REGISTERED NUMBER: 04130962 (England and Wales)

Report of the Directors and

Financial Statements

for the Year Ended 31 December 2018

for

MERCATO SOLUTIONS LIMITED

Contents of the Financial Statements for the year ended 31 December 2018

MERCATO SOLUTIONS LIMITED

Company Information for the year ended 31 December 2018

Directors:	C Griesbach P Robbins S Tatlock
Secretary:	C Griesbach
Registered office:	45-55 Camden Street Hockley Birmingham B1 3BP
Registered number:	04130962 (England and Wales)
Auditors:	Haines Watts, Statutory Auditor Northern Assurance Buildings 9-21 Princess Street Manchester M2 4DN
Solicitors:	Gateley plc 111 Edmund Street Birmingham B3 2HJ

Report of the Directors for the year ended 31 December 2018

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

Principal activity
The principal activity of the company in the year was the continued development and sale of our two platforms:
- KnowledgeKube - our SaaS Rapid Application Development platform for non-developers to create enterprise grade applications
- Progora - our SaS B2B marketplace, trading platform, and procurement tool for product and services
And our two solutions:
- Pre Sales Advisor Tool (PSAT) - our SaaS Configure Price Quote solution for all types of IT goods and services
- KnowledgeBus - our SaaS benchmarking solution

Review of business
Mercato has continued to invest in the core platform technology KnowledgeKube to prepare it for inclusion to the **Gartner Magic Quadrant for Enterprise High-Productivity Application Platform as a Service**.
To this end we have put considerable engineering resource into the mobile capability, the data compliance capability and the data engineering/integration modules.
The demand for new applications and integration into legacy systems from industry is growing at a very fast rate and the directors believe the investment into the capability will allow Mercato products to be sold against the demand for Fast delivery which solve difficult challenges .

The acquisition of new customers to prove this model has been successful through 2018 and will continue through 2019

The company also established strong relationships with potential partners to resell the platforms through their networks .

Whilst development costs of the platforms have only been capitalised to the extent that they lead to the creation of an enduring asset which delivers benefits which are at least equitable to these costs, the Intellectual Property Rights (IPR) of the company are not adequately reflected in these costs. As such the Directors instructed an independent third party to value the company's IPR based on information as at 31st December 2018.

It was determined that the most appropriate valuation method for the IPR was the Value Contribution Method which determines the amount of benefit the company receives from owing the assets, and applying the well-established method of 'relief from royalty' to determine what a third party may pay to licence such assets.

This established a valuation range for the IPR of between £6.8M and £9.2M, which significantly enhances the value of the company and the strength of its Balance Sheet.

Directors
The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

C Griesbach
P Robbins
S Tatlock

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting

Practice (United Kingdom Accounting Standards and applicable law). 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

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.

Report of the Directors for the year ended 31 December 2018

Statement as to disclosure of information to auditors
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors
The auditors, Haines Watts, Statutory Auditor, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

On behalf of the board:

C Griesbach - Director

27 September 2019

Balance Sheet 31 December 2018

	Notes	£	2018 £	£	2017 £
Fixed assets					
Intangible assets	5		**-**		-
Tangible assets	6		**4,268,071**		4,222,031
			4,268,071		4,222,031
Current assets					
Debtors	7	**632,725**		479,262	
Cash in hand		**214**		52	
		632,939		479,314	
Creditors					
Amounts falling due within one year	8	**3,677,870**		2,163,021	
Net current liabilities			**(3,044,931)**		(1,683,707)
Total assets less current liabilities			**1,223,140**		2,538,324
Creditors					
Amounts falling due after more than one year	9		**(333,333)**		(833,333)
Provisions for liabilities			**(705,197)**		(677,621)
Net assets			**184,610**		1,027,370
Capital and reserves					
Called up share capital	12		**4**		4
Retained earnings			**184,606**		1,027,366
Shareholders' funds			**184,610**		1,027,370

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Profit and Loss Account has not been delivered.

The financial statements were approved by the Board of Directors on 27 September 2019 and were signed on its behalf by:

C Griesbach - Director

P Robbins - Director

The notes on pages 5 to 10 form part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2018

1. **Statutory information**

Mercato Solutions Limited is a private company, limited by shares , registered in England and Wales. The
company's registered number and registered office address can be found on the Company Information page.

2. **Statement of compliance**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006.

3. **Accounting policies**

Basis of preparing the financial statements
The financial statements have been prepared under the historical cost convention.

Significant judgements and estimates
Estimates and judgements are continually evaluated and are based on historical experience and other factors,
including expectations of future events that are believed to be reasonable under the circumstances.

There are not considered to be any critical judgements in applying the company's accounting policies.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will,
by definition, seldom equal the related actual results. The estimates and assumptions which have a significant
risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year
are addressed below.

(i) System development costs amortisation

The amortisation rate applied to system development costs requires management's best estimate of the period
over which benefits will accrue to the company as a result of the expenditure.

Going concern
As at year end the company has net current liabilities. The company is dependent, in the absence of other
funding, on the continued financial support from a company under common control. The company under
common control has confirmed its commitment to provide the necessary support by providing adequate facilities.

On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis.

Turnover
Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates,
value added tax and other sales taxes.

Income from KnowledgeBus licences is recognised in full on the licence start date. This is due to no support
being provided over the term of the licence. All other licences are recognised over the length of the contract.
Income from maintenance is recognised over the period of the contract.

Intangible assets
Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost
less any accumulated amortisation and any accumulated impairment losses.

