RNS Number : 1509M
appScatter Group PLC
12 September 2019

12 September 2019

appScatter Group plc

("appScatter", the "Company" and together with its subsidiaries the "Group")

Unaudited interim results for six months ended 30 June 2019

appScatter Group plc (AIM: APPS), the intelligent app management platform, is pleased to report its unaudited interim results for the six months ended 30 June 2019.

Highlights

- Revenue for the period of £710,926 for the six months ended June 2019 compared to £951,345 for the twelve months to December 2018.
- The reported revenue for the first six months of 2018 included accrued revenue of £576,573 of which only £38,000 was ultimately recognised in the full year accounts the adjusted revenue figure for the first six months of 2018 would have been £365,596.
- Operating cash outflow from operations of £1,311,023 compared to £2,050,966 for the first six months of 2018.
- Continued integration of the Priori Data and Abilott businesses acquired during 2018.

Post-period highlights

- Partnership with Bango plc, through this partnership appScatter will offer Bango Marketplace to its app customer base with appScatter developers benefitting from an exclusive offer on high value audiences of users.
- Partnership with Interarrows Inc. a Tokyo based on-demand internet consulting service, to expand the Priori Data brand into the Asian market.
- Admission document for the reverse acquisition of Airpush Inc ("Airpush"). expected to be posted in due course.
- Entered into a €5 million loan facility with Harbert European Speciality Lending.

Philip Marcella, appScatter CEO, commented:

"The kes focus areas for the period under review has been the continued integration of Priori Date and Abilott, as well as the process of the reverse acquisition of AirPush. Post period end, we are delighted to have been able to announce additional commerical agreements with Bango and Interarrows, illustrating the strength of the appScatter offering and dedication of the leadership team we have in place.

"The integration process has taken longer than expected and with the focus of the management directed at the proposed aquisition of Airpush, short term revenue growth has been affected. We are encouraged however, that once the integration processes have been completed for Priori, Abilott and AirPush, we will return to stronger levels of revenue growth."

For enquiries, please contact:

appScatter Group plc Philip Marcella, Chief Executive Officer	Tel: +44 (0)20 8004 7212 www.appscatter.com
finnCap Limited *Nominated Adviser and Broker* Jonny Franklin-Adams / Hannah Boros/ Edward Whiley Corporate Broking- Alice Lane	Tel: +44 (0)20 7220 0500 www.finncap.com
IFC Advisory *Financial PR and IR* Graham Herring / Heather Armstrong / Florence Chandler	Tel: +44 (0) 20 3934 6630 https://www.investor-focus.co.uk/

About appScatter Group plc

appScatter is a scalable B2B SaaS platform that allows paying users to distribute their apps to, and manage their apps on, multiple app stores. Additionally, the centralised platform enables app developers and publishers to manage and track performance of their own and competing apps across all of the app stores on the platform.

*****

Chairman's statement

Introduction

The release of our interim results for the six months ended 30 June 2019, comes soon after the delayed release of the results for the year ended 31 December 2018. We are in the latter stages of due diligence with regard to the proposed acquisition of Airpush) (the "Proposed Acquisition") which will be considered by shareholders at a General Meeting to be convened.

Suspension in the trading of the Company's shares

Under the AIM Rules the Company's shares were suspended from trading on 9 April 2019, the day of the announcement of the Proposed Acquisition. We are working to publish an Admission Document on the combined Group and once published we would expect a resumption in the trading of the Company's shares on AIM.

Financial performance

The decisions to hold back the commercial launch of the appScatter platform has inevitably resulted in a financial performance for the six months ended 30 June 2019 lower than originally expected.

The revenue for the first six months of 2018 included accrued revenue of £576,573. This related to work carried out for corporate customers where invoicing was anticipated to occur after the reporting date. Only £38,000 of this work had been invoiced as at 31 December 2018 and given timing uncertainties under when the balance will be invoiced the accrued revenue was not recognised for the twelve months to 31 December 2019. On a consistent basis the comparable revenue figure for the first six months of 2018 would be £365,596.

The loss for the six months to June 2019 includes £2.1m which relates to the amortisation of intangible assets; the majority of which were acquired in the Priori Data acquisition.

A summary of the adjusted results is shown in the table below.

