EU SUPPLY PLC

Annual Report and Consolidated Financial Statements
For the Year Ended 31 December 2018

Company Registration Number: 08513444

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Directors	David Richard Cutler, *Non-Executive Chairman* Thomas Bo Beergrehn, *Chief Executive Officer* Lars Fredrik Wallmark, *Financial Director* Steffen Patrik Karlsson, *Non-Executive Director* Fredrik Andreas Kemi, *Non-Executive Director until Jan 25 2018*
Company Secretary	Lars Fredrik Wallmark
Registered Office of the Company	10 Queen Street Place London EC4R 1AG
Company Registration Number	08513444
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Independent Auditor	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG
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Chairman's Statement

Overview

EU Supply Plc (the "Company") (LSE AIM: EUSP), which is the UK holding company of the EU Supply Group ("Group"), presents its audited final results for the year ended 31 December 2018.

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

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

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

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

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

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

Outlook

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

David Cutler
Chairman
Date: 25 April 2019

Strategic Report

Introduction

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

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

Business review

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

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

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

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

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

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

The Group has to date deliverd continued revenue growth in 2019 especially in its recurring revenue base and also from contracts already announced and a promising pipeline of small and mid-sized SaaS opportunities.

Development of the e-Procurement market

The Group is seeing an accelerated demand for its services, in part driven by the EU Directives that were ratified in the EU Parliament in January 2014, implemented across EU Member States in their respective legislations and complemented with other mandatory provisions below the EU thresholds at different milestones in 2019 and 2020, which should fit well with the Group's ambition to build its micro-procurement service business to address such needs.

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

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

Additional mandatory requirements are also expected to be implemented by the EU and EEA Member States. Such new requirements are expected to generate further revenues for the Group through paid-for enhancements and/or new module licences. These requirements are also expected to increase the hurdles for smaller competitors. Examples of such new requirements following the implementation of the 2014 EU Directives include a large number of new contract notice publication schema, requirements of system-to-system communication support and an electronic qualification through the use of ESPD. Support for these new requirements have been developed by the Group during 2017 and 2018, and places the business in a strong position for this sector going forward.

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

Brexit

The Directors believe that should the UK leave the EU there will be limited implications on the e-Procurement market as UK public sector authorities will continue to seek cost reductions and transparency with resulting continuing demand for e-Procurement solutions, and that EU regulations in material parts would be transposed into UK law with essentially the same requirements initially (and UK Contracts Regulations 2015 also already fully capture the EU Directives from 2014) EU-Supply is also in direct contact with UK government in respect of preparations for any scenario.

Financial Performance

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

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

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

People, certifications and appointments

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

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

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

Principal risks and uncertainties

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

Financial

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

Technology

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

Retention of staff

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

Dividend

The Board is not recommending the payment of a dividend.

Outlook

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

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

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

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

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

Thomas Beergrehn
Chief Executive Officer
Date: 25 April 2019

Board of Directors

David Richard Cutler Non-Executive Chairman age 76	David Cutler joined the Group in 2013 as Non-Executive Chairman. David began his career with Deloitte in London, followed by senior financial posts at NFC, British Leyland and CompAir. David was then finance director of London listed UKO International PLC, until it was sold following a public takeover. For twelve years he was the group finance director of Emess PLC, listed in London and Frankfurt. In addition, for seven years until 1999, he was a member of the supervisory board (Aufsichtsrat) of Frankfurt listed Brilliant AG. From 1998 to 2000, David was a director of ImagoQA Ltd, the leading independent software testing consultancy, guiding the company to a successful private financial sale. David was the Finance Director of Alterian PLC from its London Stock Exchange flotation in 2000, until his retirement in March 2011. During this time the company grew thirty fold, from a small office in Bristol to a successful international marketing software business on four continents. He is currently a non-executive Chairman of Qwasi Inc., a private software company based in New York, and non-executive director of Inshowjumpers plc.
Thomas Bo Beergrehn, Chief Executive Officer, age 54	Thomas Beergrehn founded the Group and its precursor, having previously spent five years with McKinsey & Company. His expertise was in strategy under uncertainty and time to market process change, particularly in the communication/software sector. Projects included strategy and large scale change of time to market processes based on best practices from leading global companies like Microsoft, Oracle and Trilogy. Prior to working at McKinsey, Thomas was Commander of a naval patrol craft, following graduation at the top of his class at the Swedish Navy Academy. Thomas holds a PhD and an MSc in Systems Engineering from Case Western Reserve University, Cleveland USA, as well as an MSc in Engineering Physics from the University of Uppsala, Sweden (all with perfect GPAs). Thomas has been elected a member of the European Commission's eTendering Expert Group.
Fredrik Wallmark, Financial Director, age 40	In August 2017 Fredrik Wallmark joined as Chief Financial Officer and a Director of the Company. Fredrik was previously CFO of Footway Group AB, an e-commerce retailer, which he joined from AcadeMedia AB (publ), one of the largest private educational providers in Northern Europe and listed on the Nasdaq Stockholm Stock Exchange, where he was Group Business Controller. Previously, he had been Internal Program Manager at Elite Hotels of Sweden AB and a management consultant at Applied Value in Stockholm and New York. Fredrik holds an MSc of Industrial Engineering and Management and a BA in Business Administration. Fredrik assumed the Finance Director role on August 22nd 2017.

