appScatter Group PLC

Annual report and accounts 2018

Table of contents

Chairman's Statement 3
Chief Executive Officer's Statement 5
Strategic Report 11
Corporate Governance Report 14
Remuneration and Nomination Committee Report 21
Audit Committee Report 22
Directors' report 23
Biographical details of the Directors and the members of the Advisory board 26
Directors and Advisers 27
Statement of Directors' responsibilities 28
Independent auditor's report 29
Consolidated Income Statement & Statement of Comprehensive Income 34
Consolidated Statement of Changes in Equity 35
Company Statement of Changes in Equity 36
Consolidated Statement of Financial Position 37
Company Statement of Financial Position 38
Consolidated Statement of Cash flows 39
Company Statement of Cash flows 40
Notes to financial statements 41

Chairman's Statement

Introduction

2018 was our first full year as a public company. In addition to completing a number of strategic partnerships we made two acquisitions with a combined valuation of £11.5 million, furthering our goal to create a single end-to-end platform for the mobile app developer and publisher community.

These partnerships and acquisitions placed the Company in a much stronger position, such that in April 2019, we were able to announce the proposed acquisition of Airpush Inc, an established international mobile technology company registered in the United States.

The Airpush acquisition constitutes a reverse takeover under the AIM Rules and until a new Admission Document covering the combined Group is published, (which is now expected to be published in September), trading in the Company's shares will remain suspended.

Work on the Airpush acquisition is well underway and we expect to be able to convene a meeting of appScatter shareholders to consider and if thought fit, approve the deal following publication of the Admission Document.

A review of trading

While the platform was opened for the period under review, its full roll-out was delayed successively by the impact of the acquisition of Priori and more recently the proposed acquisition of Airpush, resulting in delaying SaaS subscription revenues. This is reflected in the financial results for the year under review.

GDPR impact

A major boost for us during the year was the introduction across the EU of the GDPR directive under which fines based on an organisation's turnover were introduced to individuals and organisations guilty of not properly safeguarding third party data.

During the preparation phase for the introduction of the GDPR regime many organisations focused on the security of their websites sometimes at the expense of their other mobile platforms.

The appScatter platform can be used to identify risks from security weak or non-compliant mobile applications. This is a major plus for the business model but highlighted that while we were instrumental in identifying security issues, we were not able, at the start of the year under review, to assist the customer concerned with fixing the problem.

Acquisitions

We made two strategic acquisitions in 2018. The first was of the Berlin based Priori Data and the second was UK based Abilott, further details of which are set out in the CEO Report.

Board and senior management changes

In June 2018, Manish Kotecha our CFO, who was heavily involved throughout our IPO, left the Company. Since that time, we have been supported by an interim CFO. We expect to announce the appointment of a full time CFO in the near future.

In October 2018, we were pleased to welcome Andy Bushby to the board as a Non-executive director. Andy has over 25 years in the industry, including working previously for Oracle Corporation, Sun Microsystems and Novell. His experience includes Networking, Operating Systems, Security, Identity, Cyber threat and modern Cloud and Mobile solutions.

Upon completion of the proposed acquisition of Airpush, the board will be expanded to include Stefans Keiss, the current CEO at Airpush, as Chief Operating Officer and two new Non-executive directors Paul Wu, CEO of Carota, and Inman Breaux, Airpush President.

Advisory board

In October 2018, Michael Buchen, a non-executive director at the time of the IPO, left the board to establish our advisory board, which now also includes Dr. Thomas Endres, Chairman of the European CIO Association and formerly Lufthansa

CIO as Chairman and Jörg Rieker, formerly a partner in Deloitte Deutschland Risk Advisory and currently part of the Executive team at Software One . Further biographical details are set out on page 26 of the report and accounts.

During the period under review and subsequently our focus has been on pursuing Enterprise customers, who typically spend more but take significantly longer to commit.

Audit opinion

We note the qualification in the audit report in respect of the carrying value of the investment in Priori Data GmbH ("Priori"), and in particular the lack of audit evidence to support a valuation based on the component parts of the Priori business, as required by accounting standards.

We prepared an analysis of the estimated aggregate fair value of the acquired combined intangibles at the date of acquisition, based on assumptions which were reviewed by a third party.

However, given the unique nature of the transaction and the assets being acquired, we did not find it possible to build up the valuation in the way mandated in the accounting standard, such that each component part could be substantiated to the level required to avoid an audit qualification.

In particular, we could not arrive at a definitive view on the appropriate valuation in isolation of the data element of the acquisition. Accordingly, the extent of any goodwill element of the acquisition consideration could not be reliably determined.

Nevertheless, the board is pleased to confirm the price paid for Priori was only very slightly greater than the under bidder, and the terms of the proposed Airpush transaction implies a greater value for Priori than either paid on acquisition or at which the asset is valued in these financial statements.

Professional advisers

We are pleased to welcome to the team finnCap as our combined nominated adviser and broker.

Our staff

We thank our staff for their continued professionalism and commitment to the Company.

Outlook

In the opinion of your board, the changes made to our business and our platform, have positioned the Company for a successful future. The opportunities flowing from the proposed Airpush deal further strengthen that position, not least because on completion, we shall have a further 600,000 new potential customers for our single platform.

The integration of Priori and appScatter is now complete and the expected benefits from the Priori acquisition are beginning to show through.

Over the coming weeks we will be announcing new strategic partnerships and joint ventures aimed at boosting current revenues. Additionally, our R&D investment is expected to further increase revenues from recently completed new products.

We believe investor support from the International Tech community remains strong, as has been shown with the recently announced fundraise at a 56% premium to the market price.

With the business improvements and platform developments in place, the remainder of 2019 is set to be very exciting. We therefore look forward to the future with confidence.

Clive Carver

Clive Carver

Non-Executive Chairman

1 August 2019

Chief Executive Officer’s Statement

I am pleased to report on the continued development of the appScatter Group as we mark our first full year as a public company on AIM. As stated, before it is our mission to be the number one ecosystem for businesses with a stake in the mobile app industry. This mission is being realised by creating a single end to end solution for developers and publishers worldwide.

In the period under review we have added to our product range creating one new unique app management and data intelligence stack.

New products made available include:

- app management tools such as keyword intelligence and app-store optimisation
- an increased selection of ad-networks, which now cover over 50% of the market
- new data products covering market and app intelligence and our new audience usage data which covers 3.5 billion devices daily
- security and threat analysis tools, including GDPR app compliance scanning

And more recently following completion of the acquisition of Abilott a full stack of digital security services aimed at mobile development has been added including:

- Cyber Security Audit
- PCI DSS
- GDPR
- Gaming and Gambling Compliance
- Mobile App and infrastructure Pen testing
- Managed Vulnerability Scanning

The number of businesses and individuals that registered their interest in using our platforms rose by 350% in the first half of the year to approximately 10,000, which was also broadly the number at 31 December 2018, as during the second half we focused on our active user base and enterprise clients. Since the acquisition of Priori Data, we continued seeing many significant contract wins and renewals from the likes of Alpha Studio, tapResearch and True Digital Plus.

We also completed the integration works required to merge Priori Data and appScatter to the new single B2B SaaS platform, which not only includes the original core appScatter management and distribution services but also now includes a full data suite including app and market intelligence, key-word optimisation and mobile app audience intelligence covering over 3.5 billion devices.

While we intend to continue to develop the platform, adding new features as appropriate, the roll out of the new single platform will now be after the completion of the Airpush acquisition, which should reduce the significant investment required in marketing and technical costs. It will also allow the new platform to be launched with the 600,000 users already registered.

Data

Data is an integral part of appScatter's business model, and it is an essential part of the products that we offer. We are able to offer our customers app analytics from around the globe in a variety of forms including public, private and device data.

At the time of the IPO, appScatter was collecting data from 842 million app URLs from 7.2 million apps whilst monitoring 1.7 million active app publishers on a daily basis. We have grown these numbers during the year and subsequently are now collecting over 1.3 billion app URLs from 11 million apps whilst monitoring 3.2 million active app publishers on a daily basis. In addition, we observe the usage of 900,000 apps on 3.5 billion devices daily.

Regulation (GDPR, ISO Certification & the appScatter Security Service)

The Company obtained its ISO certification ahead of its planned timetable in June 2018, therefore we can now provide an independent, expert verification to assure that information security is managed in line with international best practice and business objectives. Though not obligatory, we have implemented this standard to reassure our customers and clients that we aim to meet a gold standard.

Since 25 May 2018, organisations operating in the EU are required to demonstrate that they have operational and technical procedures in place to ensure ongoing compliance with the EU General Data Protection Regulation ("GDPR"). 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.

To address this market opportunity, 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.

Acquisitions

We were pleased to report that in July 2018 appScatter completed the acquisition of Priori Data for £13.5 million and subsequently completed on the acquisition of Abilott security services for £825,000 in December 2018.

Priori Data GmbH

As we refined our business model, the importance and value of data owned and held by an organisation rather than bought in became clear. It also became apparent that the number of such independent organisations was falling fast as they became part of larger enterprises.

On this basis, we decided to make the acquisition of such an organisation a key priority. Accordingly, in June 2018, we announced the purchase of Priori Data GmbH ("Priori") for a reported consideration of £13.5 million, satisfied by the issue of up to 16,667,157 new appScatter shares at an agreed issue price of 70p. 16,290,325 shares were issued on completion on 3 July 2019. The balance of up to 376,832 shares was due once completion accounts confirmed the net assets at the date of completion. Following the preparation of the completion accounts a total of 357,698 shares were issued on 30 August 2019. The market price per share on the completion date was 53.15 pence and the market price on the date the retention shares were issued was 36.5 pence making the fair value of the shares issued £8.8 million. In addition, there was a payment of approximately £1.8 million in cash consideration. The total fair value of the consideration was £10.6 million. The acquisition of Priori was approved by appScatter shareholders in July 2018.

Priori was founded in 2013, as a B2B SaaS platform provider of mobile app intelligence based in Berlin, Germany with proprietary core data intelligence software and 16 full-time employees with experience in monetising app market data, including data scientists, engineers and sales.

Priori's data is sourced from more than 3.5 billion unique user devices in 55 territories and its proprietary core machine learning data intelligence software provides intelligence across keywords, apps, markets, usage and audience. Priori's active customers include blue-chip multinational organisations.

Benefits of the Acquisition

The board believes that the acquisition of Priori significantly enhances the prospects of the Group and allows appScatter to provide enhanced, market leading, data-led app insights. The board believes that these insights, when combined with

Priori's data intelligence software, will also improve the appScatter Group's ability to meet the increasing data demands of existing and prospective customers.

Combining the businesses creates a source of data intelligence drawing on 299 billion downloads annually across 5 million apps in 252 categories. With the appScatter data set, the combined business intelligence supports an additional 25 app stores across 175 territories.

Integration

The integration of Priori and the established appScatter business is proceeding as planned with both parties beginning to sell the services and data of the other. The planned integration of the two technologies has been put on hold pending the completion of the proposed Airpush acquisition.

