Elateral Group Limited

Annual report and consolidated financial statements

Registered number 07435521

31 March 2018



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Strategic report

Overview

The Directors present the Strategic report, Directors' report and financial statements of Elateral Group Limited (the 'Company') for the year ended 31 March 2018.

The Company's core business is that of a holding company. The Company's financial position is therefore partly dependent on the financial position of the rest of the Elateral group (the 'Group'). The principal activity of the Group comprises development and sale of marketing automation software and associated services.

On 10 April 2018, the Group converted £3.2m out of £7.4m of investor loans into equity. The investors also extended the date of loan repayment to 31 December 2020 and reduced the loan interest rate to 8% per annum on all outstanding loans.

'Group operating profit' or EBIT during the financial year of £101k continues the trend of improving performance over recent years. Expenses below this line mainly relates to accrued loan interest payable to the Group's investors.

The Company has been investing heavily (Note 3: £1.53m) in developing a new digital marketing platform (Brandgility) which offers a step change in flexibility, speed and capability including self-service template creation, a fast onboarding process and the production of customised web banners at scale. The Company has received excellent feedback from both existing clients and prospects on the new platform and we look forward to the general release of Brandgility later this year. The Group has not capitalised any investment in the Brandgility platform and has expensed all software development spend during the year.

Business review and results

The following table summarises those key performance indicators used by the Directors to assess the performance of the Group as of the dates indicated.

	2018	2017	Change
Group revenue	£6.66m	£7.48m	-11.0%
Subscription revenue	£4.13m	£4.22m	-2.1%
Group operating profit/(loss)	£0.10m	(£0.73m)	

Principal risks and uncertainties

The company is exposed through its operations to the following risks:

- Technology risk
- Foreign exchange risk
- Going concern and liquidity risk

The Company is exposed to risks facing software businesses. This section describes the Company's objectives, policies and procedures for managing those risks. Further quantitative information is provided throughout the financial statements.

As described throughout these financials statements, the Company is an indirect parent of the principal subsidiaries of the Group. Consolidated accounts for the Group are drawn up for Elateral Group Limited.

There have been no substantive changes in the Company's exposure to these risks or methods to measure them from the prior period, unless otherwise stated in this section.

Strategic report (continued)

Technology risk

Client requirements and the technological environment in which we operate is constantly changing. The Group is continuing to invest heavily in technology and innovations in order to drive client satisfaction and win new business.

Foreign exchange risk

A significant percentage of the Group's revenue is derived in US Dollars, whilst some of its cost base, as well as the Group reporting currency is in Pound Sterling. Hence there is a risk that the relative strength of the two currencies could impact revenues and profitability of the Group. Accordingly, the Directors closely monitor fluctuations in the exchange rate.

Going concern risk

The Group's core business is the development and sale of marketing automation software and associated services within the Group. The Company's financial position is therefore partly dependent on the financial condition of the rest of the group.

The Group has remained compliant during the year to 31 March 2018 with all covenants contained in all funding documents. Furthermore, the Board has reviewed the Group's latest forecasts and the Directors have reasonable expectation that together with continued support from the investors, the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the annual report and financial statements.

Financial position

The Consolidated balance sheet shows negative equity, with the majority of creditors being investor loans. The investors remain supportive and have converted £3.2m of loans into equity during the year and provided the Group with further loans both during and after this financial year. In April 2018, the investors extended the date of repayment of their loans to 31 December 2020.

Financial outlook

Looking ahead, the Group continues to invest heavily in Brandgility. The Group believes that Brandgility will be the category leader for marketing content customisation at scale which will result in long term financial success.

By order of the board



Peter Blackburn
Director

28 September 2018

Directors' report

The Directors present their Directors' report and audited consolidated financial statements for the year ended 31 March 2018.

Directors

The Directors who held office during the year and up to the date of approval of these financial statements were as follows:

J Elkins
N Friedlos
P Blackburn
R Whitby-Smith
R Bevan (Appointed 8 August 2018)
C Lim (Appointed 24 September 2018)
P Galligan (Resigned 11 December 2017)
P Kamel (Resigned 5 June 2017)

Proposed dividend

The directors do not recommend the payment of a dividend. (2017: £nil).