Steffen Karlsson, Non-Executive Director, age 49	Steffen joined the Group in 2014 as a Non-Executive Director. Steffen started his career at Enskilda Investment Bank in 1993, before joining McKinsey & Company in 1994. He worked as a strategic and operational consultant at McKinsey & Company for 13 years, during which time he specialised in industrials, basic materials and private equity. In 2007, he joined EastOne Llc, a leading industrial conglomerate and investment firm in Ukraine, as Director of Strategy and Head of M&A. In 2009 he then joined Papyrus AB, the leading paper merchant in Europe as Senior Vice-President, Business Development (including M&A). In February 2013 he established his own consultancy company and worked as an independent advisor/interim manager focusing on strategy and change management for various privately and private equity owned companies. As of February, 2017, he is the CEO of System Edström Bilinredningar AB, a provider of van racking solutions. He holds a degree in Corporate Finance and Marketing from Stockholm School of Economics. He speaks Swedish, English, French and Russian.

Senior Management

Henrik Dige Christensen, Country Manager Denmark, age 52	Henrik joined the Group in 2007 as Country Manager for Denmark. He is responsible for sales, marketing, implementation and training for the Group's Danish clients. His key relationships are with the public sector organisations in Denmark. Henrik has over 20 years' experience in sales management and has worked as both a strategic and operational consultant and executive within international companies including American Express Corporate Travel, Next Step Multimedia ApS and Det Forenede Dampskibs-Selskab A/S (DFDS).
Tore Bråteng, Country Manager Norway, age 55	Tore joined the Group in 2013 as Country Manager for Norway. He works for the Company part-time and is responsible for sales, marketing, implementation and training for the Group's Norwegian clients. His key relationships are with public sector organisations in Norway. Tore has over 13 years' experience in sales management within software companies focusing on purchase and pay processes and has acted as EU-Supply's sales partner in Norway since 2007. Tore has worked as both a strategic and operational manager within international companies including Visma Software and Kuehne & Nagel (Logistics).
Sid Bains, Country Manager UK & Ireland, age 56	Sid re-joined the Group in June 2015 having previously worked for EU Supply for 5 year in between 2007-2012 growing the UK business. He is responsible for sales, marketing, implementation and training for the Group's UK and Irish clients. His key relationships are with public sector organisations in UK and Ireland. Sid has over 25 years' experience in strategic selling of information technology solutions, business process consultancy and account management of large blue chip clients such as General Motors, Serco, Babcock and TRW. Sid has worked for a number of technology companies including Computer Sciences Corporation, Infobank (Izodia) and Lucas (TRW) focussing on eProcurement, B2B marketplaces, eAuctions and other technology solutions to improve business performance.

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2018.

EU Supply Plc was incorporated on 2 May 2013. The preparation of financial statements is in compliance with IFRS as adopted by the European Union. The Group financial statements consolidate the financial statements of the Company and its subsidiaries. The parent company financial statements present information about the Company as a separate entity and not about its Group.

Principal activities

EU Supply Plc is a public limited company domiciled in the United Kingdom. The EU Supply Plc Group owns and operates an e-procurement platform for e-sourcing, e-tendering and contract management, tailored for the highly regulated European public sector market and selected industries in the private sector.

Business review

A comprehensive analysis of the Group's development and performance is contained in the Chairman's Statement and Strategic Report. This analysis includes comments on the position of the Group at the end of the financial period and the key performance indicators which are monitored in relation to the achievement of the strategy of the business.

Financial risk management objectives and policies

The Group's activities expose it to some financial risks. The Group monitors these risks but does not consider it necessary to use any derivative financial instruments to hedge these risks.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest in cash assets safely and profitably.