Abilott

On 17 December 2018, we announced the acquisition of Abilott. For several years Abilott was our security partner of choice. In particular, Abilott had been working closely with appScatter for the previous two years providing security and regulatory compliance for the Group and supporting appScatter threat analysis products for appScatter customers.

The maximum consideration was £1.85 million, comprising £825,000 of initial consideration.

The equity element of the initial consideration was reported as £500,000 but the fair value was £350,000 as described below. In addition, Directors loans not repayable of £245,000 which were deducted from the net assets of the company on acquisition.

Initial consideration consisted of:

- £200,000 cash consideration on completion
- £300,000 deferred cash consideration due post completion,
- 1,666,667 shares at an agreed issue price of 30 pence valuing the shares at £500,000, the market price of appScatter shares on the date of completion was 19.5pence making the fair value of the share element £325,000.

A further £1 million payable by the award of up to a maximum of 3,333,333 deferred consideration shares. The deferred consideration is dependent on Abilott achieving revenue criteria in connection with sales to certain customers for the year ending 31 December 2019 and the corresponding shares would not be issued until January 2020. Based on trading to date we do not expect that the deferred consideration shares will be payable.

Background

Abilott was established in 2007 and provides digital security solutions, specialising in companies who are launching new products or seeking to become a gaming operator or expanding into new global territories. Customers include Gamesys, Paddy Power, Betfair, Virgin Games and Bodog.

Abilott helps both established organisations and emerging clients, providing security services for data and IT infrastructure with technologies such as Distributed Denial of Service, Penetration testing and Zero Day Vulnerability reporting. Abilott also provide consultancy services helping business reach compliance in a number of areas, such as GDPR, ISO27001, PCI-DSS or regulations from the UK Gaming Commission.

Benefits of the acquisition

The acquisition of Abilott presents appScatter with an opportunity to increase its current security products offered whilst increasing margins to existing and planned customers for current products. In addition, Abilott will assist in the building of automated GDPR compliance app tools into the appScatter platform. The Group will not only be able to identify security issues in customers mobile applications but also to rectify the issues identified, thereby significantly increasing the revenue opportunities from each Enterprise customer.

Technology

As noted in connection with the Priori acquisition work on the technologies behind Abilott's products are on hold pending the completion of the Airpush acquisition.

Strategic Partnerships

In 2018 we made many strategic partnerships included the likes of Dow Jones, Statista Airpush, Iron source and IHS. There were also many data partnerships made and we also now supply press resources such as the Financial Times, the Daily Telegraph and Gruenderszene with our industry data.

March 2018 saw the announcement of our first major partnership with Airpush Inc. They have amassed more than 600,000 registered developers and publishers, over the years and using its Software Development Kits ("SDK" s) or Over The Air ("OTA") technology reaches over 250 million mobile devices increasing at 7 million new devices each month. These devices reached are a result of the current 60 OEM contracts which allow Airpush OTA technology to be pre-installed at factory level.

Operational KPI's

appScatter's original data metrics remained consistent in respect of number of app stores supported for distribution (75) and data gathering (25 and 150 countries) total number of app URLs increased to 1.4 Bn (1 billion 2017) and number of unique apps was 11 million with 2.8 million publishers (10 million and 2.2 million 2017).

Completion of the Priori Data acquisition in July 2018 significantly improved the groups data offering with now 775 billion data points for metrics such as downloads, revenue and usage across apps in google play and Apple App Store and device information on 3.5 billion devices as well as priority machine learning software for the estimations of app store data

Financial review

Financial KPI's consist of revenue, cost of sales, administrative expenses and operating cash flow.

Revenue for the year ended 31 December 2018 was £0.95 million, a decrease of £1.0 million on the prior year due, in part, to changes in the way that revenue is recognised. IFRS 15 was introduced during the year and it introduces a single framework for revenue and clarifies principles of revenue recognition. During the prior year, the Group had recognised accrued revenue where the work had been carried out on long term engagements and where invoicing was expected to take place in future periods. Going forward the Group will only recognise revenue when the services have been provided and consideration is known.

Cost of sales increased by £1.7 million due to an increase in the amortisation of intangible assets. This represents capitalised development costs and acquired intellectual property. Amortisation for the year ended 31 December 2018 was £2.3 million (2017: £0.7 million).

Year on year Administrative expenses increased by £1.1 million from £7.4 million to £8.5 million. The main components of Administrative expenses are staff and sub-contractor costs (£3.6 million) and hosting costs (£1.4 million).

The loss before tax for the year was £11.0 million (2017: £6.3 million) due to the decrease in revenue (£1.0 million), increase in cost of sales (£1.7 million) and increase in administrative expenditure (£1.1 million) and exceptional items of £0.9 million.

Exceptional items includes £0.9m in costs incurred in completing the transactions.

Operating cash flow improved by £2.0 million to an outflow of £6.2 million (2017: £8.2 million) due to a decrease in receivables. Cash at the end of the period was £83,000 (2017: £3.8 million).

Functional currency

Should the proposed Airpush acquisition complete, to reflect the future mix of the enlarged Group's businesses, the Company anticipates its functional currency will change from the present £ Sterling to the US dollar.

Fundraisings

During the year under review and subsequently the Company raised a total of £6.6m million in cash, including for the £1.8 million cash element of the Priori acquisition, and a further £2.2 million fundraising was announced in April 2019. Of this £2.2 million, £1.6 million has been received to date.

In both cases the funds were raised at share prices significantly greater than the prevailing market price, with the funds raised in April 2019 being at a 56% premium to the market price.

Corporate Governance

In September 2018, the Company elected to follow the new Quoted Companies Alliance ("QCA") Governance Code. The essence of the QCA Code is a requirement to set out how the Company complies with 10 general principles of Corporate Governance and to explain any divergence from the 10 principles.

Accordingly, the basis of our compliance and the reasons for non-compliance in certain limited areas was posted to the Company's website www.appscattergroup.com.

The Corporate Governance Report contains further relevant information and is set out at page 14 of the Report and Accounts.

Current trading

Until its formal launch, which is now scheduled after the completion of the proposed Airpush acquisition, revenues from subscribers use of the appScatter platform, are likely to continue to be significantly lower than management's previous expectations. At Priori, sales remain in line with management expectations while the changes brought about at Abilott following its acquisition make it too early for a reliable assessment.

Action has been taken to reduce costs where required. In particular, we have initiated an operational restructuring of the Priori sales team in Berlin with sales now being centred on the London office. We have also significantly reduced the costs of cloud hosting services. In aggregate these actions are expected to save in excess of $100,000 per month.

Airpush

Introduction

As noted above, on 9 April 2019, the Company announced the intention to acquire the entire issued share capital of Airpush Inc, a Group operating internationally and registered in the United States.

The proposed purchase is to be satisfied by the issue of new appScatter shares. This will result in the relative percentages in the enlarged appScatter, before the addition of any new funding, being 25% appScatter and 75% Airpush. The proposed acquisition of Airpush constitutes a reverse takeover under the AIM Rules and accordingly, trading in the shares of appScatter have been suspended until the publication of an Admission Document covering both businesses. Due diligence on the proposed acquisition of Airpush has been ongoing. However, certain tax restructuring measures have taken far longer to complete than had previously been anticipated, and as such we now expect to be in a position to publish the associated Admission Document in September 2019, after which, trading will recommence on AIM.

Background

Airpush was founded in 2011 and is registered in Delaware, USA. It has 125 employees and consultants located across the US, China and Europe. It operates in four principal business areas: app monetisation using artificial intelligence, data sales, security and e-commerce. Airpush has contracts with multiple OEMs using it's over the air technology, reaching 250 million mobile devices, increasing by 7 million new devices each month.

Both appScatter and Airpush share the same vision to provide an end-to-end SaaS platform for the management and monetisation of mobile apps that meets the needs of app owners, developers and publishers.

If completed the proposed acquisition will expand the Company's product suite by adding AI-powered targeted revenue generating services on mobile platforms; e-commerce revenue share partnerships; and an improved security portfolio with detection and monetisation of pirated installs. The merger will provide the enlarged Group with the opportunity to sell its wider product suite to its combined 600,000 registered developers and publishers, whilst increasing revenue and profit margins.

The Proposed Acquisition will also enable the Group to improve the quality and range of data currently utilised. New data sources will include app data from 850 million active users and 250 million devices, complementing the current 11 million apps tracked daily and audience data from 3.5 billion devices.

Airpush employees are based principally in territories where appScatter has little or no presence thereby adding greater capacity, more scale and a wider geographical reach to the Company's existing teams. The combination of the two businesses offers significant operational efficiencies in IT hosting, software development and marketing.

The proposed acquisition will be funded by the issue of further new Ordinary Shares in appScatter, subject to approval by shareholders of appScatter in a general meeting of the Company.

Funding

To cover the costs of the proposed Airpush acquisition and to provide further working capital to the Company, we announced a planned £2.2 million subscription for new ordinary appScatter shares, at 26.8 pence per share. The subscribers for this funding will also be issued warrants on a 1 for 1 basis, valid for 24 months, to purchase further new appScatter shares at a price of 26.8p, of this, £1.6m million has been received to date with further funds expected in the coming weeks.

Philip Marcella

Chief Executive Officer

1 August 2019

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. It also offers services for data and mobile app security, services enhanced since the acquisitions of Priori Data and Abilott.

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 Chairman’s statement and the report of the Chief Executive Officer above.

Business Model

During 2018 we refined our business model to focus on Enterprise customers for the use of the appScatter platform and to make strategic acquisitions in the Data and Security sectors.

Under the revised business model appScatter offers mobile app management, data and security services to a range of customers.

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

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 and by acquisition.

The Group's focus is 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.

Clive Carver

By order of the Board
Clive Carver
Chairman
1 August 2019

Corporate Governance Report

Introduction
From September 2018 all AIM companies have been required to comply with a recognised corporate governance code and to disclose how the implementation of the governance code has been applied or to explain any areas of departure from its requirements. appScatter chose to apply the Quoted Companies Alliance Corporate Governance Code ("QCA Code") published in April 2018, which is constructed around 10 broad principles. This report sets out our approach to the QCA Code and governance.

Under the QCA regulations we have the option to cross-refer to disclosures made on the website rather than repeat them all in this annual report. The principal disclosures such as the report of the Remuneration and Nominations Committee and Directors' Report are separately included in these financial statements.

For a full assessment of the Company you are encouraged to review the website www.appscatter.com for both the regulatory disclosures, and as we progress, more information on the activities of the Company.

Principle One: Strategy and Business Model and Key Challenges
The Group's long-term strategy is to expand and enhance its current product offering to match the requirements of its customers. How the Group plans to achieve its strategy is set out in the Strategic Report on page 11 where the business model is also explained.

Key challenges
The Board accepts that the development of innovative technology is an inherently high-risk venture. The key challenges that the Group expects to face and how it intends to address them are set out in the Strategic Report under the heading "Principal risks and uncertainties" on page 12 of this annual report and accounts.