Intellectual property rights are being amortised evenly over their estimated useful life of ten years.

3. **Accounting policies - continued**

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

System development costs	-	10% straight line
Fixtures and fittings	-	20% straight line
Computer equipment	-	33% straight line and 25% straight line

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost
includes the original purchase price and costs directly attributable to bringing the asset to its working condition
for its intended use.

System development costs
Development costs are capitalised only to the extent that they lead to the creation of an enduring asset which
delivers benefits as least as great as the amount capitalised. If there is insufficient evidence on which to base
reasonable estimates of the economic benefits that will be generated in the period the costs of developing the
design and content are charged to the profit and loss account.
Development costs are depreciated over their estimated useful economic life of ten years.

The assets are reviewed for impairment whereby factors such as technological advancement or changes in
market value indicate that the residual value has changed.
If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the
asset. The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use.
Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a
result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that
represents the current market risk-free rate and the risks inherent in the asset.

Financial instruments
The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at
transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured
at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

There are no assets which are initially measured at fair value.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans that are classified as debt, are initially
recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt
instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Taxation
Taxation 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 in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or
substantively enacted by the balance sheet date.

3. **Accounting policies - continued**

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

4. **Employees and directors**

The average number of employees during the year was 68 (2017 - 89) .

5. **Intangible fixed assets**

	Other intangible assets £
Cost	
At 1 January 2018 and 31 December 2018	150,000
Amortisation	
At 1 January 2018 and 31 December 2018	150,000
Net book value	
At 31 December 2018	-
At 31 December 2017	-

6. Tangible fixed assets

	System development costs	Fixtures and fittings	Computer equipment	Totals
	£	£	£	£
Cost				
At 1 January 2018	**6,189,297**	**32,728**	**2,796,215**	**9,018,240**
Additions	**958,108**	**1,667**	**18,907**	**978,682**
Disposals	**-**	**(1,333)**	**-**	**(1,333)**
At 31 December 2018	**7,147,405**	**33,062**	**2,815,122**	**9,995,589**
Depreciation				
At 1 January 2018	**2,388,046**	**22,314**	**2,385,849**	**4,796,209**
Charge for year	**661,964**	**5,652**	**265,026**	**932,642**
Eliminated on disposal	**-**	**(1,333)**	**-**	**(1,333)**
At 31 December 2018	**3,050,010**	**26,633**	**2,650,875**	**5,727,518**
Net book value				
At 31 December 2018	**4,097,395**	**6,429**	**164,247**	**4,268,071**
At 31 December 2017	3,801,251	10,414	410,366	4,222,031

7. Debtors: amounts falling due within one year

	2018	2017
	£	£
Trade debtors	**476,864**	317,086
Other debtors	**52,958**	51,850
Directors' current accounts	**9,738**	-
Prepayments and accrued income	**93,165**	110,326
	632,725	479,262

Financial assets measured at amortised cost include trade and other debtors.

8. Creditors: amounts falling due within one year

	2018	2017
	£	£
Bank loans and overdrafts	**499,868**	497,606
Finance leases (see note 10)	**500,000**	500,000
Trade creditors	**414,738**	469,649
Social security and other taxes	**86,176**	87,425
VAT	**101,067**	360,233
Other creditors	**1,874,698**	-
Directors' current accounts	**77**	5,789
Accruals and deferred income	**201,246**	242,319
	3,677,870	2,163,021

Financial liabilities measured at amortised cost include trade creditors, other creditors and directors' loan accounts.

9. Creditors: amounts falling due after more than one year

	2018	2017
	£	£
Finance leases (see note 10)	**333,333**	833,333

10. Leasing agreements

Minimum lease payments fall due as follows:

	Finance leases	
	2018	**2017**
	£	£
Net obligations repayable:		
Within one year	**500,000**	**500,000**
Between one and five years	**333,333**	**833,333**
	833,333	**1,333,333**

This is a finance arrangement in relation to certain of the software development costs. As the risks and rewards
of ownership remain with the company this has been accounted for as a finance lease transaction.

	Non-cancellable operating leases	
	2018	2017
	£	£
Within one year	**29,160**	**18,276**
Between one and five years	**21,543**	**10,368**
	50,703	**28,644**

11. Secured debts

The following secured debts are included within creditors:

	2018	**2017**
	£	**£**
Bank overdrafts	**499,868**	497,606
Finance leases	**833,333**	1,333,333
	1,333,201	1,830,939

The bank overdraft is secured by way of a fixed and floating charge over the assets of the company and a
guarantee of £500,000 by a company under common control.

The finance lease creditor is guaranteed by a company under common control.

12. Called up share capital

Allotted, issued and fully paid:

Number:	**Class:**	**Nominal value:**	**2018**	**2017**
			£	**£**
380	Ordinary	£0.01	**4**	4

13. Disclosure under Section 444(5B) of the Companies Act 2006

The Report of the Auditors was unqualified.

Julie Pomfret (FCA) (Senior Statutory Auditor)
for and on behalf of Haines Watts, Statutory Auditor

14. **Directors' advances, credits and guarantees**

Directors advances during the year were £217,679, and credits were £202,229. At 31 December 2018 balances owed from the directors amounted to £9,661 (2017 - to directors £5,789). Interest at a commercial rate is charged in respect of credit balance.

15. **Pension scheme**

Defined contribution pension schemes

The company operates defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the company to the schemes and amounted to £125,733 (2017 - £128,946).

Contributions totalling £11,880 (2017 - £8,861) were payable to the schemes at the end of the year and are included in creditors.