Credit risk

Credit risk arises from exposure to outstanding receivables. Potential new large customers are assessed for credit risk before credit is given, to minimise credit exposure. See note 3 for further information.

Currency risk

The main exposure of foreign currency is to Swedish Krona where the Group has an exposure as parts of the development and support staff are based in Sweden. This exposure is partly offset by natural hedges such as carrying liquidity funds in Swedish Krona. See note 3 for further information. The Group manages its foreign exchange exposure on a net basis. No forward exchange or other such financial instruments have been used in the period.

Further information on the financial risk management strategy of the Group and of the exposure of the Group to currency risk, interest rate risk, credit risk and liquidity risk is set out in note 3 to the financial statements.

Charitable and political donations

During the year, and in the previous year, the Company did not make any charitable or political contributions (2017: £0) to an aid organisation.

Dividend

The Group's current policy is not to pay dividends. There can be no assurance as to the level of future dividends (if any) that may be paid by the Group.

The Board may revise the dividend policy appropriate to the Company's financial performance. This will take into account its ability to operate and grow and the need to retain a prudent level of cash resources. Any profits are likely to be retained and used towards the development of the Group's activities and business for the foreseeable future.

Employees

The Group's policy of providing employees with information about the Group has continued and regular meetings are held between management and employees to allow exchanges of information and ideas. The Group continues to consider ways to encourage the involvement of employees in the Group's performance.

The Group gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

Directors and directors' interests

The directors who held office during the financial year are set out below, together with their interests in the ordinary shares of the Company according to the register of directors' interests as at the year end:

Name	No. of shares		% of total issued share capital	
	At 31/12/2018	At 31/12/2017	At 31/12/2018	At 31/12/2017
David Cutler	552,477	442,447	0.8	0.7
Thomas Beergrehn*	9,229,237	8,980,903	12.9	13.3
Fredrik Wallmark	53,333	10,000	0.1	0.0
Steffen Karlsson	1,637,267	1,537,267	2.3	2.3

* Shares held in own name and by Internet Startups Holding BV, an investment company controlled by Thomas Beergrehn.

Directors' remuneration (please also see Note 6):

David Cutler	**Year ended 31 December 2018 £**	*Year ended 31 December 2017 £*
Salaries & bonus	**35,000**	35,000
Pension	**-**	-
Share based payments	**-**	-
	35,000	35,000

Thomas Beergrehn	**Year ended 31 December 2018 £**	*Year ended 31 December 2017 £*
Salaries & bonus	**142,429**	134,498
Pension	**21,582**	**21,997**
Share based payments	**-**	**-**
	164,011	**156,495**

Fredrik Wallmark	**Year ended 31 December 2018 £**	*Year ended 31 December 2017 £*
Salaries & bonus	**70,015**	36,768
Pension	**4,754**	4,651
Share based payments	**-**	-
	74,769	41,419

Steffen Karlsson	**Year ended 31 December 2018 £**	*Year ended 31 December 2017 £*
Salaries & bonus	**22,895**	24,132
Pension	**-**	-
Share based payments	**-**	-
	22,895	24,132

Andreas Kemi	**Year ended 31 December 2018**	*Year ended 31 December 2017*
	£	*£*
Salaries & bonus	**1,000**	12,000
Pension	**-**	-
Share based payments	**-**	-
	1,000	12,000

Substantial shareholdings

The Company has been advised of the following interests in more than 3% of its ordinary share capital as at 17 April 2019:

Name	No. of shares	% of total issued share capital
Thomas Beergrehn*	9,229,237	12.87
Canaccord Genuity (Hargreave Hale)	7,900,000	11.02
Adrian Friend	4,886,238	6.81
Herald Investment Management	4,700,000	6.55
River & Mercantile Asset Management	4,064,922	5.67
Thrice Capital Management	3,613,174	5.04
Foreningssparbanken AB	3,118,462	4.35
Amati Global Investors	3,011,000	4.20
Jonas Ljungstroem	3,000,000	4.18
Electronic Data Systems	2,355,455	3.28
ABN AMro Bank BV	2,300,275	3,21

* Shares held in own name and by Internet Startups Holding BV, an investment company controlled by Thomas Beergrehn.*

Research and development

The Group undertakes development activities which involve a planned investment in the building and enhancement of the CTM ™ platform. Expenditure during the year included internal staff time and cost spent on developing the CTM ™ platform. £391k was capitalised during the year (2017: £nil) and £52k (2017: nil) was amortised during the year.