	6 months to	6 months to	12 months to

	30 June 2019	30 June 2018	31 December 2018
	£	**£**	**£**
Revenue (adjusted)	710,926	365,596	951,345
Cost of sales (excluding amortisation)	(449,539)	(107,506)	(304,069)
Gross margin	**261,387**	**258,090**	**647,276**
Administrative expenses	(3,271,672)	(3,781,317)	(8,489,455)
EBITDA	**(3,010,285)**	**(3,523,227)**	**(7,842,179)**

Events during the period under review

The first six months of 2019 were devoted to integrating the acquisitions of Priori Data and Abilott, both made in 2018, together with the preparations for the Proposed Acquisition, which under the AIM Rules, because of its size relative to the size of appScatter, constitutes a reverse takeover.

Priori Data

Work to integrate Priori Data and appScatter is now complete.

The Board is pleased with the way Priori Data is trading and looks forward to a significant pick up in business following completion of the Proposed Acquisition.

Abilott

As announced at the time of its acquisition, Abilott has long been the security partner of choice for the appScatter business and as such needed less integration.

Airpush

As announced on 9 September 2019, we are working towards completing the acquisition of 100 per cent of Airpush.

Airpush, is a technology company specialising in app monetisation which was founded in 2011 and is registered in Delaware, USA. It has 102 employees and consultants located across the US, China and Europe. It operates in four principal business areas: app monetisation using artificial intelligence, data sales, security and e-commerce. Airpush is a well-established business with contracts with multiple OEMs using it's over the air technology, reaching 250 million mobile devices, increasing by 500K new devices each month.

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

If completed, the Proposed Acquisition will expand the Company's product suite by adding AI-powered targeted revenue generating services on mobile platforms; e-commerce revenue share partnerships; and an improved security portfolio with detection and monetisation of pirated installs. The acquisition will provide the enlarged Group the opportunity to sell its wider product suite to its combined 1.3 million registered developers and publishers, whilst increasing revenue and profit margins.

The Proposed Acquisition will also enable the Group to improve the quality and range of data currently utilised. New data sources will include app data from 250 million devices, complementing the current 11 million apps tracked daily and audience data from 3.4 billion devices.

Airpush employees are based globally, adding greater capacity, more scale and a wider geographical reach to the Company's existing teams. The combination of the two businesses offers significant operational efficiencies in IT hosting, software development and marketing.

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

Further details of the Airpush business will be set out in detail in the forthcoming Admission Document.

Platform development

The marketing of the appScatter platform took a back seat during the period under review, with the platform being enhanced to work with the Priori Data systems.

The development work to fully integrate Priori Data with the appScatter platform has been completed. We are now further enhancing the capabilities of the platform to accommodate the Airpush systems, in anticipation of shareholders approving the Proposed Acquisition at the forthcoming General Meeting.

We do not intend to fully relaunch the further enhanced platform until the integration and development work regarding the Airpush business is complete.

Post Period End

Bango

On 2 July 2019, the Board was pleased to announce that it has signed an agreement with Bango PLC, the mobile commerce company, to grow in-app revenues for appScatter's customers through Bango Marketplace.

The Bango Marketplace provides app developers with a unique way of targeting the small percentage of users that are proven to make in-app purchases, which generates the majority of revenues for app developers. App developers who have used these audiences for user acquisition campaigns have more than doubled in-app revenues.

Through this partnership, appScatter will offer Bango Marketplace to its app developer customer base, with appScatter developers benefitting from an exclusive offer on high value audiences of pay-proven users.

Japanese base

Similarly, on 8 July 2019, the Board was pleased to announce that it has signed a Joint Venture ("JV") Agreement with interarrows Inc., ("interarrows"), the Tokyo based on-demand internet consulting service, to help expand its Priori Data brand into the Asian market.

Interarrows offers innovative, on-demand internet consulting services to their clients through its tracking and assessment of technology trends throughout the global IT industry. The firm has a number of significant clients that include Salesforce, Indeed and Yahoo Japan.

The JV will initially base the Priori Data offering and platform in Japan. Both parties recognise the importance of the Japanese app market, one of the largest in the world, estimated to be worth US$13.7 billion in 2017, becoming the third largest, behind China and the US, with forecasts for it to grow to US$20.9 billion by 2022.

Funding

The lower than anticipated income from trading as we pursue the completion of the Proposed Acquisition which has taken longer than anticipated has created the need for additional funding for working capital purposes.

In 2019 to date, and further to the announcement on the 9 April 2019, £1.6 million has been raised in new equity at an average price of 26.8p per share.

