
FEATURESPACE LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**



LAKIN ROSE
CHARTERED ACCOUNTANTS

FEATURESPACE LIMITED

COMPANY INFORMATION

Directors	D A Excell M King A Hook R Sansom G Hurst Dr G Garrard L Garrett L A Jaffe E Lockhart P M Pearson IP2IPO Services Limited
Company secretary	D A Excell
Registered number	05640420
Registered office	Broers Building 2nd Floor 21 J J Thomson Avenue Cambridge CB3 0FA
Independent auditors	Lakin Rose Limited Chartered Accountants & Statutory Auditors Pioneer House Vision Park Histon Cambridge CB24 9NL

FEATURESPACE LIMITED

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FEATURESPACE LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The directors present their strategic report for the year end 31 December 2018 for Featurespace Limited ("the Company"). Featurespace Limited is the parent company of the Featurespace Group ("the Group"). The company is the principal contracting entity for financial institutions and other customers across the Group's fraud detection and prevention software business.

Business review

The net loss for the year, after taxation, amounted to £8,577,187 (2017: loss of £ 6,162,090). In 2018, revenue increased 97% to £9,953,477 (2017: £5,055,055). Net cash decreased by £10,970,686 to £3,202,931 as at 31 December 2018.

The principal activity of the Group is the licensing of fraud detection and prevention software to the financial services and gaming industries. Research and development activities continued with respect to the development of the ARIC platform and the directors expect this activity to continue.

The Group's current strategy is to:

- Offer a range of targeted solutions running on the ARIC platform to address different fraud prevention use cases
- Identify and expand into relevant adjacent markets to maximise the value of the solution to customers.

The Group is showing strong growth in demand for its solutions and is confident in its future outlook.

Principal risks and uncertainties

The Board has overall responsibility for risk management and internal controls. The principal risk and uncertainties faced by the Group are:

Information Security. The Group is often required and authorised by its customers to work with confidential information in the deployment of its software and services. The Group employs appropriate security and testing measures for the software it deploys. However, these may not protect against all possible security breaches that could harm the Group's or its customers' business both financially and reputationally. The Group employs security and testing measures for the software it deploys and on internal systems to mitigate this risk.

Regulatory Compliance. The Group's work with confidential information means that it is imperative to ensure compliance with the regulatory framework including GDPR. The enhancement and expansion of the requirements that were made to data protection legislation under GDPR added to the complexity of handling customer data and increased the Group's responsibilities. Failure to protect data in accordance with these regulations could result in financial penalties and reputational risk for the Group. The Group employs measures to mitigate against this risk including workforce training, physical and cybersecurity measures.

Business Continuity. Given the group's customer base in the financial services industry it is critical to ensure the business is well positioned to maintain continuity in the event of an unforeseen incident. The Group's software forms part of the real-time decisioning within its customers payment authorization processes to detect and prevent fraud so any failure could lead to financial losses for customers and lead to the Group missing contractual service level agreements. The Group has put in place measures to ensure that any disruptions to the business can be mitigated and these plans are reviewed and improved on an ongoing basis.

FEATURESPACE LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

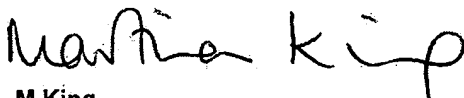
Intellectual Property rights. As a high growth, technology business, the Group recognises the need to address the risks associated with the legal costs of protecting and enforcing its intellectual property rights. Failure to do so could lead to significant financial loss. The Group is mitigating this risk through appropriate measures to record and protect its intellectual property.