Key performance indicators

The Group considers its principal KPIs that are used as indicators for business performance to be the consolidated revenues per segment (see note 4 to the financial statements), amount of revenues being of recurring or repeated nature (At 31 December 2018, approximately 70% of revenues were estimated to be of recurring or repeated nature (2017: 66%)) and the consolidated operating result for the year (see Consolidated Statement of Comprehensive Income).

Going concern

Being PBT positive (also when excluding effects from the capitalization of R&D) with a 10% growth rate, the directors believe that the Group has demonstrated even further progress in achieving its objective of positioning itself as market-leading, multilingual e-procurement platform for e-sourcing, e-tendering and contract management, tailored for the highly regulated European public sector market.

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

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

Board governance

The Board has meetings at least 8 times a year. The Board is among other things responsible for strategy, budget, performance, approvals of major capital expenditure and the framework of internal controls.

The Board recognises the importance of sound corporate governance and has adopted the Corporate Governance Guidelines for Smaller Quoted Companies published in 2018 by the Quoted Companies Alliance (the "QCA Code"). The QCA Code was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code for AIM companies.

The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

More information on the adopted QCA guidelines and how the company has addressed the ten key governance principles as defined in the QCA Code can be found on the company website.

Board committees

The Board has established an audit committee and remuneration committee, with formally delegated duties and responsibilities and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Directors' and officers' liability insurance

The Company maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries. At the date upon which this report was approved and for the year ended 31 December 2018, the company provided an indemnity in respect of all of the Group's Directors against liability in respect of actions brought by third parties, subject to the conditions set out in the Companies Act 2006.

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare Group and parent company financial statements for each financial year. As required by the AIM rules of the London Stock Exchange they are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and have elected to prepare the parent company financial statements on the same basis.

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 Company and the Group and of the profit or loss of the Company and the Group for the period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the 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 the financial statements are made available on a website. Financial statements are published on the company's website 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 company's website is the responsibility of the directors. The directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Auditor

On 1 April 2019, the company's auditor, haysmacintyre, transferred their business to Haysmacintyre LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. Accordingly, haysmacintyre ceased as auditor on that date and the directors appointed Haysmacintyre LLP as its successor. A resolution proposing that Haysmacintyre LLP be reappointed as auditor of the company will be proposed at the next Annual General Meeting.

Approved by the Board of Directors and signed behalf of the Board.

Thomas Beergrehn
Chief Executive Officer
EU Supply Plc
10 Queen Street Place
London
EC4R 1AG

Date: 25 April 2019

Independent auditor's report to the members of EU Supply Plc

Opinion
We have audited the financial statements of EU Supply Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Company Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement 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.

In our opinion, the financial statements:

• give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
• have been properly prepared in accordance with IFRSs as adopted by the European Union; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

Revenue recognition
The risk: The group's revenues come from a number of different products and services provided to its customers with the two identified business segments. The group relies on accounting systems to measure income in respect of licencing arrangements where income is recognised evenly over the contractual term of service. The group also provides bespoke service or products to customers under contract that are performed over more than one accounting period and represent long term contracts. In such cases income is recognised in accordance with an estimate of the stage of completion at the reporting date. Therefore, we have continued to identify revenue recognition as a significant risk.

In addition, the implementation of the new accounting standard IFRS 15 “Revenue from Contracts with Customers” and its impact on the recognition, measurement and presentation of the group’s income streams was identified as an additional source of risk of material misstatement.

Our response: We have undertaken a number of procedures to verify the appropriateness of revenue recognition including the following:

- Confirmation of the procedures, systems and controls surrounding revenue and its recognition.
- Substantive testing of revenue contracts in place and the invoices raised against these contracts to ensure that income has been recognised in the correct accounting period.
- Review of the supporting calculations and supporting documentation in respect of long-term contracts to ensure that revenue has been recognised in accordance with the progress of the contracts and that any accrued and deferred income balances recognised are appropriate.
- We considered management’s assessment of the application of IFRS 15 to the group’s key income streams and identification of the Business Alerts business segment revenues as being subject to change under the new accounting standard.
- We reviewed and tested the calculations of the adjustment to deferred revenue as at 1 January 2018 and the impact in the current financial year.
- We reviewed the disclosures in the financial statements to ensure that these were compliant in all material aspects with applicable IFRSs.