Principle Two: Understanding Shareholder Needs and Expectations
The Company communicates with its shareholders principally via a Regulatory Information Service, its website, formal Company meetings and periodic investor presentations. The need to treat all shareholders fairly by not selectively disclosing information often limits our ability to provide the answers many investors seek.

The Company's management meets prospective institutional investors from to time to time to assess the availability of large-scale institutional funding to advance the Company's plans.

From our interactions with existing and prospective investors it is clear to the Board the principal objective of shareholders is to maximise capital returns through share price growth.

During the financial year, the Company has held a series of investor presentations and additionally, the Company recorded a number of media interviews which are available to download on leading investor focussed websites.

The Chief Executive Officer is responsible for shareholder liaison. The Company's contact details, telephone, email and correspondence address, are listed on its website and at the foot of regulatory announcements for shareholders' use. The Company also provides an email alert service on its website to which shareholders and other interested parties can subscribe, to receive company announcements when they are released.

Principle Three: Stakeholder and Social Responsibilities

The Company regards its employees and their families, its partners and clients, local and national government and its shareholders to be the core of the wider stakeholder group.

Employees and Social responsibilities
Staff employed by the Group are primarily based in London and Berlin. As well as providing employees with appropriate remuneration and other benefits, together with a safe and enjoyable working environment, the Board recognises the importance of communication with employees to motivate them and involve them fully in the business.

It is the Group's policy and practice to comply with health, safety and environmental regulations and the requirements of the countries in which it operates, to protect its employees, partners, assets and environment.

External
In addition to the employment created for Group staff, many additional jobs in the Group suppliers, partners and professional advisers are reliant on appScatter's business activities.

The Company's recently awarded ISO 27001 certification is a statement to the Company's stakeholders, employees and senior management that the business wishes to operate to a set framework in order to achieve its objectives.

Feedback
The Company takes into account feedback from its stakeholders in its decisions and actions.

Communications with stakeholders
The Company reports formally to its shareholders and the market generally twice each year with the release of its interim and full year results. The full year results are audited by an external firm of auditors.

This annual report and accounts contain full details of all the principal events of the relevant period together with an assessment of current trading and future prospects and the report is made available via the Company's website to anyone who wishes to review them.

Within the limits imposed by the relevant regulations the Company seeks to maintain a regular dialogue with stakeholders including shareholders to enable interested parties to make informed decisions about the Company and its performance. The Board believes that transparency in its dealings offers a level of comfort to stakeholders.

Employee stakeholders are regularly updated with the Company's development and its performance.

The Board already discloses the result of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings. In order to improve transparency, the Board has committed to announcing proxy voting results, starting with the 2019 AGM. In the event that a significant portion of voters have voted against a resolution, an explanation of what actions the Board intends to take to understand the reasons behind the vote will be included.

Principle Four: Risk management
Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Company's internal control system to enable the identification of the relevant risks to execute and delivering its strategy. The Group risk assessment extends to its wider environment and examines the impact of risks relating to its supply chain including third party providers and its end-users.

The Board intends to establish a risk register which is bespoke to the Group's business, which would be periodically reviewed and acted upon.

Appscatter Limited is ISO 27001 compliant and has developed a detailed information security management system which is subject to regular audit by independent third parties.

The basic approach that has been adopted for assessing the security risks is based on the following activities:
- Asset identification.
- Asset valuation.
- High level gap assessment.
- Identifying the threats and vulnerabilities related to these assets.
- Calculating the resulting risk exposure and impact.
- Implementing risk treatment initiatives and controls.

Regular reviews of the asset list and the business risk profile are part of the security risk assessment approach in accordance with ISO/IEC 27001:20013. This enables compliance with the security policy to be checked as well as the on-going effectiveness of the implemented controls. Further details of the Group approach to risk and risk management are set out in the Principal Risks and Uncertainties section in the Strategic Report of this annual report and accounts.

Principle Five: Board composition and maintaining the Board as a well-functioning balanced team led by the chair
Membership of the Board and information on each member can be found in the Directors' Report.

The Board currently comprises two Executive and two Non-Executive Directors, all men, supported by the Advisory Board and senior managers, and it oversees and implements the Company's corporate governance programme. Further details pertaining to the Board and the roles carried out by each member are set out in the Directors' Report.

Clive Carver, independent Non-Executive Chairman
Clive Carver is the Group's Non-Executive Chairman and is an independent director. Clive is responsible for the Company's approach to corporate governance and the application of the principles of the QCA Code.

Philip Marcella, Chief Executive Officer
Philip Marcella is the Chief Executive Officer and he runs the Company's operations. Philip is supported by a board of directors and senior management which has technical, financial and operational expertise.

Jason Hill, Executive Director
Jason is an executive director with responsibility for operational sales and marketing. Jason is a B2B Operational and Sales professional with over 20 years' experience driving fast growth digital sector technology companies. Jason's operational, sales and marketing background allows him to take the lead on all recruitment, training and process issues and to ensure the scalability of the business was met within budget and on time.

Andy Bushby, independent Non-Executive Director
Andy Bushby joined the Board in September 2018 as a Non-Executive Director, adding a second independent director to the Board.

Each board member commits sufficient time to fulfil their duties and obligations to the Board and the Company. They attend regular board meetings and join ad hoc board calls and offer availability for consultation when needed. The contractual arrangements between the directors and the Company specify the minimum time commitments considered sufficient for the proper discharge of their duties. However, in exceptional circumstances all Board members understand the need to commit additional time.

In addition to standard business matters the Board also has a list of standing items, including compliance with the UK Bribery Act, litigation and existence of open and closed periods for director dealings, which are considered at each meeting.

In addition to these formal board meetings, additional meetings and calls are arranged when necessary to review strategy, planning, operational, financial performance, risk and capital expenditure and human resource management. Such additional informal discussions form an integral part of retaining full and effective control over the Company and continued through the year.

The Board is supported by an Advisory Board, established in October 2018 and consisting of individuals with expert technology and business experience whose primary goal is to assist in securing new large enterprise customers. The Advisory Board comprises Dr. Thomas Endres as Chairman, Jörg Rieker and Michael Buchen, further biographical details of which are set out on page 26.

Departures from the Code

Board composition

In June 2018, Manesh Kotecha, the Chief Financial Officer (CFO), left the Company. Since that time the Company has been supported by an interim CFO, who is not a member of the Board. The interim CFO, a chartered accountant and company director with extensive public company experience, works closely with the Board and is managing financial procedures and controls. The Board believes that, with the support of the interim CFO, its members have sufficient financial experience to manage the Company's financial function. The Company recognises the absence of a full time chief financial officer is not a long-term solution and intends to appoint a full-time permanent CFO following the completion of the Airpush acquisition.

Upon completion of the proposed acquisition of Airpush the Board will be expanded to include Stefan Keiss, the current CEO at Airpush, as Chief Operating Officer and two new Non-executive directors from Airpush, Paul Wu and Inman Breaux.

Non-Executive Directors' participation in Option Schemes

In common with many AIM companies, we actively encourage non-executive directors to participate in the Company's option schemes. The purpose of the Company is to grow shareholder value and to effectively remunerate non-executive directors whilst safeguarding the Company's cash balances. The Company therefore actively seeks to link the remuneration of those directly responsible for the Company's growth to increases in the underlying value of the Company - at no cash cost to the Company. As the options awarded to the non-executive Directors account for less than 0.5% of the Company's issued share capital. They do not represent a significant interest in the scheme and are therefore not a breach of the QCA code.

Principle Six: Appropriate skills, experience and competencies of the Board

A requirement of the QCA Code is an annual review of the competence and skills of the board to ensure the board as a whole has a suitable mix of skills and competencies to drive the Group's strategy and is best placed to secure the future of the Company and create long-term value for all stakeholders.

Operational skills are maintained through active involvement in the software industry and by the use of expert consultants where appropriate. Executive Directors attend relevant trade shows and, through the Company's supply chain, are exposed to a variety of other company's products and practices

Non-operational skills are maintained principally via the Group's interaction with its professional advisers and by the Company's ongoing activity in the market. In addition, the experience gained by the non-executive directors through their involvement with the boards of other commercial enterprises, brings the benefits of alternative approaches to similar business issues.

The Company's financial adviser and Nomad and lawyers are consulted on any significant matters where the Board believes external expertise is required. For example, external consultants have been engaged to advise on a number of matters including, *inter alia*, potential acquisitions.

The role of Company Secretary is outsourced to the Company's London based lawyers who advise the Board on corporate governance and ensure compliance with the statutory regulations.

Philip Marcella is responsible for communicating with investors.

Going forward the Board will be supported by its Audit Committee and its Remuneration and Nominations Committee. However, during 2018 given the small size of the appScatter Board many issues typically dealt with by Board committee were in fact discussed by the full Board.

The number of Board and Committee meetings held throughout the course of the financial year is set out at the end of this Report on Corporate Governance.

Principle Seven: Evaluation of Board performance

Given the changing nature of the board and the changes expected on completion of the proposed Airpush acquisition the Company has not so far evaluated board performance on a formal basis. However, following completion of the proposed Airpush acquisition it intends to formalise the assessment of executive and non-executive board members.

The Board has in place a process for assessing the performance of the executive directors. It sets the criteria for executive directors to be considered for bonuses payments relating to their performance during each financial year. The award of any bonus payments to executive directors' rests with the Remuneration Committee based in part on the recommendation of the Chief Executive Officer.

Board appointments are made after consultation with advisers. The nominated adviser undertakes due diligence on all new potential Board candidates. Board members all have appropriate notice periods so that if a board member indicates his/her intention to step down, there is sufficient time to appoint a replacement, whether internal or external. All Directors who are required to retire by rotation and seek re-election every three years.

The Company is aware of its need to facilitate succession planning and the Board evaluation process will form part of this going forward. Following the expansion of the Board such that all the Board committee now contain only non-executive directors and the expected further expansion upon completion of the proposed Airpush acquisition the board is working on the required processes and evaluation materials with a view to having them in place by the end of the year.

Principle Eight: The Group's culture

The Board firmly believes that sustained success will best be achieved by adhering to our corporate culture of treating all our stakeholders, including our employees, fairly and with respect. Accordingly, in dealing with each of the Company's principal stakeholders, we encourage our staff to operate in an honest and respectful manner. This is monitored on an ongoing basis by the Company's executive directors. Compliance with this principle is considered an important part of the annual assessment of staff and in setting their pay for future periods.

The Company is committed to promoting a culture based on ethical values and behaviours across the business. Policies are in place covering key matters such as equality, health and safety, bribery, protection of intellectual property and sensitive information, conflicts of interest and whistleblowing as well as environmental concerns.

The Group culture will evolve over time and with the impact of completed acquisitions.

Principle Nine: Maintenance of Governance Structures and Processes

The Company's governance structures have been reviewed in light of the introduction of the QCA Code now adopted by the Board. The Board believes them to be in accordance with best practice as adapted to better comply with appScatter's circumstances.