Brexit. The process of the United Kingdom's departure from the European Union and the terms of the UK's future relationship with the EU remain uncertain. The majority of the Group's operations, including its head office and core development functions are located in the UK. Depending on the future regulatory arrangements between the EU and the UK, it may become more difficult for the Group's customers and partners to transfer data to the Group for processing in the UK under the GDPR than it is at present while the UK is automatically deemed to have adequate safeguards for the protection of personal data. In addition, it may become increasingly difficult to recruit skilled workers with EU citizens currently representing approximately 20% of the Group's workforce. Brexit may also impact the financial results of the company as some customer contracts are denominated in currencies other than sterling including US dollars and Euro. A period of heightened volatility in sterling exchange rates surrounding Brexit may result in significant changes in the Group's revenues or costs when reported in sterling. Featurespace's business model does not rely on the physical shipment of goods across borders and there are currently no tariffs on the import of the Group's software to the EU from a non-EU country. The Group is also investing in establishing a trading subsidiary in the EU in Ireland and is mitigating the data protection risk by using third party cloud providers within the EU to process confidential data on EU citizens on behalf of its customers.

Financial key performance indicators

The directors monitor revenue and profits or losses as set out in the statement of profit or loss on page 9. The directors are of the opinion that disclosing additional key performance indicators, other than those above, is not necessary to understand the development, performance and position of the business.

This report was approved by the board on 30 SEPTEMBER 2019 and signed on its behalf.



M King
Director

FEATURESPACE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £8,577,186 (2017 - loss £6,162,090).

No dividends were paid in the year. No dividend payable is recommended.

Directors

The directors who served during the year were:

D A Excell
Dr M R Lynch (resigned 26 January 2019)
M King
J Edington (resigned 25 January 2019)
A Hook
R Sansom
G Hurst
Dr G Garrard
L Garrett

Future developments

The company expects strong growth to continue in 2019 with growth driven by expansion of the team in the US and continued uptake of the company's fraud prevention and detection software in Europe.

FEATURESPACE LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

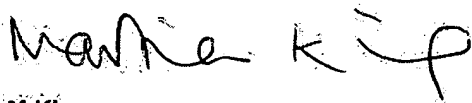
Post balance sheet events

The company raised £25,000,000 through the issuance of F Preferred Ordinary Shares on 27th January 2019.

Auditors

The auditors, Lakin Rose Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 SEPTEMBER 2019 and signed on its behalf:



M King
Director

FEATURESPACE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FEATURESPACE LIMITED

Opinion

We have audited the financial statements of Featurespace Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Group statement of comprehensive income, the Group and Company balance sheets, the Group statement of cash flows, the Group and Company statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

FEATURESPACE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FEATURESPACE LIMITED (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the group strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

FEATURESPACE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FEATURESPACE LIMITED
(CONTINUED)

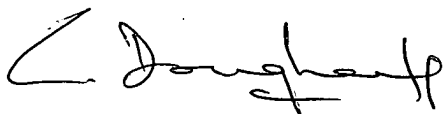
Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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.



Christopher Dougherty (senior statutory auditor)

for and on behalf of
Lakin Rose Limited

Chartered Accountants
Statutory Auditors

Pioneer House
Vision Park
Histon
Cambridge
CB24 9NL

Date: 30th September 2019

FEATURESPACE LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Turnover	9,953,477	5,055,055
Cost of sales	(431,384)	(456,424)
Gross profit	9,522,093	4,598,631
Administrative expenses	(19,815,430)	(11,784,551)
Other operating income	227,662	44,581
Operating loss	(10,065,675)	(7,141,339)
Interest receivable and similar income	3,597	-
Loss before taxation	(10,062,078)	(7,141,339)
Tax on loss	1,484,892	979,249
Loss for the financial year	(8,577,186)	(6,162,090)
Currency translation differences on consolidation	(86,466)	8,439
Other comprehensive income for the year	(86,466)	8,439
Total comprehensive income for the year	(8,663,652)	(6,153,651)
(Loss) for the year attributable to:		
Owners of the parent Company	(8,577,186)	(6,162,090)
	(8,577,186)	(6,162,090)
Total comprehensive income for the year attributable to:		
Owners of the parent Company	(8,663,652)	(6,153,651)
	(8,663,652)	(6,153,651)

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated statement of comprehensive income.