On 11 September 2019, the Company entered into a €5 million loan facility via Harbert under which €750,000 has to date been drawn.

This facility has been put in place principally to assist with the funding of the Company's immediate working capital requirements and some of the costs associated with the Proposed Acquisition.

In anticipation of investor interest and the funds provided under the Harbert facility the Directors continue to adopt the going concern approach to the presentation of the Company's financial results. However, in the event of a significant delay or that sufficient funding from new investors were not available before the date set for the publication of the Admission Document, then the Company would need to make alternative financial arrangements for the continued use of the going concern approach to remain valid.

Future plans

The Company's immediate objective is the completion of the Proposed Acquisition and the commercial launch of the enhanced appScatter platform.

Outlook

The need for an end-to-end SaaS platform for the management and monetisation of mobile apps that meets the needs of app owners, developers and publishers is as great as it ever was and the combination with Airpush together with the required funding is intended to allow the Enlarged Group to meet this demand.

Clive Carver

Non-executive Chairman

11 September 2019

Consolidated income statement

For the six months ended 30 June 2019

	Unaudited 6 months to 30 Jun 2019	**Unaudited 6 months to 30 Jun 2018**	**Audited 12 months to 31 Dec 2018**
Revenue	710,926	904,169	951,345
Cost of sales - amortisation	(2,108,951)	(432,628)	(2,286,286)
Cost of sales - other	(449,539)	(107,506)	(304,069)
Gross (loss) / profit	**(1,847,564)**	**364,035**	**(1,639,010)**
Administrative expenses	(3,235,414)	(3,753,359)	(8,484,156)
Operating loss	**(5,082,978)**	**(3,389,324)**	**(10,123,166)**
Exceptional items - transaction costs	-	-	(882,445)
Finance income	-	82	118
Finance costs	(36,258)	(28,040)	(5,417)
Loss before taxation	**(5,119,236)**	**(3,417,282)**	**(11,010,910)**
Taxation	-	-	520,395
Loss for the period	**(5,119,236)**	**(3,417,282)**	**(10,490,515)**
Other comprehensive income			
Exchange gains / (losses) arising on the translation of foreign subsidiaries	(12,800)	(9,615)	26,661
Total comprehensive loss for the period attributable to the owners - continuing and total operations	**(5,132,036)**	**(3,426,897)**	**(10,463,854)**
Loss per share - basic & diluted	(0.06)	(0.05)	(0.25)

Consolidated Statement of Financial Position
At 30 June 2019

	Note	**Unaudited 30 Jun 2019**	**Unaudited 30 Jun 2018**	**Audited 31 Dec 2018**
Non-current assets				
Intangible assets	3	9,226,260	1,942,115	10,822,443
Goodwill		2,105,179	-	2,105,179
Total non-current assets		**11,331,439**	**1,942,115**	**12,927,622**
Current assets				
Trade & other receivables	4	1,301,213	5,358,444	1,397,645
Cash & cash equivalents		-	2,626,229	83,402
Total current assets		**1,301,213**	**7,984,673**	**1,481,047**
Total assets		**12,632,652**	**9,926,788**	**14,408,669**
Share capital		4,550,808	3,378,523	4,550,808
Share premium		11,832,991	8,951,166	11,832,991
Share option reserve		1,318,298	793,590	1,068,222
Merger reserve		26,693,792	18,494,869	26,693,792
Reverse acquisition reserve		(4,422,859)	(4,422,859)	(4,422,859)
Foreign exchange reserve		(64,966)	(69,212)	(52,166)
Retained earnings		(32,780,219)	(20,587,750)	(27,660,983)
Total equity		**7,127,845**	**6,538,327**	**12,009,805**
Current liabilities				
Trade & other payables	5	5,025,978	3,388,460	2,217,579
Bank overdraft		19,321	-	-
Loans & borrowings - current		348,907	-	61,800
Total current liabilities		**5,394,206**	**3,388,460**	**2,279,379**
Non-current liabilities				
Loans & borrowings - non-current		110,601	-	119,485

Total non-current liabilities	**110,601**	**-**	**119,485**
Total liabilities	**5,504,807**	**3,388,460**	**2,398,864**
Total equity & liabilities	**12,632,652**	**9,926,787**	**14,408,669**