Capitalisation of deferred development expenditure
The risk: In the current year the group has capitalised deferred development expenditure of approximately £0.4m. In previous years such expenditure has been expensed as incurred. There is a risk that the financial statements are materially misstated due to inappropriate capitalisation of development expenditure.

Our response: We reviewed and tested management’s calculations of deferred development expenditure to ensure that it meets the criteria for capitalisation set out in IAS 38. This included testing, assessing and querying the following aspects:

- The measurement and allocation of deferred development expenditure to individual projects, including the robustness and accuracy of the supporting records.
- The appropriates and sufficiency of evidence that the intangible assets will generate future benefits.
- The reasonableness of the estimates of the useful economic life over which such expenditure will be amortised.

Recoverability of debt due to the parent company from subsidiaries
The risk: The parent company has historically financed the activities of its UK subsidiary through an inter-company account. At the year-end a balance of approximately £7.57m was owed to the parent company. As the subsidiary company has reported losses for a number of years, the directors have considered there to be sufficient indications that the debt may be impaired and in previous years have undertaken impairment reviews resulting in the recognition of a provision of approximately £3.95m in the 2017 financial statements.

As the recoverable amount of the debt is estimated on the basis of discounted future cash flows this requires the exercise of significant judgement. Whilst there is no impact on the group financial statements, due to the materiality of the balance in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.

Our response: We reviewed the calculations carried out by management, including the underlying assumptions applied in particular the income and expense forecasts, the estimated lifetime of the cash flow repayments and discount rate to consider whether the recoverable amount has been appropriately estimated. We have reviewed and consider the appropriateness of the disclosures made in the financial statements in respect of the provision.

Our 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 both in planning our audit and in evaluating the results of our work. It is not possible for auditors to examine every transaction of the audited entity nor every balance in the financial statements. Therefore, in planning our audit work, we will give particular attention to those areas of the financial statements that we consider to be the most important in terms of materiality as defined above.

We determined materiality for the group financial statements to be £100,000 based on approximately 2% revenue. This, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual balances within the financial statements and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

An overview of the scope of our audit
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs") with the objective to obtain sufficient relevant and reliable audit evidence to enable us to express an audit opinion on the consolidated financial statements.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 15, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

George Crowther (Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP, Statutory Auditor
10 Queen Street Place
London
EC4R 1AG

25 April 2019

Consolidated Statement of Comprehensive Income

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

The results above relate to continuing activities.
The notes on pages 28 to 52 form part of these financial statements.

Company Statement of Comprehensive Income

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

The results above relate to continuing activities.
The notes on pages 28 to 52 form part of these financial statements.

Consolidated Statement of Financial Position

Company Registration Number: 08513444		**31 December 2018 £**	*31 December 2017 £*
Non-current assets	**Note**		
Property, plant and equipment	11	**44,987**	*39,326*
Intangible assets	12	**338,838**	*-*
Other long term receivables		**14,758**	*14,894*
		398,583	*54,220*
Current assets			
Trade and other receivables	14	**1,807,847**	*1,154,004*
Current tax assets		**67,406**	*100,979*
Cash and cash equivalents	15	**876,269**	*650,237*
		2,751,522	*1,905,220*
Total assets		**3,150,105**	*1,959,440*
Equity			
Called up share capital	19	**71,716**	*67,716*
Share premium		**7,055,778**	*6,497,128*
Merger reserve		**2,676,055**	*2,676,055*
Other reserve		**518,109**	*521,157*
Foreign exchange reserve		**(22,453)**	*(25,080)*
Retained earnings		**(10,399,277)**	*(10,636,385)*
Total equity		**(100,072)**	*(899,409)*
Non-current liabilities			
Deferred tax liability		**33,134**	*30,104*
Borrowings	17, 18	**1,392,679**	*1,271,023*
		1,425,813	*1,301,127*
Current liabilities			
Trade and other payables	16	**1,824,364**	*1,557,722*
		1,824,364	*1,557,722*
Total equity and liabilities		**3,150,105**	*1,959,440*

The financial statements were approved by the Board and authorised for issue on 25 April 2019 and signed on its behalf by:

Thomas Beergrehn
Chief Executive Officer
The notes on pages 28 to 52 form part of these financial statements.