The notes on pages 14 to 28 form part of these financial statements.

FEATURESPACE LIMITED
REGISTERED NUMBER: 05640420

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible fixed assets	10	862,727	300,968
		<u>862,727</u>	<u>300,968</u>
Current assets			
Debtors: amounts falling due within one year	12	8,280,731	3,699,098
Cash at bank and in hand		3,202,931	14,173,617
		<u>11,483,662</u>	<u>17,872,715</u>
Creditors: amounts falling due within one year	13	(6,469,432)	(4,132,284)
Net current assets		<u>5,014,230</u>	<u>13,740,431</u>
Total assets less current liabilities		<u>5,876,957</u>	<u>14,041,399</u>
Net assets		<u><u>5,876,957</u></u>	<u><u>14,041,399</u></u>
Capital and reserves			
Called up share capital	15	2,589	2,359
Share premium account	16	28,563,103	28,171,256
Foreign exchange reserve	16	(78,027)	8,439
Profit and loss account	16	(22,610,708)	(14,140,655)
		<u>5,876,957</u>	<u>14,041,399</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 SEPTEMBER 2019.

M King

M King
 Director


The notes on pages 14 to 28 form part of these financial statements.

FEATURESPACE LIMITED
REGISTERED NUMBER: 05640420

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	10	749,276	285,731
Investments	11	74	74
		<u>749,350</u>	<u>285,805</u>
Current assets			
Debtors: amounts falling due within one year	12	10,147,924	4,214,105
Cash at bank and in hand		3,114,937	14,114,729
		<u>13,262,861</u>	<u>18,328,834</u>
Creditors: amounts falling due within one year	13	(5,276,148)	(4,080,403)
Net current assets		<u>7,986,713</u>	<u>14,248,431</u>
Total assets less current liabilities		<u>8,736,063</u>	<u>14,534,236</u>
Net assets		<u><u>8,736,063</u></u>	<u><u>14,534,236</u></u>
Capital and reserves			
Called up share capital	15	2,589	2,359
Share premium account	16	28,563,103	28,171,256
Profit and loss account	16	(19,829,629)	(13,639,379)
		<u>8,736,063</u>	<u>14,534,236</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

30 SEPTEMBER 2019

M King
 Director

The notes on pages 14 to 28 form part of these financial statements.

FEATURESPACE LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Share premium account £	Foreign exchange reserve £	Share based payment reserve £	Profit and loss account £	Total equity £
At 1 January 2017	1,616	11,700,956	-	-	(7,993,984)	3,708,588
Loss for the year	-	-	-	-	(6,162,090)	(6,162,090)
Currency translation differences	-	-	8,439	-	-	8,439
Shares issued during the year	743	16,500,300	-	-	-	16,501,043
Share issue expenses	-	(30,000)	-	-	-	(30,000)
Transfer to/from profit and loss account	-	-	-	(15,419)	15,419	-
Share based payments	-	-	-	15,419	-	15,419
At 1 January 2018	2,359	28,171,256	8,439	-	(14,140,655)	14,041,399
Loss for the year	-	-	-	-	(8,577,186)	(8,577,186)
Currency translation differences	-	-	(86,466)	-	-	(86,466)
Shares issued during the year	230	391,847	-	-	-	392,077
Transfer to/from profit and loss account	-	-	-	(107,133)	107,133	-
Share based payments	-	-	-	107,133	-	107,133
At 31 December 2018	2,589	28,563,103	(78,027)	-	(22,610,708)	5,876,957

The notes on pages 14 to 28 form part of these financial statements.