The Company is confident that its governance structures and processes are consistent with its current size and complexity and are appropriate for a company admitted to trading on AIM. The Board is aware that it must continue to review its practices as the Group evolves and, in particular, as the Group grows.

The Chairman, is responsible for leading an effective board, fostering a good corporate governance culture, maintaining open communications with the major shareholders and ensuring appropriate strategic focus and direction.

The Chief Executive Officer has overall responsibility for managing the day to day operations of the Group and the Board as a whole is responsible for implementing the Group strategy. The Directors' biographies set out above in Principle Five describes individual Board members' specific responsibilities

Board and committee meetings

Attendances of Directors at Board and Committee meetings convened in the year, and which they were eligible to attend, are set out below:

Director	Board Meetings attended	Remuneration Committee attended	Audit Committee Attended
Number of meetings in year	13	2	2
Clive Carver	13	2	2
Philip Marcella	13	-	-
Jason Hill	13	-	-
Manish Kotecha[1]	1	-	-
Michael Buchan[2]	6	1	-
Andy Bushby[3]	2	1	-

Manish Kotecha[1] resigned from the Board on 29 June 2018.
Michael Buchan[2] resigned from the Board on 30 October 2018
Andrew Bushby[3] was appointed to the Board on 2 October 2018

Committees of the Board

The appointment of Andy Bushby in October 2018 to the Board and to the Committees of the Board has enabled the Company to have an appropriate balance of executive and non-executive directors. The committees of the Board are now comprised of independent non-executive directors.

The Board has established the following committees:

Audit Committee

The Audit Committee which comprises Clive Carver (Chairman) and Andy Bushby determines and examines any matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditors and, in consultation with the auditors, the scope of the audit.

The Report of the Audit Committee for 2018 is set out on page 22.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee, which comprises Andy Bushby (Chairman) and Clive Carver is responsible for reviewing the performance of the Chairman and the executive directors, for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders and the performance of the Group. It also reviews the performance of the senior management, sets and reviews their remuneration and the terms of their service contracts and considers the Group's bonus and option schemes, determining targets for any performance-related pay schemes operated by the Company.

The Report of the Remuneration Committee for 2018 is set out on page 21.

The appropriateness of the Group's governance structures will be reviewed annually in light of further developments of accepted best practice and the development of the Company.

Rule 21

The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealing and take all reasonable steps to ensure compliance by the Group's applicable employees. The Company has adopted and operates a share dealing code for Directors and employees in accordance with the AIM Rules.

Internal controls

The Board acknowledges responsibility for maintaining appropriate internal control systems and procedures to safeguard the shareholders' investments and the assets, employees and the business of the Group.

Internal audit

The Board does not consider it appropriate for the current size of the Group to establish an internal audit function. However, this will be kept under review.

Bribery and corruption

The Bribery Act 2010 came into force on 1 July 2011. The Company is committed to acting ethically, fairly and with integrity in all its endeavours and compliance with legislation is monitored. Consideration of the Bribery Act is a standing item at Company board meetings.

Principle Ten: Shareholder Communication

The Company communicated with shareholders through the annual report and accounts, with the release of its interim and full year results, the annual general meeting and one-to-one meetings with large existing or potential new shareholders. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public at the Company's website.

The annual report and accounts set out how the corporate governance of the Company has been applied in the period under review.

These reports contain full details of all the principal events of the relevant period together with an assessment of current trading and future prospects and the reports are made available via the Company's website to anyone who wishes to review them.

The Company seeks to publicly disclose the outcomes of all shareholder votes in a clear and transparent manner. The outcome of all shareholder votes are publicly notified to the market via a regulatory information service and are available for review on the Company's notifications included on its AIM Rule 26 website.

Remuneration and Nomination Committee Report

The Remuneration and Nomination Committee, which comprises Andy Bushby (Chairman) and Clive Carver, is responsible for reviewing the performance of the Chairman and the executive directors, for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders and the performance of the Group. It also reviews the performance of the senior management, sets and reviews their remuneration and the terms of their service contracts and considers the Group's bonus and option schemes, determining targets for any performance-related pay schemes operated by the Company.

The Remuneration and Nomination Committee has amongst its main functions the review of the structure, size and composition of the Board based upon the skills, knowledge and experience required to ensure that the Board operates efficiently and effectively. It will also identify and nominate suitable candidates to the join the Board when vacancies arise and make recommendations to the Board for the re-appointment of non-executive directors.

Remuneration policy

The Group's and the Company's policy is to provide remuneration packages that will attract, retain and motivate its executive Directors and senior management. This consists of a basic salary, ancillary benefits and other performance-related remuneration appropriate to their individual responsibilities and having regard to the remuneration levels of comparable posts. The Remuneration and Nomination Committee determines the contract term, basic salary, and other remuneration for the members of the Board and the senior management team.

Service contracts

Details of the current Directors' service contracts are as follows:

	Date of service agreement / engagement letter	Date of last renewal of appointment
Executive		
Philip Marcella	3 April 2017	29 June 2018
Jason Hill	21 June 2017	29 June 2018
Non-Executive		
Clive Carver	21 June 2017	29 June 2018
Andy Bushby	2 October 2018	n/a

Basic salary and benefits

The basic salaries and bonus payments of the Directors who served during the financial year are established by reference to their responsibilities and individual performance. The amounts received by the Directors are set out below.

	2018 Salary / fees £	2018 Consulting fees £	2018 Termination Payment £	Pension £	2018 total £	2017 total £
Clive Carver	40,000	42,000	-	-	82,000	113,849
Philip Marcella	124,167	93,750	-	3,725	221,642	294,094
Jason Hill	146,667	-	-	900	147,567	194,477
Manish Kotecha[1]	64,584	-	142,083	5,388	212,055	195,738
Michael Buchan[2]	20,833	43,596	-	-	64,429	35,704
Andy Bushby[3]	6,250	-	-	-	6,250	-

Manish Kotecha[1] resigned from the Board on 29 June 2018.
Michael Buchan[2] resigned from the Board on 30 October 2018
Andrew Bushby[3] was appointed to the Board on 2 October 2018

Share options

In 2018 we issued 1,047,949 share options over ordinary shares in appScatter Group plc at 70 pence options to staff in Priori Data GmbH and 1,174,543 options over ordinary shares in appScatter Group plc at 55 pence to staff in appScatter Limited. Further detail is provided in note 17.

Audit Committee Report

Composition

The Audit Committee, which comprises Clive Carver and Andy Bushby, with Clive Carver acting as Chairman, determines and examines any matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditors and, in consultation with the auditors, the scope of the audit.

Role and responsibilities

The Audit Committee is responsible for monitoring the integrity of the Company's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems. In addition, it considers the financial performance, position and prospects of the Group and the Company and ensures they are properly monitored and reported on. It oversees the relationship with the Auditor (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings).

The Board and the Audit Committee do not consider it appropriate for the current size of the Group to establish an internal audit function. However, this will be kept under review.

Attendance at Audit Committee meetings

Please see the table in the Corporate Governance Report for attendance by the members of the Audit Committee.

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 2018.

Results and dividends

The Group's results are set out in the Group Income Statement on page 34. The audited financial statements for the year ended 31 December 2018 are set out on pages 34 to 61.

The Group made a loss after taxation of £10,490,515 (2017: £5,840,562). The Directors cannot recommend the payment of a dividend (2017: nil).

Business review and future developments

The business review and future developments are dealt with in the Chairman's statement, the report of the Chief Executive Officer and Strategic Report on pages 5 to 13.

Directors

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

Clive Carver, *Non-executive Chairman*	
Philip Marcella, *Chief Executive Officer*	
Manish Kotecha, *Finance Director*	*(resigned 30 June 2018)*
Jason Hill, *Executive Director*	
Michael Buchen, *Non-executive Director*	*(resigned 30 October 2018)*
Andy Bushby, *Non-Executive Director*	*(appointed 2 October 2018)*

The direct and beneficial interests of the Board in the shares of the Company as at 31 December 2018 were as follows:

	Shares held		**% of issued Share Capital**
	31-Dec-18	**31-Dec-17**	
Clive Carver	208,300	187,892	0.23%
Philip Marcella	16,472,280	16,472,280	18.10%
Manish Kotecha	741,025	741,025	0.81%
Jason Hill	243,536	224,462	0.27%
Michael Buchen	173,225	173,225	0.19%
Andrew Bushby	-	-	-

Events after the reporting period

Events after the reporting period are set out in note 20 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 2018. Further details on share options are set out in note 17 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 2018 is set out in note 5 to the financial statements.

Control procedures

The Board has approved financial budgets and cash flow 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 £10,490,515 for the year (2017: £5,840,562) and had a net cash outflow from operations of £6,183,344 (2017: £8,187,948).

The Financial Statements of the Group are prepared on a going concern basis as detailed in Note 1 to the financial statements. 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 Company has raised £1.6 million in new equity since the balance sheet date from new and existing investors.

Under the Company's forecasts, based on the Group as currently constituted, the funds raised do not provide sufficient funding for at least the next twelve months based on anticipated outgoings and the receipt of revenues from production. In the event of a completed Reverse Takeover with Airpush the Directors expect the combined Group would on the basis of forecast prepared have sufficient funding for at least the next twelve months, based on anticipated outgoings and revenues. In the event the proposed reverse takeover with Airpush does not complete, or completes later than currently expected, the Group as currently constituted, would require additional funding. The extent of the additional funding required could to some extent be mitigated by management action to reduce costs, but this alone would not bridge any funding gap.

While there is no guarantee that future funding will be available, based on recent support from new and existing investors the Board believes that such funding, if required, would be obtained through debt or equity to enable the company to trade and meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and consequently the financial statements have been prepared on a going concern basis and do not include the adjustments that would result if the Company was unable to continue as a going concern.

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.

Clive Carver

By order of the Board

Clive Carver

Chairman

1 August 2019

Biographical details of the Directors and the members of the Advisory board

Directors

Clive Carver, FCA, FCT

Clive Carver qualified in 1986 as a Chartered Accountant in London with Coopers & Lybrand. He then spent several years working for London based investment banks before focusing on providing corporate finance and broking advice to companies with shares quoted on AIM. He was successively head of corporate finance at Seymour Pierce, Williams de Broe and finnCap. In 2011 he became Executive Chairman of Roxi Petroleum PLC (now Caspian Sunrise PLC) where since 2006 he had been Non-executive chairman. In addition to his role at Caspian Sunrise PLC, he is also a Non-executive director of Aukett Swanke plc. He is also a qualified corporate treasurer.

Philip Marcella

Philip is the founder and Chief Executive Officer of the Company. He is an experienced programmer who began his coding career in the mid-1980s. In 1996 he set up his first company, which became RMR Plc. Initially a web development company, RMR specialised in web conferencing. In 2000, RMR was admitted to AIM with a £64 million valuation.