Employment policies

It is Group policy, where possible, to provide employment opportunities for disabled people. Staff who become disabled are supported in continuing employment through identification of suitable jobs and the provision of necessary retraining.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during this or the previous financial year.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Peter Blackburn
Director

Elateral House
Crosby Way
Farnham
Surrey
GU9 7XX
28 September 2018

Statement of Directors' responsibilities in respect of the Strategic report, 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 financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELATERAL GROUP LIMITED

We have audited the financial statements of Elateral Group Limited ("the company") for the year ended 31 March 2018 which comprise the Consolidated profit and loss account and other comprehensive expense, Consolidated and Company balance sheets, Consolidated and Company statements of changes in equity, Consolidated cash flow statement and related notes, including the accounting policies in note 1.

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 March 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

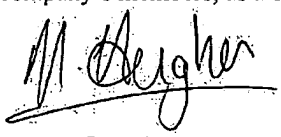
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Neil Hughes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading RG7 4SD
28 September 2018

Consolidated profit and loss account and other comprehensive expense

for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	2	**6,663**	7,475
Cost of sales		**(198)**	(366)
Gross profit		**6,465**	7,109
Administrative expenses		**(6,364)**	(7,842)
Group operating profit/(loss)	3	**101**	(733)
Interest payable and similar expenses	6	**(1,188)**	(921)
Loss before taxation		**(1,087)**	(1,654)
Tax on loss	7	**284**	309
Loss for the financial year		**(803)**	(1,345)
Other comprehensive expense			
Foreign exchange differences on translation of foreign operations		**(81)**	(213)
Total comprehensive expense for the year		**(884)**	(1,558)

The results for the current and preceding year all relate to continuing activities.

The accompanying notes on pages 13 to 27 form part of these financial statements.

Consolidated balance sheet

At 31 March 2018

	Note	2018		2017	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	9		27		1
Current assets					
Debtors	11	1,044		1,954	
Cash at bank and in hand		234		149	
		1,278		2,103	
Creditors: amounts falling due within one year	12	(11,571)		(11,277)	
Net current liabilities			(10,293)		(9,174)
Total assets less current liabilities			(10,266)		(9,173)
Creditors: amounts falling due after more than one year	13	(-)		(209)	
Provisions for liabilities: other provisions	14	(50)		(50)	
			(50)		(259)
Net liabilities			(10,316)		(9,432)
Capital and reserves					
Called up share capital	15		978		978
Share premium account			3,029		3,029
Capital redemption reserve			633		633
Group consolidation reserve			15,410		15,410
Share reserve	16		(40)		(40)
Retained earnings			(30,326)		(29,442)
Total equity			(10,316)		(9,432)

These financial statements were approved by the board of Directors on 28 September 2018 and were signed on its behalf by:

Peter Blackburn
Director

The accompanying notes on pages 13 to 27 form part of these financial statements.

Registered number 07435521

Company balance sheet

At 31 March 2018

	Note	2018		2017	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	*10*		**7,000**		7,000
Current assets					
Debtors	*11*	**3,128**		1,777	
Creditors: amounts falling due within one year	*12*	**(8,752)**		(6,296)	
Net current liabilities			**(5,624)**		(4,519)
Net assets			**1,376**		2,481
Capital and reserves					
Called up share capital	*15*		**978**		978
Share premium account			**3,029**		3,029
Capital redemption reserve			**633**		633
Retained earnings			**(3,264)**		(2,159)
Total equity			**1,376**		2,481

These financial statements were approved by the board of Directors 28 September 2018 and were signed on its behalf by:

Peter Blackburn
Director

The accompanying notes on pages 13 to 27 form part of these financial statements.

Company registered number 07435521

Consolidated statement of changes in equity

for the year ended 31 March 2018

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Group consolidation reserve £'000	Share reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2016	978	3,029	633	15,410	(40)	(27,884)	(7,874)
Loss for the financial year	-	-	-	-	-	(1,345)	(1,345)
Other comprehensive expense	-	-	-	-	-	(213)	(213)
Total comprehensive expense for the year	-	-	-	-	-	(1,558)	(1,558)
Total contributions by and distributions to owners	-	-	-	-	-	-	-
Balance at 31 March 2017	978	3,029	633	15,410	(40)	(29,442)	(9,432)
Loss for the financial year	-	-	-	-	-	(803)	(803)
Other comprehensive expense	-	-	-	-	-	(81)	(81)
Total comprehensive expense for the year	-	-	-	-	-	(884)	(884)
Total contributions by and distributions to owners	-	-	-	-	-	-	-
Balance at 31 March 2018	978	3,029	633	15,410	(40)	(30,326)	(10,316)

The accompanying notes on pages 13 to 27 form part of these financial statements.