Consolidated Statement of Changes in Equity
At 30 June 2019

	Share Capital	Share Premium	Share Option Reserve	Merger Reserve	Reverse acquisition reserve	Foreign exchange reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£
At 1 January 2018	**3,158,907**	**6,672,740**	**528,876**	**18,494,869**	**(4,422,859)**	**(78,827)**	**(17,170,468)**	**7,183,238**
Loss for the period	-	-	-	-	-	-	(3,417,282)	**(3,417,282)**
Other comprehensive income								
FX Gains / (Losses)	-	-	-	-	-	9,615	-	**9,615**
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**9,615**	**(3,417,282)**	**(3,407,667)**
Issue of share capital for cash	219,616	2,855,008	-	-	-	-	-	**3,074,624**
Expenses associated with Placing	-	(576,582)	-	-	-	-	-	**(576,582)**
Share options issued	-	-	264,715	-	-	-	-	**264,715**
At 30 June 2018	**3,378,523**	**8,951,166**	**793,591**	**18,494,869**	**(4,422,859)**	**(69,212)**	**(20,587,750)**	**6,538,328**
Loss for the period	-	-	-	-	-	-	(7,073,233)	**(7,073,233)**
Other comprehensive income								
FX Gains / (Losses)	-	-	-	-	-	17,046	-	**17,046**
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**17,046**	**(7,073,233)**	**(7,056,187)**
Issue of share capital for cash	256,550	3,335,154	-	-	-	-	-	**3,591,704**
Expenses associated with Placing	-	(453,329)	-	-	-	-	-	**(453,329)**
Acquisition of Priori Data GmbH	832,402	-	-	7,957,256	-	-	-	**8,789,658**
Acquisition of Abilott	83,333	-	-	241,667	-	-	-	**325,000**
Share options issued	-	-	274,631	-	-	-	-	**274,631**
At 31 December 2018	**4,550,808**	**11,832,991**	**1,068,222**	**26,693,792**	**(4,422,859)**	**(52,166)**	**(27,660,983)**	**12,009,805**
Loss for the period	-	-	-	-	-	-	(5,119,236)	**(5,119,236)**
Other comprehensive income								
FX Gains / (Losses)	-	-	-	-	-	(12,800)	-	**(12,800)**
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(12,800)**	**(5,119,236)**	**(5,132,036)**
Share options issued	-	-	250,076	-	-	-	-	**250,076**
At 30 June 2019	**4,550,808**	**11,832,991**	**1,318,298**	**26,693,792**	**(4,422,859)**	**(64,966)**	**(32,780,219)**	**7,127,845**

Consolidated Statement of Cash flows

For the six months ended 30 June 2019

	Unaudited 6 months to 30 Jun 2019	Unaudited 6 months to 30 Jun 2018	Audited 12 months to 31 Dec 2018
Cash flows from operating activities			
Operating loss before taxation	(5,119,236)	(3,417,282)	(11,010,910)
Adjustments for:			
Finance costs	36,258	28,040	5,417
Finance income	-	-	(118)
Amortisation	2,108,951	432,628	2,282,286
Share based payments charge	250,076	264,714	539,346
Tax Credit	-	-	600,395

Exchange differences	(13,493)	10,536	9,983
Operating loss before working capital changes	**(2,737,444)**	**(2,681,364)**	**(7,573,601)**
Changes in working capital			
Decrease / (increase) in trade & other receivables	96,432	(293,601)	2,121,902
(Decrease) in trade & other payables	1,329,989	923,999	(731,645)
Net cash used in operations	**(1,311,023)**	**(2,050,966)**	**(6,183,344)**
Investing activities			
Capitalised R&D Costs	-	(931,315)	(1,037,350)
Interest received	-	-	118
Funds placed on deposit for the Priori transaction	-	(1,829,774)	-
Acquisition of business (net of cash)	-	-	(2,108,137)
Net cash flows used in investing activities	**-**	**(2,761,089)**	**(3,145,369)**
Financing activities			
Finance costs	(36,258)	-	(5,411)
Borrowings	278,223	-	-
Cash received on shares to be issued	1,478,410	1,159,134	-
Issue of ordinary shares (net of expenses)	-	2,498,042	5,636,417
Net cash flows from financing activities	**1,720,375**	**3,657,176**	**5,631,006**
Net change in cash and cash equivalents	**(102,723)**	**(1,154,879)**	**(3,697,707)**
Cash and cash equivalents at the beginning of the period	83,402	3,781,109	3,781,109
Cash and cash equivalents at the end of the period	**(19,321)**	**2,626,230**	**83,402**

Notes to the consolidated interim financial statements

1. Accounting policies

1.1. Reporting entity

appScatter Group plc is a public limited company incorporated and domiciled in England and Wales and quoted on AIM. The registered office of the Company is Salisbury House, London Wall, London, England, EC2M 5PS. The registered company number is 10706264.