Jason Hill

Jason is a B2B sales professional with 20 years' experience driving fast growth digital sector technology companies. He was the sales director of Philip Marcella's previous AIM quoted company RMR Plc.

Andy Bushby

Andy has over 25 years in the industry, including working previously for Oracle Corporation, Sun Microsystems and Novell. His experience includes Networking, Operating Systems, Security, Identity, Cyber threat and modern Cloud and Mobile solutions. Since 2016, Andy has been UK Director of Fidelis Cybersecurity, having established that company's UK offices and where he is global account director for a number of major clients.

Advisory board

Thomas Enders

Dr. Thomas Endres is Chairman of the Presidium and Executive Board of VOICE, the Association of IT-users in Germany and Co-Chairman of the Presidium and Executive Board of the European CIO Association, an independent not-for-profit representative body for large IT-users. From 2002 to 2012 he was member of the Supervisory Board at Lufthansa Systems AG and as Group CIO, he was responsible for Lufthansa Group information management including strategy, shared services and security management. He is currently a member of the supervisory and advisory boards for a number of companies, where the handling of technologies and digital transformation is of great relevance for the further development of business. He is also active as a digital entrepreneur.

Jörg Rieker

Jörg Rieker is currently Global Lead Partner for Deloitte's Software Asset Management Services. His key competencies are the efficient and compliant handling of software- and hardware assets as well as data strategies considering the GDPR rules. Before selling his company to Deloitte, Jörg was a serial entrepreneur and is a passionate investor in small and midsized companies.

Michael Buchen

Michael Buchen is the Chairman and Founder of Polar Light Ventures, an investment firm focused on Technology & Internet Ventures in Europe. Previously he was the Managing Director of Dhabi Holdings, the investment company of senior members of the ruling family of Abu Dhabi. Before that, Michael held various roles at Mubadala, the strategic investment firm of the Abu Dhabi Government and at Roland Berger Strategy Consultants. He also currently serves, or has previously served, on the board of directors and advisory boards of a number of companies in the venture capital, technology, financial services, energy and telecom sectors.

Directors and Advisers

Directors

Clive Carver
Philip Marcella
Jason Hill
Andrew Bushby

Registered Office

Salisbury House
London Wall
London
EC2M 5PS

Nominated Adviser and Broker

finnCap
60 New Broad Street
London
EC2M 1JJ

Solicitor

Taylor Wessing LLP
5 New Street Square
London
EC4A 3TW

Solicitor & Company Secretary

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

Qualified opinion

We have audited the financial statements of appScatter Group Plc for the year ended 31 December 2018 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, except for the possible effects of the matters described in the Basis for qualified opinion section of our report:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with 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 qualified opinion on financial statements

The audit evidence available to us was limited due to the following factors.

- The directors have performed an impairment review on the intangible assets acquired during the year on a combined basis, and not on the individual intangible assets acquired which comprise a data platform, data, and goodwill. Therefore, the impairment review was not performed in accordance with IAS 36 'Impairment of Assets' which requires impairment reviews to be performed on individual assets or cash-generating units. Had the impairment review been performed on the goodwill and individual assets acquired, then an impairment provision may have been required with a consequent effect on the carrying value of the intangible assets and goodwill and on the loss for the year. As a result we were unable to obtain sufficient appropriate audit evidence as to whether any such provision was required.

- We were also unable to obtain sufficient appropriate audit evidence in respect of how the fair value of intangible assets acquired should have been split between historical data and goodwill on acquisition of Priori Data GmbH. No goodwill was recognised on this acquisition. Had goodwill been recognised then, although the total value of intangible assets (including goodwill) recognised on acquisition would not have changed, the value of the historical data recognised on the acquisition would have been reduced with a consequent reduction in the amortisation charge for the year.

- The impairment review used to support both the carrying value of intangible assets and goodwill in the group consolidated accounts, and the carrying value of the investment and intercompany loans in the parent company accounts, is based on forecasts which include certain key assumptions as set out in note 1.11. We have therefore been unable to obtain sufficient appropriate audit evidence as to the reasonableness of the revenue assumptions included in the forecasts.

- Were any adjustments to be required in respect of these items then the strategic report and directors' report would also require amendment.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 qualified opinion.

Material uncertainty related to going concern

We draw attention to note 1.7 to the financial statements, which indicates that the Group is dependent on the availability of additional funding from new and existing investors in order to continue in business and meet its liabilities as they fall due. The current forecasts prepared by the directors, based on the Group as currently constituted, indicate a shortfall in the availability of sufficient funding to enable the group to continue in business and meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements, based on anticipated outgoings and the receipt of revenues from services.

Although the Board believes that such additional funding, if required, would be able to be obtained through the issue of debt or equity, there can be no guarantee this will be the case.

As stated in note 1.7 these events or conditions, along with the other matters as set forth in note 1.7 indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional 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.

In addition to the matters described in the basis for qualified opinion and material uncertainty related to going concern sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

Audit Area and Description	**Audit approach**
Revenue recognition	
As an early stage business with limited sales processes revenue recognition is therefore a key audit risk, combined with the changes to the requirements for revenue recognition arising as a result of the adoption of IFRS15.	We performed substantive testing on revenue to ensure that the amounts are recognised correctly. We performed cut-off testing to confirm that revenue was recorded in the correct accounting period. A sample of post year end invoices were reviewed to confirm that income had not been understated.

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 £106,233, 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 £63,740.

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.

As described in the Basis for qualified opinion section of our report, we were unable to obtain sufficient appropriate audit evidence in respect of certain matters relating to intangible assets and impairment with a possible consequential impact on the loss for the year. We have concluded that where the other information refers to intangible assets and impairment, or the loss for the year, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matters referred to in the Basis for qualified opinion section of our report 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

Except for the possible effects of the matters referred to in the Basis for qualified opinion section of our report, 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.

In respect solely of the limitation on our work relating to intangible assets, investments and intercompany receivables, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 28, 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,
Chartered Accountants and Statutory Auditor
Devonshire House
60 Goswell Road
London ECIM 7AD
1 August 2019

Consolidated Income Statement & Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	Group 2018	Group 2017
		£	£
Revenue		951,345	1,937,020
Cost of sales		(2,590,355)	(856,101)
Gross (loss) / profit		**(1,639,010)**	**1,080,919**
Administrative expenses		(8,484,156)	(7,373,552)
Operating loss	**3**	**(10,123,166)**	**(6,292,633)**
Exceptional item - transaction costs	21	(882,445)	-
Finance income		118	397
Finance costs	6	(5,417)	(48,326)
Loss before taxation		**(11,010,910)**	**(6,340,562)**
Taxation	7	520,395	500,000
Loss for the year		**(10,490,515)**	**(5,840,562)**
Other comprehensive income			
Exchange gains / (losses) arising on the translation of foreign subsidiaries		26,661	(55,405)
Total comprehensive loss for the period attributable to the owners – continuing and total operations		**(10,463,854)**	**(5,895,967)**
Loss per share – basic & diluted	8	0.25	0.46

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share Capital	Share Premium	Shares to be issued	Share Option Reserve	Merger Reserve	Reverse acquisition reserve	Foreign exchange reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£	£
At 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)
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**-**	**(55,405)**	**(5,840,562)**	**(5,895,967)**
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)	-	-	-	-
Issued 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 and 1 January 2018	**3,158,907**	**6,672,740**	**-**	**528,876**	**18,494,869**	**(4,422,859)**	**(78,827)**	**(17,170,468)**	**7,183,238**
Loss for the period	-	-	-	-	-	-	-	(10,490,515)	(10,490,515)
Other comprehensive income									
FX Gains / (Losses)	-	-	-	-	-	-	26,661	-	26,661
Total comprehensive loss	-	-	-	-	-	-	26,661	(10,490,515)	(10,463,854)
Issue of share capital for cash	476,166	6,190,162	-	-	-	-	-	-	6,666,328
Acquisition of Priori Data GmbH	832,402	-	-	-	7,957,256	-	-	-	8,789,658
Acquisition of Abilott	83,333	-	-	-	241,667	-	-	-	325,000
Expenses associated with Placing	-	(1,029,911)	-	-	-	-	-	-	(1,029,911)
Share options issued	-	-	-	539,346	-	-	-	-	539,346
At 31 December 2018	**4,550,808**	**11,832,991**	**-**	**1,068,222**	**26,693,792**	**(4,422,859)**	**(52,166)**	**(27,660,983)**	**12,009,805**

See note 16 for a description of each reserve included above.

Company Statement of Changes in Equity

For the period ended 31 December 2018

	Share Capital	Share Premium	Share Option Reserve	Merger Reserve	Retained earnings	Total
	£	£	£	£	£	£
At incorporation on 3 April	-	-	-	-	-	-
Loss for the period	-	-	-	-	(891,942)	**(891,942)**
Other comprehensive income						
FX Gains / (Losses)	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	**(891,942)**	**(891,942)**
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	-	(1,634,952)	-	-	-	**(1,634,952)**
Share options issued	-	-	528,876	-	-	**528,876**
At 31 December 2017 and 1 January 2018	**3,158,907**	**6,672,740**	**528,876**	**664,540**	**(891,942)**	**10,133,121**
Loss for the period	-	-	-	-	(2,053,241)	**(2,053,241)**
Other comprehensive income						
FX Gains / (Losses)	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	**(2,053,241)**	**(2,053,241)**
Issue of share capital	476,166	6,190,162	-	-	-	**6,666,328**
Acquisition of Priori Data GmbH	832,402	-	-	7,957,256	-	**8,789,658**
Acquisition of Abilott	83,333	-	-	241,667	-	**325,000**
Expenses associated with Placing	-	(1,029,911)	-	-	-	**(1,029,911)**
Share options issued	-	-	539,346	-	-	**539,346**
At 31 December 2018	**4,550,808**	**11,832,991**	**1,068,222**	**8,863,463**	**(2,945,183)**	**23,370,301**

See note 16 for a description of each reserve included above.