Company statement of changes in equity

for the year ended 31 March 2018

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £000	Total equity £000
Balance at 31 March 2016	978	3,029	633	(1,324)	3,316
Loss for the financial year	-	-	-	(835)	(835)
Total comprehensive expense for the year	-	-	-	(835)	(835)
Total contributions by and distributions to owners	-	-	-	-	-
Balance at 31 March 2017	978	3,029	633	(2,159)	2,481
Loss for the financial year	-	-	-	(1,105)	(1,105)
Total comprehensive expense for the year	-	-	-	(1,105)	(1,105)
Total contributions by and distributions to owners	-	-	-	-	-
Balance at 31 March 2018	978	3,029	633	(3,264)	1,376

The accompanying notes on pages 13 to 27 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2018

	2018 £000	2017 £000
Cash flows from operating activities		
Loss for the year	**(803)**	(1,345)
Adjustments for:		
Depreciation, amortisation and impairment	**6**	1
Foreign exchange losses	**(81)**	(213)
Interest payable and similar expenses	**1,188**	921
Tax on loss	**(284)**	(309)
	26	(945)
(Increase)/decrease in debtors	**602**	(372)
(Decrease)/increase in trade and other creditors	**(1,991)**	(250)
	(1,363)	(1,567)
Tax credit received	**596**	272
Net cash from operating activities	**(767)**	(1,295)
Cash flows from investing activities		
Acquisition of tangible fixed assets	**(32)**	-
Cash flows from financing activities		
Proceeds from new loan	**1,350**	1,387
Interest paid	**(37)**	(30)
Repayment of borrowings	**(426)**	(198)
Net cash from financing activities	**887**	1,159
Net increase/(decrease) in cash and cash equivalents	**88**	(136)
Cash and cash equivalents at 1 April 2017	**149**	311
Effect of exchange rate fluctuations on cash held	**(3)**	(26)
Cash and cash equivalents at 31 March 2018	**234**	149

The accompanying notes on pages 13 to 27 form part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 March 2018

1 Accounting policies

Elateral Group Limited is a private company limited by shares, incorporated, domiciled and registered in England in the UK. The registered number is 07435521 and the registered address is Elateral House, Crosby Way, Farnham, Surrey GU9 7XX.

These Group and parent company financial statements are prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014 and the Companies Act 2006. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included;
- Related party transactions between wholly owned subsidiaries have not been disclosed; and
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2018. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The financial statements have been prepared under historical cost accounting rules.

Turnover

Turnover, which is stated net of value added tax and trade discounts, represents amounts invoiced to third parties for goods and services provided.

Software licence fees and fees for hosting services are recognised rateably over the period to which they relate.

Fees for professional services are recognised as the services are performed.

Going concern

The Group reported an operating profit of £0.1m but incurred an after-tax loss for the year ended 31 March 2018 of £0.8m and operating cash outflows of £0.8m. The Group had net liabilities at 31 March 2018 of £10.3m, including £7.4m due to the Group's VC majority shareholders and £1.3m of preferred shares classed as financial liabilities.

Notes to the consolidated financial statements for the year ended 31 March 2018 *(continued)*

Accounting policies (*continued*)

As explained in Note 23, shortly after 31 March 2018, £3.2m of loans due to the Group's VC majority shareholders were converted into equity. In addition, in September 2018 those shareholders provided new loans of £0.4m. The earliest repayment date for any part of the loans provided by the Group's VC majority shareholders is now December 2020. The Group's VC majority shareholders have also indicated that they remain supportive. At 31 August 2018 the group had net current liabilities of £3.7m, comprising £2.0m of deferred income, £1.4m of preferred shares classed as financial liabilities and £0.3m of other items.

The Board has approved the Group's operating plan, including a cash flow forecast for the period to 30 September 2019.

The cash flow forecast shows that the Group will require some temporary additional working capital but should become cash generative and require no further funding from mid 2019.

On the basis that the operating plan anticipates strong sales pipeline, reduced operating costs and temporary need for funding followed by long term cash generation, the Directors are confident that the necessary further finance will be available either from existing investors or other providers. The directors acknowledge that there can be no certainty that this further finance will be available although, at the date of approval of these financial statements, they have no reason to believe that it will not be.

As such, the Board is satisfied that the Group will continue to have sufficient cash for its operations and will be able to meet its liabilities as they fall due during the period to 30 September 2019 and for the foreseeable future thereafter.