The Directors of appScatter Group plc are responsible for the financial information.

1.2. Basis of preparation

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

The financial information has been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), as adopted by the European Union. The interim financial statements for the six months ended 30 June 2019 and 30 June 2018 and for the twelve months ended 31 December 2018 do not constitute statutory accounts for the purposes of Section 434 of the Companies Act 2006. The Annual Report and Financial Statements for the year ended 31 December 2018 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 December 2018 was qualified and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006. The 30 June 2019 statements were approved by the Board of Directors on 11 September 2019. The interim financial statements has not been audited or reviewed by auditors pursuant to the Financial Reporting Council guidance on Review of Interim Financial Information. The interim financial information has been prepared using the accounting policies which will be applied in the Group's statutory financial statements for the year ended 31 December 2019 and were applied in the Group's statutory financial statements for the year ended 31 December 2018.

The presentation currency of the financial information is Pound Sterling (£) rounded to the nearest pound. The Company, and appScatter Limited's functional currency is Pound Sterling (£). The functional currency for the Company's US registered subsidiaries are US$ and the functional currency of Priori Data GmbH is Euro.

1.3. Composition of the Group

appScatter Group PLC was incorporated on 3 April 2017. The Company acquired the share capital of the trading entity, appScatter Limited, on 21 August 2017.

The Company's subsidiaries are:

- appScatter Limited registered in England and Wales with the registration number 09786498
- appScatter LLC registered in Delaware with the federal ID number 46-3445738
- DSH Labs LLC registered in Delaware with the federal ID number 46-3918193
- Priori Data GmbH German limited liability company (Gesellschaft mit beschränkter Haftung, GmbH) incorporated in Berlin under no. HRB 150508 B
- Abilott Limited registered in England and Wales with the registration number 6203799

1.4. Going concern

The consolidated entity has incurred a loss after tax of £5,119,236 for the period (2018: £3,417,282) and had a net cash outflow from operations of £1,311,023 (2018: £2,050,966).

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

Under the Company's forecasts, based on the Group as currently constituted, the funds raised do not provide sufficient funding for at least the next twelve months based on anticipated outgoings and the receipt of revenues from production. In the event of the completed Proposed Acquisition of Airpush the Directors expect the combined Group would on the basis of forecast prepared have sufficient funding for at least the next twelve months, based on anticipated outgoings and revenues. In the event the proposed reverse takeover with Airpush does not complete, or completes later than currently expected, the Group as currently constituted, would require additional funding. The extent of the additional funding required could to some extent be mitigated by management action to reduce costs, but this alone would not bridge any funding gap.
While there is no guarantee that future funding will be available, based on the response from potential investors already seen and the support of the Harbert Facility the Directors continue believe that such funding, if required, would be obtained through debt or equity to enable the company to trade and meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and consequently the financial statements have been prepared on a going concern basis and do not include the adjustments that would result if the Group was unable to continue as a going concern.

1.5. Basis of consolidation

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

1.6. Business combinations

Acquisition of Priori Data GmbH by appScatter Group plc

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

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

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

Acquisition of Abilott Limited by appScatter Group plc

On 17 December 2018 appScatter Group plc acquired 100% of the issued share capital of Abilott Limited. Further detail on the acquisition is included in the Strategic Report and CEO Statement. Initial consideration was £0.825 million, consisting of £0.5 million in cash (of which £0.2m was on completion and £0.3m was deferred) and £0.325 million in shares by way of the issue of 1,666,666 new ordinary shares at an effective issue price of 19.5 pence. Directors loans not repayable of £245,000 were deducted from the net asset value on acquisition.
For several years Abilott was our security partner of choice. In particular, Abilott had been working closely with appScatter for the previous two years providing security and regulatory compliance for the Group and supporting appScatter threat analysis products for appScatter customers.
The maximum consideration is £1.85 million, comprising £0.825 million of initial consideration and £1 million deferred consideration.