FEATURESPACE LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2017	1,616	11,700,956	-	(7,993,985)	3,708,587
Loss for the year	-	-	-	(5,660,813)	(5,660,813)
Shares issued during the year	743	16,500,300	-	-	16,501,043
Share issue expenses	-	(30,000)	-	-	(30,000)
Transfer to/from profit and loss account	-	-	(15,419)	15,419	-
Share based payments	-	-	15,419	-	15,419
At 1 January 2018	2,359	28,171,256	-	(13,639,379)	14,534,236
Loss for the year	-	-	-	(6,297,383)	(6,297,383)
Shares issued during the year	230	391,847	-	-	392,077
Transfer to/from profit and loss account	-	-	(107,133)	107,133	-
Share based payments	-	-	107,133	-	107,133
At 31 December 2018	2,589	28,563,103	-	(19,829,629)	8,736,063

The notes on pages 14 to 28 form part of these financial statements.

FEATURESPACE LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	(8,577,186)	(6,162,090)
Adjustments for:		
Depreciation of tangible assets	258,360	94,950
Loss on disposal of tangible assets	13,998	(80)
Interest received	(3,597)	-
Taxation charge	(1,712,554)	(1,023,830)
(Increase) in debtors	(3,440,441)	(426,976)
Increase in creditors	2,337,148	2,145,314
Corporation tax received	571,363	-
Net cash generated from operating activities	(10,552,909)	(5,372,712)
Cash flows from investing activities		
Purchase of tangible fixed assets	(834,117)	(253,751)
Sale of tangible fixed assets	-	417
Purchase of fixed asset investments	-	(74)
Interest received	3,597	-
Net cash from investing activities	(830,520)	(253,408)
Cash flows from financing activities		
Issue of ordinary shares	392,076	16,471,117
Share based payments	107,133	15,419
Net cash used in financing activities	499,209	16,486,536
Net (decrease)/increase in cash and cash equivalents	(10,884,220)	10,860,416
Cash and cash equivalents at beginning of year	14,173,617	3,304,762
Foreign exchange gains and losses	(86,466)	8,439
Cash and cash equivalents at the end of year	3,202,931	14,173,617
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,202,931	14,173,617
	3,202,931	14,173,617

The notes on pages 14 to 28 form part of these financial statements.

FEATURESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Featurespace Limited ("the company") is the parent company of a trading group. Its activities relate to the development and provision of fraud prevention software.

The company is incorporated in England and Wales as a members limited liability company. The registered office is located at Broers Building 2nd Floor, 21 JJ Thomson Avenue, Cambridge, CB3 0FA.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The financial statements have been prepared on the going concern basis which assumes that the company will continue as a going concern for the foreseeable future.

The company investors have continued to financially support the company, committing to a further funding round of £25million in exchange for shares which completed in January 2019. The directors have prepared cash flow forecasts which confirm that the cash balance along with sales revenues will enable the company to remain a going concern for at least the next 12 months.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue derived from term licence and support agreements is recognised over the period of the agreements.

Revenue derived from perpetual licences is recognised immediately on issue.

FEATURESPACE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.7 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.8 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to consolidated statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with fair value of goods and services received.

FEATURESPACE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.9 Taxation

Tax is recognised in the consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as *other comprehensive income* or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.10 Research and development

Research and development expenditure is written off to the statement of comprehensive income in the period in which it is incurred.

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

FEATURESPACE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	- 20% straight line
Computer equipment	- 33% straight line
Other fixed assets	- over 1 year

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

FEATURESPACE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments 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.

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 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful lives and residual values are re-assessed annually.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience.

(iii) Revenue recognition

The amount of accrued and deferred income relies on the correct estimation of the level of completion of each relevant assignment. These estimations are reviewed on a monthly basis to ensure they remain in line with expectations.