The Directors therefore continue to adopt the going concern basis when preparing the financial statements.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation losses.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

Leasehold improvements	-	over 5 years
Furniture, fittings and equipment	-	between 3 and 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

Pension costs

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of any group company. The pension charge represents the amounts payable by the group to the fund in respect of the period.

Notes to the consolidated financial statements for the year ended 31 March 2018 *(continued)*

Accounting policies (*continued*)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off, if any.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

Loans receivable from or payable to a foreign operation where settlement is neither planned nor likely to occur in the foreseeable future are treated as part of the group's net investment in the foreign operation and the foreign exchange differences on retranslation are recognised in Other Comprehensive Income and accumulated in equity.

Notes to the consolidated financial statements for the year ended 31 March 2018 *(continued)*

Accounting policies (continued)

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Accounting estimates and judgements

The preparation of the consolidated accounts required management to make certain estimates and judgements. The Directors do not note any estimation uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year. The Directors do not consider that there are any critical accounting judgements in applying the Company's accounting policies.

Notes to the consolidated financial statements for the year ended 31 March 2018 *(continued)*

2 Analysis of turnover

An analysis of turnover is given below:

By activity	2018 £'000	2017 £'000
Sale of licences	4,128	4,222
Services	2,535	3,253
	6,663	7,475

By geographical market	2018 £'000	2017 £'000
United Kingdom	112	338
Rest of Europe	206	221
Rest of the world	6,345	6,916
	6,663	7,475

3 Expenses and auditor's remuneration

Loss on ordinary activities before taxation is stated after charging:

	2018 £'000	2017 £'000
Depreciation of owned fixed assets	6	1
Hire of other assets - operating leases	725	690
Research and development expenditure	1,578	1,294

Auditor's remuneration:

	2018 £'000	2017 £'000
Audit of these financial statements	33	33

Notes to the consolidated financial statements for the year ended 31 March 2018 *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Management and admin	**6**	7
Sales and marketing	**3**	6
Technical and services	**45**	52
	54	65

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£'000	£'000
Wages and salaries	**3,395**	4,296
Social security costs	**335**	380
Contributions to defined contribution plans	**98**	103
	3,828	4,779

5 Directors' remuneration

The Directors' aggregate remuneration in respect of qualifying services was:

	2018	2017
	£'000	£'000
Directors' emoluments	**492**	991
Company contributions to money purchase schemes	**11**	13
	503	1,004

Notes to the consolidated financial statements for the year ended 31 March 2018 *(continued)*

Directors' remuneration (*continued*)

Remuneration of highest paid Director:

	2018 £'000	2017 £'000
Total emoluments	212	347
Company contribution to money purchase pension scheme	7	-
	219	347

The number of Directors to whom retirement benefits are accruing under the money purchase scheme during the year ended 31 March 2018 was 1 *(2017: 2)*.

6 Interest payable and similar expenses

	2018 £'000	2017 £'000
Dividends in connection with Preferred Shares classed as financial liabilities	69	69
Related party loan interest and arrangement fees	1,069	776
Other loans	50	76
	1,188	921

7 Taxation on loss

Analysis of credit in the year

	2018 £'000	2017 £'000
UK corporation tax		
Current tax on income for the year	(284)	(309)
Foreign tax	-	-
	(284)	(309)
Deferred tax		
Origination and reversal of temporary differences	-	-
Tax on loss	(284)	(309)

Notes to the consolidated financial statements for the year ended 31 March 2018 *(continued)*

Taxation on loss *(continued)*

Factors affecting the tax charge for the current period

The current tax credit for the period is higher *(2017: lower)* than the standard rate of corporation tax in the UK of 19% *(2017: 20%)*. The differences are explained below.

	2018 £'000	2017 £'000
Current tax reconciliation		
Loss on activities before tax	**(1,087)**	(1,654)
Current tax at 19% *(2017: 20%)*	**(207)**	(331)
Effects of:		
Expenses not deductible for tax purposes	**21**	5
Current year losses for which no deferred tax asset was recognised	**221**	178
Capital allowances for the period in excess of depreciation	**(5)**	-
Losses utilised for which no deferred tax asset is recognised	**(45)**	-
Additional deduction on qualifying R&D expenditure	**(248)**	(184)
Tax repayment on qualifying R&D expenditure	**(21)**	23
Total current tax credit (see above)	**(284)**	(309)

The unrecognised deferred tax asset in respect of UK trading losses and capital allowances versus depreciation was £1,980,000 (2017: £2,217,000). The unrecognised deferred tax asset in respect of US Federal loss carry forward was £1,206,000 (2017: £2,455,000). These amounts have not been recognised as there is insufficient evidence that they will be recovered.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. These will reduce the group's future current tax charge and any deferred tax asset accordingly.