Company Statement of Financial Position

Company Registration Number: 08513444		**31 December 2018**	*31 December 2017*
		£	*£*
Non-current assets	**Note**		
Investment in subsidiary company	13	**-**	-
		-	-
Current assets			
Trade and other receivables	14	**5,821,473**	*3,502,253*
Cash and cash equivalents	15	**360,231**	*70,907*
		6,181,704	*3,573,160*
Total assets		**6,181,704**	*3,573,160*
Equity			
Called up share capital	19	**71,716**	*67,716*
Share premium		**7,055,778**	*6,497,128*
Merger reserve		**(35,541)**	*(35,541)*
Other reserve		**414,420**	*414,420*
Retained earnings		**(2,849,235)**	*(4,777,535)*
Total equity		**4,657,138**	*2,166,188*
Non-current liabilities			
Borrowings	17, 18	**1,392,679**	*1,271,023*
		1,392,679	*1,271,023*
Current liabilities			
Trade and other payables	16	**131,887**	*135,949*
		131,887	*135,949*
Total equity and liabilities		**6,181,704**	*3,573,160*

The financial statements were approved by the Board and authorised for issue on 25 April 2019 and signed on its behalf by:

Thomas Beergrehn
Chief Executive Officer

The notes on pages 28 to 52 form part of these financial statements.

Consolidated & Company Statements of Changes in Equity

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

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

Consolidated Statement of Cash Flows

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

Company Statement of Cash Flows

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

Notes to the consolidated financial information

General information

EU Supply plc is a public limited company incorporated in the United Kingdom under the Companies Act. The address of its registered office is given on page 1. The principal activities of the Company and its subsidiaries (the Group) are described in note 4 and 13.

1. Accounting policies

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

Basis of preparation

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

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

Going concern

Being PBT positive (also when excluding effects from the capitalization of R&D) with a 10% growth rate, the directors believe that the Group has demonstrated even further progress in achieving its objective of positioning itself as market-leading, multilingual e-procurement platform for e-sourcing, e-tendering and contract management, tailored for the highly regulated European public sector market.

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

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

New and Revised Standards

Standards in effect in 2018 adopted by the Group

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

IFRS 15 Revenue from Contracts with Customers

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

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

The impact of the application of IFRS 15 has been in respect of the period over which income is recognised in the Group's Business Alert services segment. Whereas previously income was recognised in full on a customer signing-up to the service, IFRS 15 requires that income be spread over the course of the contract. The impact on the Company's full year results for the twelve months ended 31 December 2018 has been a decrease in reported revenue (and profit) by £19k for the period, and an increase in deferred revenues by £181k. Under the cumulative effect method, the impact on previous period has been recognised as a reduction to brought forward retained earnings of £162k in the statement of changes in equity.

IFRS 9 Financial Instruments

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

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

IFRS in issue but not applied in the current financial statements

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

- IFRS 16 'Leasing', effective date 1 January 2019

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

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

Basis of consolidation

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

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

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

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

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

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

Segment reporting

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

The Group currently has two reportable segments, Business Alert services and services relating to the Group's CTM™ platform. The Group categorises all revenue from operations to these two segments other than income relating to government grants which is presented as other income.

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

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

Revenue Recognition

Revenue represents the gross amounts billed to clients in respect of revenue earned and other client recharges, net of discounts, sales taxes, accrued, and deferred amounts.
Each type of revenue is recognised on the following basis:

a) Licence fees are recognised over the period of the relevant contracts or agreements, in line with the terms of the contract;
b) Ongoing support and maintenance fees are spread over the period of the contract on a straight line basis.
c) The Business Alert service is a subscription service where revenues are recognised over the period of the relevant contracts or agreements
d) Certain other services fees are recognised in the accounting periods in which work is performed. This includes the design and creation of bespoke modules or products under contract. Where the performance obligations are performed over more than one accounting period, revenue is recognised on the basis of a proportion of total contract revenue in accordance with an estimate of the completion of the contract at the reporting date.

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

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

Taxation

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

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

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

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

Foreign currency

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

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

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

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

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

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

Property, plant and equipment

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

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

Intangible Assets

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

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment costs. Amortisation is recognised on a straight-line basis over 3 years and the expense is included in Administrative Expenses in the Income Statement.