FEATURESPACE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Fraud prevention	9,953,477	5,055,055
	<u>9,953,477</u>	<u>5,055,055</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	6,348,233	2,358,793
Rest of Europe	2,283,841	1,275,674
Rest of the world	1,321,403	1,420,588
	<u>9,953,477</u>	<u>5,055,055</u>

5. Operating loss

The operating loss is stated after charging:

	2018 £	2017 £
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	21,000	15,010
Exchange differences	(41,033)	156,438
Other operating lease rentals	843,443	644,911
Depreciation	258,360	94,950
	<u>258,360</u>	<u>94,950</u>

6. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	21,000	15,010
	<u>21,000</u>	<u>15,010</u>

FEATURESPACE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Wages and salaries	11,719,575	6,427,682	10,331,842	6,170,219
Social security costs	1,318,024	743,883	1,178,900	718,329
Cost of defined contribution scheme	375,547	284,249	286,701	284,249
	<u>13,413,146</u>	<u>7,455,814</u>	<u>11,797,443</u>	<u>7,172,797</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	<i>2017 No.</i>
All employees	<u>149</u>	<u>88</u>

8. Directors' remuneration

	2018 £	<i>2017 £</i>
Directors' emoluments	678,955	447,332
Company contributions to defined contribution pension schemes	7,020	14,217
	<u>685,975</u>	<u>461,549</u>

During the year retirement benefits were accruing to 1 director (2017 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £359,414 (2017 - £278,728).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,020 (2017 - £4,117).

FEATURESPACE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on loss for the year	(1,484,892)	(979,249)
	(1,484,892)	(979,249)
	(1,484,892)	(979,249)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(10,062,078)	(7,141,339)
	(10,062,078)	(7,141,339)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(1,911,795)	(1,374,708)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	48,682	13,483
Capital allowances for year in excess of depreciation	(54,446)	(24,876)
Short term timing difference leading to an increase (decrease) in taxation	5,459	4,822
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(614,284)	(506,969)
Tax deduction arising from exercise of employee options	(63,570)	-
Unrelieved tax losses carried forward	1,105,062	908,999
	(1,484,892)	(979,249)
Total tax charge for the year	(1,484,892)	(979,249)

FEATURESPACE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Taxation (continued)

Factors that may affect future tax charges

Trading losses which are eligible for relief against future trading profits have not been recognised as a deferred tax asset because their recovery is not yet probable.

The group expects to continue to be eligible and make claims for future research and development enhanced allowances and tax credits.

10. Tangible fixed assets

Group

	Plant and machinery £
Cost or valuation	
At 1 January 2018	499,528
Additions	834,117
Disposals	(13,998)
At 31 December 2018	<u>1,319,647</u>
Depreciation	
At 1 January 2018	198,560
Charge for the year on owned assets	258,360
At 31 December 2018	<u>456,920</u>
Net book value	
At 31 December 2018	<u>862,727</u>
At 31 December 2017	<u>300,968</u>

FEATURESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. Tangible fixed assets (continued)

Company

	Plant and machinery £
Cost or valuation	
At 1 January 2018	482,220
Additions	717,712
Disposals	(13,998)
At 31 December 2018	<u>1,185,934</u>
Depreciation	
At 1 January 2018	196,489
Charge for the year on owned assets	240,169
At 31 December 2018	<u>436,658</u>
Net book value	
At 31 December 2018	<u>749,276</u>
<i>At 31 December 2017</i>	<u>285,731</u>

FEATURESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	74
At 31 December 2018	<u>74</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Class of shares	Holding
Featurespace Inc	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2018 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
Featurespace Inc	(2,859,032)	(2,279,803)

FEATURESPACE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Debtors

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Trade debtors	2,520,443	1,364,918	1,414,565	1,364,918
Amounts owed by group undertakings	-	-	3,038,441	602,707
Other debtors	705,070	59,577	679,931	35,800
Prepayments and accrued income	2,318,834	679,410	2,278,603	615,487
Corporation tax repayable	2,736,384	1,595,193	2,736,384	1,595,193
	<u>8,280,731</u>	<u>3,699,098</u>	<u>10,147,924</u>	<u>4,214,105</u>