Notes to the consolidated financial statements for the year ended 31 March 2018 *(continued)*

8 Profit and loss account of the parent company

The loss dealt with in the accounts of the parent company was £1,105,000 (2017: £835,000).

9. Tangible fixed assets

Group

	Leasehold Improvements	Furniture, fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
At 1 April 2017	460	981	1,441
Additions	26	6	32
At 31 March 2018	486	987	1,473
Depreciation			
At 1 April 2017	460	980	1,440
Charged in year	4	2	6
At 31 March 2018	464	982	1,446
Net book value			
At 31 March 2018	22	5	27
At 31 March 2017	-	1	1

Notes to the consolidated financial statements for the year ended 31 March 2018 *(continued)*

10 Investments

Company

	£'000
Cost and net book value	
At 1 April 2017 and 31 March 2018	7,000

At 31 March 2018 Elateral Group Limited held shares in the following entities.

Subsidiary undertaking	Country of incorporation	Holding	Proportion of voting rights	Nature of business
Elateral Holdings Ltd *	England	Ordinary, preferred and deferred shares	100%	Holding company
Elateral Trustees Limited *	England	Ordinary shares	100%	Employee share ownership Trust
Elateral Inc **	USA	Ordinary shares	100%	Sales of marketing solutions
Elateral GmbH *	Germany	Ordinary shares	100%	Sales of marketing solutions
Elateral Limited *	England	Ordinary shares	100%	Software development and sales

Elateral Holdings Limited is owned directly by Elateral Group Limited; all other subsidiaries are owned indirectly.

* Registered address: Elateral House, Crosby Way, Farnham, Surrey, GU9 7XX

** Registered address: Suite 300, 1 Westbrook Corporate Center, Westchester, IL 60154

11 Debtors

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Trade debtors	**439**	1,054	-	-
Other debtors and prepayments	**317**	304	-	-
Other taxation and social security	**288**	596	-	-
Amounts due from group undertakings	-	-	**3,128**	1,777
	1,044	1,954	**3,128**	1,777

Notes to the consolidated financial statements for the year ended 31 March 2018 *(continued)*

12 Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Trade creditors	**641**	548	-	-
Other taxation and social security	**154**	173	-	-
Accruals and deferred income	**1,770**	3,835	-	-
Preferred shares classed as financial liabilities	**1,327**	1,258	**1,327**	1,258
Related party loans (note 20)	**7,424**	5,038	**7,425**	5,038
Other loans	**255**	425	-	-
	11,571	11,277	**8,752**	6,296

After the year end, the terms of the related party loans were revised and they are now repayable on 31 December 2020.

The balance for the preferred shares classed as financial liabilities is made up as follows:

	2018	2017
	£'000	£'000
286,666,666 preferred shares of £0.0001 each	**29**	29
Share premium on issued preferred shares	**830**	830
Accrued dividends on preferred shares	**468**	399
	1,327	1,258

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Other loan	-	209	-	-

Notes to the consolidated financial statements for the year ended 31 March 2018 *(continued)*

14 Provisions

Group

	£000
Balance at 1 April 2017	50
Provisions made during the year	-
Balance at 31 March 2018	**50**

Provision relates to dilapidations on leased premises. The lease expires on 15 October 2021.

15 Share capital (Consolidated and Company)

Allotted, called up and fully paid

	2018 £'000	2017 £'000
52,841,589 (2017: 52,841,589) ordinary shares of £0.0001 each	5	5
59,871,273 (2017: 59,871,273) A ordinary shares of £0.0001 each	6	6
9,664,768,339 (2017: 9,664,768,339) deferred shares of £0.0001 each	967	967
286,666,666 (2017: 286,666,666) preferred shares of £0.0001 each	29	29
	1,007	1,007

Amounts presented in equity

	2018 £'000	2017 £'000
Ordinary shares of £0.0001 each	5	5
A ordinary shares of £0.0001 each	6	6
Deferred shares of £0.0001 each	967	967
	978	978

Amounts presented in liabilities

	2018 £'000	2017 £'000
Preferred shares of £0.0001 each	29	29

Notes to the consolidated financial statements for the year ended 31 March 2018 *(continued)*