Impairment of assets

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

Investments in subsidiaries

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

Financial assets

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

Loans and receivables

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

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

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

Cash and cash equivalents

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

Impairment of financial assets

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

Financial liabilities and equity

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

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

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

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

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

Derecognition of financial liabilities

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

Share Capital

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

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

Leases

On inception of a lease of an item of property, plant and equipment, the terms and conditions of the lease are reviewed to determine the appropriate classification for the lease. Where the Group bears substantially all the risks and rewards of ownership of the item, the lease is classified as a finance lease and the item is capitalised within the appropriate class of property, plant and equipment at the lower of the fair value of the leased item and the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to obtain a constant rate on the finance balance outstanding. The outstanding capital element of the lease payments are included within current and long-term payables as appropriate; the interest element of the lease payments is charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Provisions

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

Pensions

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

2. Critical accounting estimates and judgements

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

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

(a) Revenue recognition

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

Revenue is either recognised in the statement of comprehensive income or deferred based on a review of all live contracts at the period end. Based on the judgement of management and with reference to the stage of completion the licence fees and maintenance contracts, a determination of the appropriate revenue to recognise is made. Following this assessment, an appropriate adjustment to deferred income is made. In the current year the value of the deferred revenue is £899,116 (2017: £580,097).

(b) Capitalisation and amortisation of development costs

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

(c) Intercompany receivable impairment

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

Following the review of the carrying value of the receivable from EUS Holdings Ltd, the Board continue to consider it necessary to provide against the receivable at the balance sheet date.
The key assumptions for the impairment test are those regarding the discount rates, growth rates and expected changes to forecast profitability.

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

Future cash flows are derived from a financial forecast for an average of 6 and 7 years. The rate used to discount forecast future cash flows is 15%. The result of the impairment review is that the directors consider the current provision of £3,951,000 should be adjusted to £1,766,115 because of the strengthened position. This provision is however fully eliminated on Consolidation and has no impact on the Group's reported financial performance for the year or financial position at the balance sheet date.

3 (a). Financial instruments – Risk management

General objectives, policies and processes

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

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

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

Principal financial instruments

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

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

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

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

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

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

Financial Liabilities

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

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

Cash and cash equivalents

Cash and cash equivalents comprise balances on bank accounts, cash in transit and cash floats held in the business.

Finance charges are accounted for on an accruals basis and charged to the statement of comprehensive income when payable.

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

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. At 31 December 2018 the Group has net trade receivables of £697,327 (2017: £651,859).

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

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

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

Liquidity risk

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

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

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

Foreign exchange risk

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

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

As at 31 December 2018, the Group's net exposure to foreign exchange risk was as follows:

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

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

3 (b). Capital risk management

The Group's capital is made up of share capital, share premium, merger reserve, foreign currency reserve, other reserve and retained losses totalling £-163,301 at 31 December 2018 (2017: £-899,409).

The Group's objectives when maintaining capital are:

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

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

4. Segmental analysis

The Group currently has two reportable segments, Business Alert services and services relating to the Group's CTM™ platform. The Group categorises all revenue from operations to these two segments. The Group currently does not allocate costs on a segment basis and is therefore unable to report segment profit and loss. Furthermore, the Group does not allocate assets on a segment basis and is therefore unable to report total assets per segment.

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

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

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

All revenues in the Company of £265,703 (2017: £227,315) for the year ended 31 December 2018 arises from services relating to the CTM™ platform.

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

	Revenue		**Non- current assets**	
	Year ended 31 December 2018 £	*Year ended 31 December 2017 £*	**Year ended 31 December 2018 £**	*Year ended 31 December 2017 £*
UK	930,614	*858,085*	-	-
European Union	2,740,639	*2,614,776*	398,583	*54,220*
Rest of World	1,467,188	*1,206,566*	-	-
Total	**5,138,441**	*4,679,427*	**398,583**	*54,220*

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

5. Operating Profit

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

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

6. Staff Costs

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

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

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

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

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

The number of Directors accruing benefits under the defined contribution pension scheme were 2 (2017: 3). During the year there was no key management compensation other than the Directors remuneration shown above with the exception of Consultancy fees as outlined in note 21.

Information regarding the highest paid director is as follows:

	Year ended 31 December 2018	*Year ended 31 December 2017*
	£	*£*
Directors' remuneration		
Salaries & bonus	142,429	*134,498*
Pension	21,582	*21,997*
	164,011	*156,495*

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

7. Operating Leases

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

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

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

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

8. Finance income and expenses

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

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

9. Income tax

Current tax

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

Factors affecting the tax credit

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

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

Deferred tax

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

10. Profit/(Loss) per share

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

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

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

11. Property, plant and equipment

2017	Office equipment & other equipment £
Cost	
At 1 January 2017	**329,199**
Additions	**14,108**
At 31 December 2017	**343,307**
Accumulated depreciation	
At 1 January 2017	**279,074**
Charge for the year	**24,907**
At 31 December 2017	**303,981**
As at 31 December 2017	**39,326**
As at 31 December 2016	**50,125**

