the partnership with Airpush Inc. a leading mobile advertising network. Further details can be found in the CEO Review above.

On 17 April 2018 the Company announced the partnership with IronSource Ltd the leading mobile monetization and marketing platform. Further details can be found in the CEO Review above.

On 15 May 2018, the Company announced the launch of the appScatter app security scanning service. Further details can be found in the CEO Review above.

On 16 May 2018, the Company announced the conditional agreement to acquire 100% of the entire issued share capital of Priori Data GmbH for a consideration of £13.5 million of which £9.45 million is payable in cash and the balance of £4.05 million by the issue of 5,785,714 new ordinary shares at an effective price of 70p per share. The Board of appScatter believes the acquisition will allow the enlarged group to provide significantly enhanced, market leading, data-led app insights.

At a general meeting on 31 May 2018, all resolutions were passed by shareholders proving the directors with authority to issue the consideration shares and the shares to be issued in connection with associated fundraise.