Share capital *(Continued)*

a) The ordinary shares and A ordinary shares of £0.0001 carry one vote each. Voting rights on the preferred shares are calculated on an as converted basis. Any individual holder of preferred shares may at any time convert the whole of his preferred shares into ordinary shares. The rate of conversion shall be one ordinary share for each preferred share held. The deferred shares do not convey a right to vote.

b) Dividends, accruing from the date of subscription, are payable in respect of the preferred shares (fixed dividends) at an aggregate amount of £68,800 per annum. This dividend is payable each year on 17 June.
Dividends do not accrue on ordinary shares or A ordinary shares. Their payment depends on a recommendation by the Directors. No ordinary dividend is payable if there are arrears of any other dividends.
No dividends are payable on the deferred shares.
c) At any time after 19 February 2012, upon a vote by 75% or more of the preferred shares, they shall be redeemed at £0.003 per share.
d) On liquidation or capital reduction, the assets of the company remaining after the payment of its liabilities shall be applied in the following order of priority:

First to the holders of the preferred shares £0.006 per share together with a sum equal to any arrears or accruals of the fixed dividend and if there is a shortfall the proceeds shall be distributed to the holders of the preferred shares in proportion to the amounts due on each share held;
Second in paying to the holders of equity shares (ordinary shares and A ordinary shares) in proportion to the numbers of equity shares by each with the holders of the preferred shares participating on an as converted basis until the holders of the equity shares have received a sum equal to £1,000,000 per share.
Third, any remaining assets shall be distributed to the holders of deferred shares pro rata based on the number of deferred shares held by each.

16 Share reserve

The amount £40,000 (2017: £40,000) represents shares in Elateral Group Limited held by Elateral Trustees Limited.

17 Pensions

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £98,000 *(2017: £103,000)*.

The assets for the scheme are held separately by third party pension providers.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year *(2017: £nil)*.

Notes to the consolidated financial statements for the year ended 31 March 2018 *(continued)*

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 Land and buildings £'000	**2018 IT services £'000**	2017 Land and buildings £'000	2017 IT Services £'000
Operating leases payable:				
Within 1 year	**67**	**135**	67	143
2 to 5 years	**171**	**36**	239	179
	238	**171**	306	322

The amounts payable with regards to operating leases during the year was £687,000 (2017: £804,000).

19 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	Group		**Company**	
	2018 £000	**2017 £000**	**2018 £000**	**2017 £000**
Assets measured at cost less amortisation	**673**	1,203	-	-
Liabilities measured at amortised cost	**641**	548	-	-
Loan commitments measured at cost less impairment	**7,679**	5,672	7,425	5,038

Notes to the consolidated financial statements for the year ended 31 March 2018 *(continued)*

20 Related party transactions

Consultancy fees of £30k *(2017: £30k)* are payable by Elateral Holdings Ltd to Albion Ventures LLP, LMS Capital Plc and Gresham House Asset Management Limited who manage the institutional investor shareholdings in Elateral Group Ltd. Unpaid fees (net of VAT) of £65k, £56k and £16k was owing to each party respectively (2017: £78k, £68k and £20k). In addition, £56k of consultancy fees are payable to LMS Capital plc in respect of prior years before GHAM took over the management role in relation to LMS Capital's investment.

At 31 March 2018, the company had loans payable to the company's major shareholders Westpool Investment Trust plc and Kings Arms Yard VCT plc of £7.424m *(2017: £5.038m)*. Interest is charged at 12% on the first £0.5m drawn and at 22% on any balance drawn above this. On the 10th April 2018, the Group converted £3.2m of the outstanding shareholder loans into equity and the interest rate on all loans reduced to 8% and extended the date of loan repayment to 31 December 2020.

21 Employee share option schemes and trusts

The company operates an Employee Share Option Scheme (ESOS) and an Employee Share Option Trust (ESOT). The shares held within these schemes are for distribution to the employees of the company and its subsidiaries. Any person who is an employee or Director of the company, or any of its subsidiaries, at the relevant granting date is eligible to be granted options under these schemes. The associated costs of establishing and administering these schemes are expensed directly to the profit and loss account of the company as they arise.

22 Ultimate controlling party

The company has no parent company and no ultimate controlling party.

23 Subsequent events

Subsequent to the balance sheet date, on 10 April 2018, the Group converted £3.2m out of £7.4m of investor loans into equity. This has the impact of reducing consolidated negative equity from £10.6m to £7.4m. The investors also extended the date of loan repayment to 31 December 2020 and reduced the loan interest rate to 8% per annum.