2018	Office equipment & other equipment £
Cost	
At 1 January 2018	**343,307**
Additions	**29,359**
At 31 December 2018	**372,666**
Accumulated depreciation	
At 1 January 2018	**303,981**
Charge for the year	**23,698**
At 31 December 2018	**327,679**
As at 31 December 2018	**44,987**
As at 31 December 2017	**39,326**

12. Intangible assets

2017	CTM Platform £
Cost	
At 1 January 2017	**765,485**
Additions	**-**
At 31 December 2017	**765,485**
Accumulated depreciation	
At 1 January 2017	**765,485**
Charge for the year	**-**
At 31 December 2017	**765,485**
As at 31 December 2017	**-**
As at 31 December 2016	-

2018	CTM Platform £
Cost	
At 1 January 2018	**765,485**
Additions	**390,926**
At 31 December 2018	**1,156,411**
Accumulated depreciation	
At 1 January 2018	**765,485**
Charge for the year	**52,088**
At 31 December 2018	**817,573**
As at 31 December 2018	**338,838**
As at 31 December 2017	-

13. Investments in subsidiaries

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

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

* is owned 100% via EUS Holdings Limited.

14. Trade and other receivables

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

As at 31 December 2018 trade receivables of £27,355 (2017: £11,932) were past due over 3 months but not impaired.

All amounts shown under receivables are due within 1 year.

The provision for impairment relates to intercompany receivables due for the Company's wholly owned subsidiary EUS Holdings Limited. The provision for impairment has been estimated in accordance with IFRS 9 and the key assumptions disclosed in Note 2(c).

15. Cash and cash equivalents

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

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

16. Trade and other payables

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

17. Borrowings

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

The Group's borrowing consists of convertible loan notes of which are secured by way of a fixed and floating charge over the assets of parent company and EUS Holdings Limited and a licence of the software conditional upon the charge being enforced.

18. Convertible Loan Notes

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

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

(a) on demand, following certain events of default;
(b) automatically, upon the sale of the company and/or its subsidiary or their respective undertakings;

(c) 60 months following issue of the first tranche of convertible loan notes; or
(d) at any time after 30 months from the drawdown of the first tranche of convertible loan notes at the election of the company.

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

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

The company has the right to serve a notice on all noteholders to convert all or part of the notes in multiples of £20,000 where the volume weighted average mid-market price of the ordinary shares is greater than 70% above the conversion Price for the prevailing 5 dealing days prior to the day before the notice to convert is served at the conversion Price. Once notice to convert has been served, noteholders may not choose to redeem. This call option is a derivative however as the repayment price is equal to the amortised cost of the debt instrument this is, in accordance with IAS 39, considered to be closely related to the loan notes and therefore not separately recognised.

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

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

	2018	**2017**
	£	**£**
Face value of convertible loan notes issued	1,649,000	1,649,000
Less: Liability component at date of issue	(1,192,818)	(1,192,818)
Less: Finance costs allocated to equity	(41,762)	(41,762)
Equity component	**414,420**	**414,420**
Net liability component at the beginning of the year	1,271,023	1,172,080
Interest charge in period	286,556	263,843
Interest paid in period	(164,900)	(164,900)
Liability component at end of period included in borrowings (Note 17)	**1,392,679**	**1,271,023**

19. Share capital

Share capital allotted and fully paid up

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

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

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

20. Share based payments

Adviser warrants

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

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

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

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

No Advisor warrants were exercised during 2017 or 2018 and were elapsed unexercised.

Other warrants

In 2013 Internet Startups Holding BV was granted a warrant to subscribe for up to 2,883,275 ordinary shares of £0.01 each at a price of 22.6p at any time during the period starting on 13 November 2013 and ending on the fifth anniversary of that date. None of these warrants were exercised during 2017 or 2018 were elapsed unexercised.

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

21. Related party transactions

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

	Year ended 31 December 2018	*Year ended 31 December 2017*
	£	*£*
Consultancy fees *	**1,083**	*12,996*
	1,083	*12,996*

* The consultancy fees 2018 and 2017 were paid to CHB Partners GmbH, an entity in which Andreas Kemi, a director of the company, has an interest.

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

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

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

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

22. Company related party balances

The balance of EU Supply PLC debt due to EUS Holdings Ltd as of 31 December 2018 was £872 (2017: £872).

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

23. Control

The board consider that there is no ultimate controlling party.

24. Post balance sheet events

None.