Consolidated Statement of Financial Position

At 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
Non-current assets			
Intangible assets	9	10,822,443	1,444,349
Goodwill	10	2,105,179	-
Total non-current assets		**12,927,622**	**1,444,349**
Current assets			
Trade & other receivables	12	1,397,645	3,464,229
Cash & cash equivalents		83,402	3,781,109
Total current assets		**1,481,047**	**7,245,338**
Total assets		**14,408,669**	**8,689,687**
Share capital	15	4,550,808	3,158,907
Share premium		11,832,991	6,672,740
Share option reserve	17	1,068,222	528,876
Merger reserve		26,693,792	18,494,869
Reverse acquisition reserve		(4,422,859)	(4,422,859)
Foreign exchange reserve		(52,166)	(78,827)
Retained earnings		(27,660,983)	(17,170,468)
Total equity		**12,009,805**	**7,183,238**
Current liabilities			
Trade & other payables	13	2,217,579	1,506,449
Loans & borrowings	14	61,800	-
Total current liabilities		**2,279,379**	**1,506,449**
Non-current liabilities			
Loans & borrowings	14	119,485	-
Total current liabilities		**119,485**	**-**
Total liabilities		**2,398,864**	**1,506,449**
Total equity & liabilities		**14,408,669**	**8,689,687**

The accompanying notes on page 41 to 61 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 1 August 2019 and are signed on its behalf by:

Clive Carver

Clive Carver

Director

Company Statement of Financial Position

For the year ended 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
Non-current assets			
Investment in subsidiaries	11	15,127,128	3,131,139
Intercompany receivables	11	8,793,793	3,815,922
Total non-current assets		**23,920,921**	**6,947,061**
Current assets			
Trade & other receivables	12	92,023	70,215
Cash & cash equivalents		12,035	3,200,654
Total current assets		**104,058**	**3,270,869**
Total assets		**24,024,979**	**10,217,930**
Share capital	15	4,550,808	3,158,907
Share premium		11,832,991	6,672,740
Share option reserve	17	1,068,222	528,876
Merger reserve		8,863,463	664,540
Retained earnings		(2,945,183)	(891,942)
Total equity		**23,370,301**	**10,133,121**
Current liabilities			
Trade & other payables	13	654,678	84,809
Total current liabilities		**654,678**	**84,809**
Total liabilities		**654,678**	**84,809**
Total equity & liabilities		**24,024,979**	**10,217,930**

The accompanying notes on page 41 to 61 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 £2,053,241.

These financial statements were approved by the Board of Directors and authorised for issue on 1 August 2019 and are signed on its behalf by:

Clive Carver

Clive Carver

Director

Company number: 09786498

Consolidated Statement of Cash flows

For the year ended 31 December 2018

	Year ended 31 December 2018	Year ended 31 December 2017
Cash flows from operating activities		
Operating loss before taxation	(11,010,910)	(6,340,562)
Adjustments for:		
Finance costs	5,417	48,326
Finance income	(118)	(397)
Amortisation	2,282,286	729,202
Share based payments charge	539,346	528,876
Tax Credit	600,395	-
Exchange differences	9,984	12,324
Operating loss before working capital changes	**(7,573,601)**	**(5,022,231)**
Changes in working capital		
Decrease / (increase) in trade & other receivables	2,121,902	(1,773,058)
(Decrease) in trade & other payables	(731,645)	(1,392,659)
Net cash used in operations	**(6,183,344)**	**(8,187,948)**
Investing activities		
Capitalised R&D Costs	(1,037,350)	(1,282,178)
Interest received	118	397
Acquisition of business (net of cash)	(2,108,136)	-
Net cash flows used in investing activities	**(3,145,369)**	**(1,281,781)**
Financing activities		
Finance costs	(5,411)	(48,326)
Issue of ordinary shares (net of expenses)	5,636,417	13,298,938
Net cash flows from financing activities	**5,631,006**	**13,250,612**
Net change in cash and cash equivalents	(3,697,707)	3,780,883
Cash and cash equivalents at the beginning of the period	3,781,109	226
Cash and cash equivalents at the end of the period	**83,402**	**3,781,109**

The accompanying notes on page 41 to 61 form an integral part of these financial statements.

Company Statement of Cash flows

For the year ended 31 December 2018

	Year ended 31 December 2018	Year ended 31 December 2017
Cash flows from operating activities		
Operating loss before taxation	(2,053,241)	(891,942)
Adjustments for:		
Finance income	(117)	(397)
Finance costs	729	-
Share-based payment charge	539,346	528,876
Unrealised foreign exchange gain	790	13
Operating loss before working capital changes	**(1,512,493)**	**(363,450)**
Changes in working capital		
(Increase) in trade & other receivables	(21,808)	(70,217)
(Increase) in intercompany receivables	(4,903,892)	(3,815,922)
Increase in trade & other payables	269,871	84,809
Net cash used in operations	**(6,168,322)**	**(4,164,780)**
Investing activities		
Acquisition of business (net of cash)	(2,644,101)	-
Interest received	(729)	397
Net cash flows used in investing activities	**(2,644,830)**	**397**
Financing activities		
Finance income	117	-
Issue of ordinary shares (net of expenses)	5,624,416	7,365,037
Net cash flows from financing activities	**5,624,533**	**7,365,037**
Net change in cash and cash equivalents	(3,188,619)	3,200,654
Cash and cash equivalents at the beginning of the period	3,200,654	-
Cash and cash equivalents at the end of the period	**12,035**	**3,200,654**

The accompanying notes on page 41 to 61 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 2018 were authorised for issue by the Board on 1 August 2019 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.

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 and the review for impairment of goodwill, 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, appScatter Limited and Abilott Limited's functional currency is Pound Sterling (£) and its other subsidiaries' functional currencies are US Dollar (US$) and Euro (€).

Year ended 31 December 2018

The financial information for 2018 reporting year is that of appScatter Group, headed by appScatter Group PLC.

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.

1.3. 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 2018, including the comparative financials the year ended 31 December 2017 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 1.9.

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

- Priori Data GmbH German limited liability company (Gesellschaft mit beschränkter Haftung, GmbH) incorporated in Berlin under no. HRB 150508 B
- Abilott Limited registered in England and Wales with the registration number 6203799

1.4. Changes in accounting policies and disclosures

The Group adopted IFRS 15 during the year which is described in more detail below. 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. The Group no longer recognises any accrued revenue for work carried out, where a contract or purchase order is not in place. Previously revenue had been accrued on long term projects where work had been carried out and invoicing for this work was expected to occur in a subsequent period.

1.5. New and amended standards adopted by the Group

The Group has applied any applicable new standards, amendments to standards and interpretations that are mandatory for the financial year beginning on or after 1 January 2018. However, none of them has a material impact on the Group's consolidated financial statements, except as explained 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.

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.

1.6. 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 2018 have been published but are not yet effective and have not been adopted early by the Company. These are listed below:

- 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.
- IFRIC 23 Uncertainty over income tax treatments – effective date 1 January 2019
- IFRIC 22 Foreign currency, transactions and advance consideration – 1 January 2019
- IFRS 9 Prepayment features with negative compensation – effective 1 January 2019

1.7. Going concern

The consolidated entity has incurred a loss after tax of £10,490,515 for the year (2017: £5,840,562) and had a net cash outflow from operations of £6,183,344 (2017: £8,187,948).

The Financial Statements of the Group are 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 Company has raised £1.6 million in new equity since the balance sheet date from new and existing investors.

Under the Company's forecasts, based on the Group as currently constituted, the funds raised do not provide sufficient funding for at least the next twelve months based on anticipated outgoings and the receipt of revenues from production. In the event of a completed Reverse Takeover with Airpush the Directors expect the combined Group would on the basis of forecast prepared have sufficient funding for at least the next twelve months, based on anticipated outgoings and revenues. In the event the proposed reverse takeover with Airpush does not complete, or completes later than currently expected, the Group as currently constituted, would require additional funding. The extent of the additional funding required could to some extent be mitigated by management action to reduce costs, but this alone would not bridge any funding gap.

While there is no guarantee that future funding will be available, based on recent support from new and existing investors the Board believes that such funding, if required, would be obtained through debt or equity to enable the company to trade and meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and consequently the financial statements have been prepared on a going concern basis and do not include the adjustments that would result if the Company was unable to continue as a going concern.

1.8. 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.

1.9. Business combinations

Acquisition of Priori Data GmbH by appScatter Group plc

On 3 July 2018 appScatter Group plc completed the purchase of Priori Data GmbH ("Priori") for a reported consideration of £13.5 million, satisfied by the issue of up to 16,667,157 new appScatter shares at an agreed issue price of 70p. 16,290,325 shares were issued on completion on 3 July 2019. The balance of up to 376,832 shares was due once completion accounts confirmed the net assets at the date of completion. Following the preparation of the completion accounts a total of 357,698 shares were issued on 30 August 2019. The market price per share on the completion date was 53.15 pence and the market price on the date the retention shares were issued was 36.5 pence making the fair value of the shares issued £8.8 million. In addition, there was a payment of approximately £1.8 million in cash consideration. The total fair value of the consideration was £10.6 million. The acquisition of Priori was approved by appScatter shareholders in July 2018.

On acquisition, the assets, liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over net fair values of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the net fair values of the identifiable assets, liabilities and contingent liabilities acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

The fair value of the acquired business comprised the platform which the company had developed, and the 775 billion historic data records which Priori held. On acquisition we assigned a value of £4 million to the platform based on the estimated cost to rebuild the platform and the balance was assigned to the data. This implies a cost per thousand records of less than £0.01 which is prudent in relation to industry standards.

Acquisition of Abilott Limited by appScatter Group plc

On 17 December 2018 appScatter Group plc acquired 100% of the issued share capital of Abilott Limited. Further detail on the acquisition is included in the Strategic Report and CEO Statement. Initial consideration was £0.825 million, consisting of £0.5 million in cash (of which £0.2m was on completion and £0.3m was deferred) and £0.325 million in shares by way of the issue of 1,666,666 new ordinary shares at an effective issue price of 19.5 pence. Directors loans not repayable of £245,000 were deducted from the net asset value on acquisition.

For several years Abilott was our security partner of choice. In particular, Abilott had been working closely with appScatter for the previous two years providing security and regulatory compliance for the Group and supporting appScatter threat analysis products for appScatter customers.

The maximum consideration is £1.85 million, comprising £0.825 million of initial consideration and £1 million deferred consideration.

Initial consideration consisted of:

- £200,000 cash consideration on completion
- £300,000 deferred cash consideration due post completion,
- 1,666,667 shares at an agreed issue price of 30 pence valuing the shares at £500,000, the market price of appScatter shares on the date of completion was 19.5pence making the fair value of the share element £325,000.

A further £1 million payable by the award of up to a maximum of 3,333,333 deferred consideration shares. The deferred consideration is dependent on Abilott achieving revenue criteria in connection with sales to certain customers for the year ending 31 December 2019 and the corresponding shares would not be issued until January 2020. Based on trading to date we do not expect that the deferred consideration shares will be payable.

On acquisition, the assets, liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over net fair values of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the net fair values of the identifiable assets, liabilities and contingent liabilities acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

Acquisition of appScatter LLC by appScatter Limited

On 18 May 2017 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 2018 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 using guidance available in the UK Accounting standard FRS102. 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 2018 and thus figures reported in the Admission document represent the Group in 2017.

1.10. Goodwill

The Group has recognised goodwill on companies acquired during the period.

On acquisition, the assets, liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over net fair values of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the net fair values of the identifiable assets, liabilities and contingent liabilities acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

1.11. Investments in subsidiaries

Investments in subsidiaries are initially recognised at cost and include any directly-attributable costs associated with each acquisition.

The carrying amounts of investment in subsidiaries is reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised when the carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. This loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

The Company carried out an impairment review on the carrying value of investments in subsidiaries at the balance sheet date and has not recognised any impairment charge.