Initial consideration consisted of:

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

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

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

Acquisition of appScatter LLC by appScatter Limited

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

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

The fair value of the consideration transferred is calculated using the number of appScatter's shares that would have been issued to the owners of appScatter Limited on the acquisition date to give them an equivalent ownership interest in appScatter as it has in the combined company at the share price of the Company at the acquisition date. The fair value of each share of the Company is deemed to have been issued by appScatter is based on the fair value of the share price of appScatter Limited at the time of the acquisition, which was the market price third party investors were subscribing for new shares at shortly before the transaction.
Although the consolidated financial information has been issued in the name of the Company, the legal parent, it represents in substance continuation of the financial information of appScatter LLC and DSH LLC, its subsidiary ("appScatter subgroup").
The assets and liabilities of appScatter subgroup are recognised and measured in the Group financial statements at the pre-combination carrying amounts and not re-stated at fair value.

Acquisition of appScatter Limited by appScatter Group plc **On 21 August 2017 appScatter Limited was acquired by appScatter Group PLC. The entire issued share capital of appScatter Limited was acquired for a consideration of £32,065,792 and this was satisfied by the issue of 49,331,988 shares in appScatter Group PLC in a share for share exchange.**
The board have treated the acquisition as a group reconstruction under FRS 102. IFRS does not contain requirements for accounting for common control transactions and an accounting policy for accounting for the transaction therefore needs to be formulated based on other available guidance. Management has chosen to use FRS102 as a reference. appScatter Group PLC was incorporated a short time before the combination with an identical ownership structure to appScatter Limited with the sole purpose of completing the acquisition of appScatter Limited to facilitate the initial public offering and listing on AIM.
Group reconstructions can be accounted for using merger accounting where the use of merger accounting is not prohibited by law, where the ultimate equity holders remain the same and no non-controlling interest is altered by the transaction. The combination of appScatter Group plc and appScatter Limited meets all three of these criteria.
The carrying values of assets and liabilities are not adjusted to fair value and the difference between the nominal value of the shares issued and the nominal value of the shares received has been transferred to the merger reserve and is shown in the statement of changes in equity.
The results and cash flows of all the combining entities have been brought into the financial statements of the combined entity from the beginning of the financial year in which the combination occurred, adjusted so as to achieve uniformity of accounting policies. The comparative information did not need to be restated as appScatter Group plc was incorporated during 2017 and thus figures reported in the Admission document represent the Group in 2016.

1.7. Foreign Currency

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

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

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

1.8. Consolidation of foreign entities

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

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

1.9. Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group sells licences to use its software products either on a rental basis for a fixed period of time. Revenue from licenses sold on a rental or subscription basis is recognised over the period for which the Group has obligations under the contract. The Group also carries out non-recurring work under contracts or statements of work.

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

a) Identify the contract or statement of works with the customer
b) Identify the performance obligations

c) Determine the transaction price
d) Allocate the transaction price to performance obligations
e) Recognise revenue when an entity satisfies a performance obligation

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

Annual contracts for services are recognised on a monthly basis. Where advanced payments are made, these amounts are transferred to deferred revenue and recognised over the length of the contract. Contracts for non-recurring services are invoiced and recognised when the performance obligations in a contract or statement of work have been completed. This has not impacted the way in which revenue has been accounted for and the comparatives have not changed.

1.10. Intangible assets

Acquired IP

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

Developed IP

Research expenditure is recognised in income statement in the period in which it is incurred. Internal development expenditure is capitalised only if it meets the recognition criteria of IAS 38 'Intangible Assets'. Where the criteria are not met, the expenditure is expensed to income statement. £1.0m has met recognition criteria and been capitalised in 2019 (2018: £0.9m). This expenditure is being amortised over an expected useful economic life of three years.

Acquired Data

The accumulated data records in Priori Data GmbH were assigned a fair value of £6.6m on completion of the transaction in July 2018. The accumulated data records have a long-term value as they are used to create extrapolations. The useful economic life of the data has been assessed at five years.