13. Creditors: Amounts falling due within one year

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Trade creditors	538,094	708,225	507,618	675,310
Other taxation and social security	346,914	272,510	346,914	272,510
Other creditors	149,382	45,472	149,382	45,472
Accruals	1,160,784	735,900	1,095,155	716,934
Deferred income	4,274,258	2,370,177	3,177,079	2,370,177
	<u>6,469,432</u>	<u>4,132,284</u>	<u>5,276,148</u>	<u>4,080,403</u>

14. Financial instruments

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Financial assets				
Financial assets measured at fair value through profit or loss	3,202,931	14,173,617	3,114,937	14,114,729
Financial assets that are debt instruments measured at amortised cost	4,808,669	1,740,030	6,712,175	2,318,961
	<u>8,011,600</u>	<u>15,913,647</u>	<u>9,827,112</u>	<u>16,433,690</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(1,721,915)	(1,462,747)	(1,625,813)	(1,410,866)

FEATURESPACE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Share capital

	2018	2017
	£	£
Allotted, called up and fully paid		
6,073,333 (2017 - 3,779,028) Ordinary shares of £0.0001 each	609	379
1,428,540 (2017 - 1,428,540) A Preferred Ordinary shares of £0.0001 each	143	143
2,142,610 (2017 - 2,142,610) B Preferred Ordinary shares of £0.0001 each	214	214
3,473,989 (2017 - 3,473,989) C Preferred Ordinary shares of £0.0001 each	347	347
539,584 (2017 - 539,584) X Ordinary shares of £0.0001 each	54	54
4,818,903 (2017 - 4,818,903) D Preferred Ordinary shares of £0.0001 each	482	482
7,402,754 (2017 - 7,402,754) E Preferred Ordinary shares of £0.0001 each	740	740
	<hr/>	<hr/>
	2,589	2,359
	<hr/> <hr/>	<hr/> <hr/>

During the year, employees exercised share options resulting in 1,637,064 ordinary shares being issued for proceeds of £41,948.

In addition, there was an issue of 657,241 ordinary shares for proceeds of £350,129.

16. Reserves

Share premium account

This includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

This account includes all current and prior period retained profits and losses.

FEATURESPACE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

17. Share based payments

The company issues approved and unapproved share options to directors and employees. One quarter of the total options granted become exercisable on or after the first anniversary of the vesting start date, then one-sixteenth of the total options granted become exercisable at the end of the first quarter after the vesting start date and a further one-sixteenth on each subsequent quarter day. All options lapse if not exercised within a ten year period of being granted.

In accordance with the company's Share Option Plan, these options can be exercised on a trigger event which is the reconstruction of the company, notice of a voluntary winding-up, or a takeover. There are no performance conditions attached to any options.

A share option pool of 3,362,011 options were in issue at the year end, with 1,861,687 being issued, 1,637,064 being exercised and 81,580 lapsing during 2018.

Options in issue at the year end had an exercise price of either £0.01, £0.10, £0.13, £0.15, £0.23 or £0.31 per share.

18. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £720,971 (2017 - £284,249). Contributions totaling £172,473 (2017 - £26,851) were payable to the fund at the balance sheet date and are included in creditors.

19. Commitments under operating leases

At 31 December 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Not later than 1 year	912,222	412,430	795,060	303,754
Later than 1 year and not later than 5 years	2,062,197	635,965	1,777,545	234,150
	<u>2,974,419</u>	<u>1,048,395</u>	<u>2,572,605</u>	<u>537,904</u>

20. Transactions with directors

Included within other debtors is a loan to a director amounting to £157,049 (2017 - £nil). The movements in the year are represented by advances of £147,713, interest charge of £2,079, interest repayments of £1,767 and foreign exchange movements of £9,024. Interest is charged on the loan at 3% per annum. The loan is repayable on particular conditions or on the tenth anniversary of the loan if earlier.