1.12. Foreign Currency

The functional currency for the Company's US registered subsidiaries are US$ and the functional currency of Priori Data GmbH is Euro.

(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. 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. The Group also carries out non-recurring work under contracts or statements of work.

Revenue from contracts is recognised in accordance with IFRS 15 as follows:

a) Identify the contract or statement of works with the customer
b) Identify the performance obligations
c) Determine the transaction price
d) Allocate the transaction price to performance obligations
e) Recognise revenue when an entity satisfies a performance obligation

The above criteria have been applied for the year ended 31 December 2018.

Annual contracts for services are recognised on a monthly basis. Where advanced payments are made, these amounts are transferred to deferred revenue and recognised over the length of the contract.

Contracts for non-recurring services are invoiced and recognised when the performance obligations in a contract or statement of work has been completed.

This has not impacted the way in which revenue has been accounted for and the comparatives have not changed.

1.15. Intangible assets

Acquired IP

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. During the period the Company acquired the assets of Priori Data GmbH and has recorded a fair value in the accounts for its platform and its accumulated data records.

Developed IP

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. £1.0m has met recognition criteria and been capitalised in 2018 (2017: £1.2m). This expenditure is being amortised over an expected useful economic life of three years.

Acquired Data

The accumulated data records in Priori Data GmbH were assigned a fair value of £6.6m on completion of the transaction. The accumulated data records have a long-term value as they are used to create extrapolations. The useful economic life of the data has been assessed at five years.

Impairment

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.

1.16. 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 profit or loss account with a corresponding increase in equity 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.

1.17. 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.

1.18. 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 Group's activity constitutes one reporting segment, as defined under IFRS 8 and reviews the performance of the Group 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 Group financial information.

1.19. 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.

1.20. 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.

1.21. 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.

1.22. 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.

1.23. 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.

1.24. 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.

1.25. 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 1.9 above).
- Treatment of research & development expenditure (see note 1.15 above).
- Fair value of intangible assets (see note 1.9 above).
- Impairment (see note 1.11 above).

In assessing whether any impairment is required on Group intangible assets and goodwill and the Company investments and intercompany receivables, the Group have reviewed discounted cash flow models for the assets and the expected terminal value, if those assets were to be sold in the future. These forecasts assume a fourfold growth in annual revenues over the next five years. This will be more likely to occur if the Airpush transaction completes as planned.

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 17 below).
- R&D tax credit recoverable.

In assessing the amount recoverable in R&D tax credits the Group have used the calculations prepared to submit the claim to HMRC which are consistent to the methodology used in previous periods.

1.26. 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 2018	Group 2017	Company 2018	Company 2017
Financial assets				
Cash & equivalents	83,402	3,781,109	12,035	3,200,654
Trade receivables	631,615	1,204,330	-	-
Other receivables	519,617	1,325,966	10,940	20,150
Shares issued for prepaid services	-	502,509	-	-
Loans due from related parties	136,123	60,664	-	-
Loans and receivables	**1,370,757**	**6,874,578**	**22,975**	**3,220,804**
Financial liabilities				
Trade payables	1,233,183	1,097,168	241,395	17,810
Other payables	320,083	5	300,825	-
Accruals	391,496	145,882	100,550	34,340
Loans and borrowings – current	61,800	-	-	-
Loans and borrowings – non-current	119,485	-	-	-
Loans and payables	**2,126,047**	**1,243,055**	**644,770**	**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.

The table below shows the aging of accounts receivable at the balance sheet date.

		Current	Less than 30 days	30 to 60 days	60 to 90 days	Over 90 days
		£	£	£	£	£
31 December 2018	Group: trade receivables gross	129,840	102,945	25,090	2,058	478,682
	Group: trade receivables provision	-	-	-	-	(107,000)
	Group: trade receivables	**129,840**	**102,945**	**25,090**	**2,058**	**371,682**
	Company: trade receivables	**-**	**-**	**-**	**-**	**-**
31 December 2017	Group: trade receivables	352,810	245,810	245,810	121,900	238,000
	Company: trade receivables	-	-	-	-	-

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$ and in Euro. Differences resulting from the translation of the financial statements of the entity within the Group into the Group's presentation currency are excluded.

	Group	Group	Company	Company
US Dollar	**2018**	**2017**	**2018**	**2017**
	£	**£**	**£**	**£**
Cash & equivalents	1,693	2,288	-	-
Trade & other receivables	-	60	-	-
Other payables and accruals	(296,812)	(54,764)	-	-
	(295,119)	**(52,416)**	**-**	**-**

Euro	**2018**	**2017**	**2018**	**2017**
	£	**£**	**£**	**£**
Cash & equivalents	60,149	-	-	-
Trade & other receivables	178,729	-	-	-
Other payables and accruals	(234,879)	-	-	-
	3,999	**-**	**-**	**-**

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$ and Euro 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	**Year ended 31 December**	Year ended
Group	**2018**	31 December 2017
Profit or loss	£	£
10% strengthening of sterling	**70,890**	49,897
10% weakening of sterling	**(86,643)**	(60,985)
Equity		
10% strengthening of sterling	**190,145**	86,630
10% weakening of sterling	**(232,400)**	(105,881)

EURO Currency change	**Year ended 31 December**	Year ended
Group	**2018**	31 December 2017
Profit or loss	£	£
10% strengthening of sterling	**49,182**	-
10% weakening of sterling	**(60,111)**	-
Equity		
10% strengthening of sterling	**49,482**	-
10% weakening of sterling	**(60,477)**	-

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 - 2018			
Trade & other payables	2,217,578	-	-
Loans & borrowings	-	-	-
	2,217,578	**-**	**-**
Group - 2017			
Trade & other payables	1,506,449	-	-
	1,506,449	**-**	**-**
Company - 2018			
Trade & other payables	654,680	-	-
Loans & borrowings	61,800	119,485	-
	716,480	**119,485**	**-**
Company - 2017			
Trade & other payables	84,809	-	-
Loans & borrowings	-	-	-
	84,809	**-**	**-**

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

	2018	2017
	£	£
The Group operating loss is stated after charging		
Auditor's remuneration		
- fees payable to the Company's auditors for the audit of the Group and company	30,000	18,000
- fees payable to the Company's auditor for the audit of subsidiaries	12,500	12,000
- fees payable to the Company's auditor for tax advice	29,479	13,683
- fees payable to the Company's auditor for corporate finance advice	-	95,500
Research & development expenses	951,770	1,217,062
Legal & professional fees	295,959	379,254
Staff costs (note 4)	2,834,813	2,397,395
Foreign exchange losses	5,417	12,324
Amortisation of intangible assets	2,282,286	729,202

4. Staff costs

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

	2018	2017
	£	£
Wages & salaries	1,903,871	1,659,241
Pension	37,763	6,768
Social security costs	353,833	184,510
Employee share-based payment charge	539,346	528,876
Total staff costs	**2,834,813**	**2,379,395**

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

The average number of employees in the period was:	**2018**	**2017**
Executives	5	5
Administration	1	1
Other	33	24
	39	**30**

5. Directors' emoluments

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

	Fees	Consulting fees	Termination payments	Bonus	Pension	Total
2018	**£**	**£**	**£**	**£**	**£**	**£**
Executive directors						
Philip Marcella	124,167	93,750	-	-	3,725	221,642
Manish Kotecha	64,584	-	142,083	-	5,388	212,055
Jason Hill	146,667	-	-	-	900	147,567
	335,418	**93,750**	**142,083**	**-**	**10,013**	**581,264**
Non-executive directors						
Clive Carver	40,000	42,000	-	-	-	82,000
Andy Bushby	6,250	-	-	-	-	6,250
Michael Buchen	20,833	43,596	-	-	-	64,429
	67,083	**85,596**	**-**	**-**	**-**	**152,679**

	Fees	Consulting fees	Bonus	Pension	Total
2017	**£**	**£**	**£**	**£**	**£**
Executive directors					
Philip Marcella	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**

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

6. Finance costs

	2018	2017
	£	£
Interest paid on loans	-	41,938
Foreign exchange loss	5,417	-
Finance arrangement fees	-	6,388
	5,417	**48,326**

7. Taxation

	2018	2017
The tax credit is as follows:	**£**	**£**
UK Corporation tax	-	-
Total current tax	520,395	500,000
Origination and reversal of timing differences	-	-
	520,395	**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:

	2018	2017
	£	£
Loss on ordinary activities before income tax	(11,010,910)	(5,572,650)
Standard rate of corporation tax	19.00%	19.25%
Loss before tax multiplied by the standard rate of corporation tax	2,092,073	1,220,558
Adjustments		
R&D enhancement	520,395	500,000
Losses carried forward	(2,092,073)	(1,220,558)
Tax credit	**520,395**	**500,000**

Changes in tax rates for the two periods

The UK corporation tax rate for small company profit has reduced to 19% from 1 April 2017. Accordingly, the deferred tax asset or liability would have been calculated based on the rate of 19% at the balance sheet date. Future enacted tax rates of 17% 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 Group is still in an early stage.

8. Loss per share

	2018	2017
	£	£
Loss for the year and earnings used in basic & diluted EPS	(10,490,515)	(5,840,562)
Weighted number of average shares	42,740,711	50,904,125
Loss per share £	(0.25)	(0.11)
Weighted number of fully diluted shares	47,176,943	55,340,477
Loss per share £	(0.25)	(0.11)

Fully diluted shares include the number of outstanding share options, details of which are included in note 17. These options are anti-dilutive and therefore basic and diluted loss per share are the same.

9. Intangible assets

	Acquired IP	Developed IP	Acquired Data	Total
Cost	£	£	£	£
At 1 January 2016	**798,196**	**-**	**-**	**798,196**
Additions	-	-	-	-
Exchange adjustment	160,905	-	-	160,905
At 31 December 2016 & 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 January 2018	**891,373**	**1,282,178**	**-**	**2,173,551**
Additions	4,020,000	1,037,350	6,581,662	11,639,012
Exchange adjustment	33,570	-	-	33,570
At 31 December 2018	**4,944,943**	**2,319,528**	**6,581,662**	**13,846,133**
Amortisation	£	£	£	£
At 1 January 2016 & 31 December 2016	**-**	**-**	**-**	**-**
At 1 January 2017	**-**	**-**	**-**	**-**
Charge for the year	(729,202)	-	-	(729,202)
At 31 December 2017 & 1 January 2018	**(729,202)**	**-**	**-**	**(729,202)**
Charge for the year	(972,616)	(651,503)	(658,166)	(2,282,286)
Exchange adjustment	(12,202)	-	0	(12,202)
At 31 December 2018	**(1,714,020)**	**(651,503)**	**(658,166)**	**(3,023,690)**
Carrying value				
At 31 December 2018	3,230,922	1,668,025	5,923,496	10,822,443
At 31 December 2017	162,171	1,282,178	-	1,444,349
At 1 January 2017	-	-	-	-

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).

On 2 July 2018, appScatter Group acquired Priori Data GmbH. On acquisition the fair value of the assets, being the platform and the underlying data records was assessed.