Impairment

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

2. Loss per share

	6 months to 30 June 2019	6 months to 30 June 2018	12 months to 31 December 2018
Loss for the year and earnings used in basic & diluted EPS	(5,119,236)	(3,417,282)	(10,490,515)
Weighted average number of shares	91,016,157	63,251,347	42,740,711
Loss per share £	(0.06)	(0.05)	(0.25)
Weighted number of fully diluted shares	96,251,976	67,083,429	47,176,943
Loss per share £	(0.06)	(0.05)	(0.25)

3. Intangible assets

	Acquired IP	Developed IP	Acquired data	Total
Cost	**£**	**£**	**£**	**£**
At 1 January 2018	891,373	1,282,178	-	2,173,551
Additions	-	926,433	-	926,433
Exchange adjustment	(567)	-	-	(567)
At 30 June 2018	**890,806**	**2,208,611**	**-**	**3,099,417**
Additions	4,020,000	110,917	6,581,662	**10,712,579**
Exchange adjustment	34,137	-	-	**34,137**
At 31 December 2018	**4,944,943**	**2,319,528**	**6,581,662**	**13,846,133**
Additions	-	512,075	-	**512,075**
Exchange adjustment	3,367	-	-	**3,367**
At 30 June 2019	**4,948,310**	**2,831,603**	**6,581,662**	**14,361,575**
Amortisation	**£**	**£**	**£**	**£**
At 1 January 2018	**301,810**	**427,392**	**-**	**729,202**
Charge for the period	147,601	285,027	-	432,628
Exchange adjustment	(4,528)	-	-	(4,528)
At 30 June 2018	**444,883**	**712,419**	**-**	**1,157,302**
Charge for the period	825,015	366,476	658,166	1,849,657
Exchange adjustment	16,731	-	-	16,731
At 31 December 2018	**1,286,629**	**1,078,895**	**658,166**	**3,023,690**
Charge for the period	1,073,185	377,600	658,166	2,108,951
Exchange adjustment	2,674	-	-	2,674
At 30 June 2019	**2,362,488**	**1,456,495**	**1,316,332**	**5,135,315**
Carrying value				
At 30 June 2019	2,585,822	1,375,108	5,265,330	9,226,260
At 31 December 2018	3,658,314	1,240,633	5,923,496	10,822,443
At 30 June 2018	445,923	1,496,192	-	1,942,115

4. Trade & other receivables

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Trade receivables	538,063	1,157,902	631,615
Prepayments	80,172	169,437	110,290
Other receivables	499,618	1,097,045	519,617
Accrued income	16,415	576,573	-
Shares issued for prepaid services	-	454,209	-
Amount placed on escrow for acquisition	-	1,829,774	-
Loans due from related parties	166,945	73,504	136,123
	1,301,213	**5,358,444**	**1,397,645**

5. Trade & other payables

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Trade payables	2,097,881	1,967,637	1,233,183

Amounts received on shares to be issued	1,478,410	1,159,134	-
Social security & other taxes	377,960	68,227	272,817
Accruals & deferred income	596,598	90,437	391,496
Other payables	475,129	103,025	320,083
	5,025,978	**3,388,460**	**2,217,579**

6. Events after the reporting date

On 2 July 2019 the Company announced that it had entered into a partnership with Bango plc, through this partnership appScatter will offer Bango Marketplace to its app customer base with appScatter developers benefitting from an exclusive offer on high value audiences of users.

On 8 July 2019 the Company announced that it had entered into a partnership with Interarrows Inc. a Tokyo based on-demand internet consulting service, to expand the Priori Data brand into the Asian market.

On 12 September 2019 the Company announced that it had entered into a €5 million loan facility with Harbert European Speciality Lending to be used for the completion of the proposed acquisition of Airpush Inc as announced on 9 April 2019 and to assist with the funding of the day to day running of the business. The facility will be drawn in tranches, the first advance of €750,000 will be drawn in the coming days. The second advance of €750,000 is expected to be drawn following shareholder approval of the proposed transaction of Airpush Inc. Two subsequent advances of €1 million each and up to three further advances of at least €500,000 shall be available until 31 August 2020. The Company will pay an interest rate of 11 per cent. per annum of the funds drawn down at any one time. The first and second advances will be repaid in thirty-six equal monthly instalments commencing three months after the first draw down. Subsequent and further advances will be repaid in thirty equal instalments. Under the terms of the facility the Company will issue warrants to Harbert on draw down of the first advance equal to £208,333 plus 5.3% of the second and any subsequent advances actually drawn under the loan agreement to a maximum aggregate amount of £208,333. The strike price for the warrants will be the lower of the price that the Company's shares traded at immediately prior to suspension (being 17.25 pence) and the average price per share for the five business days following re-admission.