The estimated cost to rebuild the Priori platform was assessed at £4,020,000 and the carrying value of the platform has been increased to this amount in the accounts. This expenditure is being amortised over three years.

The fair value of the data is estimated to be at least £6,581,662 being the balance between the purchase consideration and the remaining net asset value. The company possessed 775 billion data records and this approach values each record at less than £0.01 CPM. The standard valuation for such data is typically above £0.03 CPM so the valuation assigned above is believed to be prudent. Based on the estimated future cash flows from the asset's management believe that no impairment is required at the balance sheet date. This expenditure is being amortised over five years.

During 2017 and 2018 the Group has capitalised research and development expenditure directly related to products which have been implemented in the appScatter platform. This expenditure is being amortised over three years.

The fair value of intangible assets have been assessed with reference to the future cash flows anticipated from the assets at a discount rate of 10% and assuming a terminal value of the business which is greater than the value paid. Based on these calculations no impairment is due at the reporting date (2017: nil).

In carrying out their impairment review management have also taken additional assurance from the proposed transaction with Airpush Inc, which was not in existence at year end. This transaction places a third-party valuation on the combined assets of appScatter Group plc which is in excess of the current carrying values.

10. Goodwill

	Goodwill
Cost	£
At 1 January 2016	**-**
Additions	-
At 31 December 2016 & 1 January 2017	**-**
Additions	-
At 31 December 2017 & 1 January 2018	**-**
Additions	2,105,179
At 31 December 2018	**2,105,179**

Goodwill arose on the acquisition of Abilott Limited as discussed in note 1.9 above, where net liabilities of £1.3m were acquired for consideration of £825,000 as shown in note 11.

The fair value of the goodwill has been assessed by preparing discounted cash flow forecasts using a discount rate of 10%. Based on the estimated future cashflows from Abilott Limited management believe that no impairment is required at the balance sheet date.

11. 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%
Priori Data GmbH	SaaS platform for mobile app intelligence	appScatter Group Plc	100%
Abilott Limited	Digital security solutions	appScatter Group Plc	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.

On 3 July 2018 appScatter Group plc acquired 100% of the issued share capital of Priori Data GmbH. Further detail on the acquisition is included in the Strategic Report and CEO Statement. Total consideration was £10.6 million, consisting of £1.8 million in cash and £8.8 million in shares by way of the issue of 16,667,157 new ordinary shares at an effective issue price of 53.15 pence. The issue of a further 357,698 shares were issued on 05 September 2018 once the completion accounts and net assets statement had been finalised.

On 17 December 2018 appScatter Group plc acquired 100% of the issued share capital of Abilott Limited. Further detail on the acquisition is included in the Strategic Report and CEO Statement. Initial consideration was £825,000, consisting of £0.5 million in cash (of which £0.2m was on completion and £0.3m was deferred), and £0.325 million in shares by way of the issue of 1,666,666 new ordinary shares at an effective issue price of 19.5 pence.

Investment in subsidiaries continued

	2018	2017
	£	£
Opening balance	**3,131,139**	**-**
Acquisition of appScatter Limited	-	3,131,139
Acquisition of Priori Data Gmbh	10,623,024	-
Acquisition of Abilott Limited	825,000	-
Directly-attributable acquisition costs	547,965	-
Closing balance	**15,127,128**	**3,131,139**
Intercompany receivables		
From appScatter Limited	8,700,043	3,815,922
From Priori Data GmbH	93,750	-
	8,793,793	**3,815,922**

	Book value of assets acquired	Fair value adjustments	Fair value of assets acquired
	£	£	£
Priori Data			
IP – platform	1,346,061	2,673,939	4,020,000
Data	-	6,581,662	6,581,662
Debtors	39,487	-	39,487
Cash	201,877	-	201,877
Creditors	(220,002)	-	(220,002)
Total consideration	**1,367,423**	**9,255,601**	**10,623,024**
Satisfied by			
Cash			1,834,157
Shares			8,788,867
			10,623,024
Abilott			
Fixed assets	10,107	-	10,107
Debtors	95,831	-	95,831
Cash	24,143	-	24,143
Creditors	(169,264)	-	(169,264)
Intercompany	(1,053,508)	-	(1,053,508)
Loans	(187,488)	-	(187,488)
Goodwill	-	2,105,179	2,105,179
Total consideration	**(1,280,179)**	**2,105,179**	**825,000**
Satisfied by			
Cash			500,000
Shares			325,000
			825,000

Priori Data GmbH	**Shares**	**Share Price**	**Fair value**
On completion	16,290,325	0.532	8,658,307
Deferred consideration	357,698	0.365	130,560
Fair value of shares			**8,788,867**
Cash			1,834,157
Total consideration			**10,623,024**

Abilott Limited	**Shares**	**Share Price**	**Fair value**
On completion	1,666,667	0.195	325,000
Cash			500,000
Total consideration			**825,000**

The fair values of the assets acquired is discussed in note 9 above.

12. Trade and other receivables

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade receivables	631,615	1,204,330	-	-
Prepayments	110,290	107,310	64,053	41,044
Other receivables	519,617	1,325,966	10,940	20,150
Shares issued for prepaid services	-	502,509	-	-
Other taxes receivable	-	263,450	17,030	9,021
Loans due from related parties	136,123	60,664	-	-
	1,397,645	**3,464,229**	**92,023**	**70,215**

13. Trade and other payables

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade payables	1,233,183	1,097,168	241,395	17,810
Accruals & Deferred income	391,496	145,882	102,550	34,340
Social security & other taxes	272,817	263,394	9,908	32,659
Other payables	320,083	5	300,825	-
Loans due to related parties	-	-	-	-
	2,217,579	**1,506,449**	**654,678**	**84,809**

14. Loans and borrowings

	Group 2018	Group 2017	Company 2018	Company 2017
Current	61,800	-	-	
Non-current	119,485	-	-	-

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

15. Share Capital

	Number	£
At incorporation on 3 April 2017	**2**	**0.10**
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 & 1 January 2018	**63,178,142**	**3,158,907**
Acquisition of Priori Data GmbH	16,648,023	832,401
Acquisition of Abilott Limited	1,666,666	83,333
Placings	9,523,326	476,166
At 31 December 2018	**91,016,157**	**4,550,808**

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.

On 21 June 2018, appScatter Group plc raised £3,074,623 through the issuing of 4,392,319 ordinary shares of £0.05 each were issued at a price of £0.70 per ordinary share. On 26 June 2018, appScatter Group plc raised £1,623,050 through the issuing of 2,318,643 ordinary shares of £0.05 each were issued at a price of £0.70 per ordinary share. On 3 July 2018, appScatter Group plc acquired the entire issued share capital of Priori Data GmbH, which was satisfied, in part, by the issuance of 16,648,023 ordinary shares of £0.05 each. On 22 August 2018, appScatter Group plc raised £1,000,210 through the issuing of 1,428,871 ordinary shares of £0.05 each were issued at a price of £0.70 per ordinary share. On 16 October 2018, appScatter Group plc raised £968,445 through the issuing of 1,383,493 ordinary shares of £0.05 each were issued at a price of £0.70 per ordinary share. On 17 December 2018, appScatter Group plc acquired the entire issued share capital of Abilott Limited which was satisfied, in part, by the issuance of 1,666,666 ordinary shares of £0.05 each.

16. 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 and the acquisitions during the year of Priori Data GmbH and Abilott Limited as discussed in note 1.9.
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.

17. Share-based payments

Shortly after incorporation in April 2018, 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.

At 31 December 2018, the Company had outstanding options to subscribe for Ordinary shares as follows:

Company & Group	**2018** Options	**2018** Weighted average exercise price
	No.	£
Outstanding at the beginning of the period	4,436,232	0.583
Granted during the period	2,222,492	0.621
Forfeited during the period	(442,247)	0.650
Outstanding at the end of the period	**6,216,477**	**0.684**
Exercisable at the end of the period	4,899,248	0.585

The weighted average contractual life of the options outstanding at 31 December 2018 was 10 years. Of the total number of options outstanding at 31 December 2018, 4,899,248 had vested and were exercisable (2017: 1,321,367). The weighted average share price (at the date of exercise) of options exercised during the year was nil as no options were exercised.

In October 2018 2,222,492 Options were issued to staff at an average option price of £0.621 pence per Ordinary share.

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 2018, 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 2018 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.

On 31 July 2018 we issued 1,047,949 share options over ordinary shares in appscatter Group plc at 70 pence options to staff in Priori Data GmbH and 1,174,543 options over ordinary shares in appscatter Group plc at 55 pence to staff in appScatter Limited. These options are exercisable until the tenth anniversary of the date of issue and vest in three equal annual instalments commencing on the first anniversary of the start of the employee's date.

The value of the options is measured by the use of a Black-Scholes pricing model. The inputs into the model made in 2018 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 £539,346.

18. Commitments

Operating lease commitments

The commitment under non-cancellable operating leases as at 31 December 2018 was £123,279 (2017: £163,944). This was all due within one year.

Capital commitments

There were no amounts contracted for but not provided as at 31 December 2018 (2017: nil).

19. Related Party Transactions

Group companies

During 2018 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 to 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 £8,793,793.

Directors

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

Related party	**Type**	**2018 Transactions**	**2018 Balance due (from)/ to**	2017 Transactions	2017 Balance due (from)/ to
Philip Marcella (1)	Fees	93,750	-	132,167	23,966
Elk Associates LLC (2)	Fees	42,000	-	100,833	-
Polar Lights 2 Ltd (3)	Fees	43,596	-	10,902	-
Manish Kotecha	Fees	-	-	90,126	-

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 2017 and 2018 included fees £168,329 and £nil respectively. Included within loans due from related parties is £23,966 in relation to reimbursable expenses incurred in relation to travel on company business.
2. Clive Carver is a non-executive director of appScatter Group plc and has an interest in ELK Associates LLP.
3. Michael Buchen was a non-executive director of appScatter Group plc and has an interest in Polar Lights 2 Limited.

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.

20. Events after the reporting date

On 9 April 2019 the Company announced its intention to acquire Airpush Inc., a technology company specialising in app monetisation which, if approved and completed would constitute a reverse takeover for the purposes of the AIM Rules for Companies (the "Proposed Acquisition"). Accordingly, trading in the Company's shares was suspended on AIM until such time as the Company is able to publish an admission document in relation to the Proposed Acquisition or confirms that the Proposed Acquisition is no longer in contemplation.

On 9 April 2019, the Company announced it had raised £2.2 million fundraising. Of this £2.2 million, £1.6m million has been received to date with further cash expected.

21. Exceptional items

Investment costs

During the year the Group acquired two companies, Priori Data GmbH and Abilott Limited. The costs associated with these investments have been expensed to the P&L during the period in line with IFRS3 on consolidation. The costs that are classed as directly attributable to the acquisitions had been capitalised as part of the investment cost in the Company financial statements.