18 March 2015

SYNETY Group plc
(the "Company")

Final Results

SYNETY Group plc (AIM: SNTY.L), a leading cloud-based software and communications business, is pleased to announce its final results for the year ended 31 December 2014. The Annual Report for the year ended 31 December 2014 will be published today on the Company's website at www.synety.com.

The Annual Report and Notice of Annual General Meeting will be posted to shareholders in due course.

Financial Highlights

- 247% year-on-year increase in Annualised Recurring Revenue
- 26% year-on-year increase in Recurring Revenue per User
- Revenue up 198% to £1.63m
- Gross profit up 217% to £1.18m
- Operating loss before non-recurring items increased to £5.35m
- Cash and cash equivalents of £2.36m

Operational Highlights

- Successful US launch
- Launch of CloudCall Chrome plug-in
- Signed up first CloudCall Chrome client

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Executive Chairman's statement

It has been another strong year for Synety, with a near threefold increase in revenue, a successful launch in the US, a 26% year on year increase in Recurring Revenue per User (RRPU) and the launch of our CloudCall Chrome plugin.

In the traditional software world, most companies do business by selling a "perpetual" licence for their software and reflect the entirety of that licence sale in their revenue line. However, Synety operates a cloud based model selling software as a service (SaaS) and recognises revenue, even for a customer that has signed up for a 12 or 24 month contract, one month at a time. By way of an example, a customer that goes live in January is recognised as being worth 12 times as much in our annual revenue line as an identical customer who goes live in December. This is why we consider Annualised Recurring Revenue ("ARR") as an important determinant of how the business is doing, as opposed to simply looking at historical revenue.

In this respect, I'm particularly pleased not only by the year-on-year ARR growth of 247%, to break through the £3m mark, but also by the acceleration in growth over the latter part of the year, the 247% growth was delivered over the 4 quarters in the ratio 20% - 21% - 23% - 36%, demonstrating how the investments we have made throughout the year in sales and product innovation are starting to pay off.

The Q4 ARR growth was driven not only by greater sales activity but also by a significant increase in RRPU which we believe can be tracked directly back to product enhancements and a greater proportion of new and existing customers buying or upgrading to our flagship CloudCall Contact Centre product.

US Launch

Synety's US office in Boston has now been open for just over 8 months and early indications are encouraging, with orders received between the launch and the end of 2014 beating original management forecasts. To date, we have focused US sales on a limited number of CRM integrations, however, now that the US operations are starting to develop and show traction, the Board plans to increase marketing and target a wider number of CRMs, which should lead to increased sales activity in 2015.

The Board remains both confident and excited over the scale of the opportunity in the US.

Chrome Plugin Launch

The Group's new plug-in, CloudCall Chrome, was launched in December 2014. The Chrome plug-in sits within the Google Chrome web browser, and works with any browser based software running on it. This allows users to click-to-call directly from any webpage and online web-based CRM – even those that are not integrated with CloudCall.

Whilst the Board is excited as to the potential for Chrome, it is too early to provide any detailed commentary on its future. We have recently signed up Zoho CRM who are our first Chrome integrated CRM and feedback from early trialists has been particularly encouraging.

The Board expects to provide further information on this new product during 2015.

Quarterly Trading Statements

Going forward, the Board is committed to publishing a trading statement, including an unaudited Key Performance Indicators (KPI) update, on a quarterly basis.

Trading Update Calendar 2015	
Q1	28th April 2015
Q2	21st July 2015
Q3	20th October 2015
Q4	19th January 2016

Looking Forward

The combined positive effects of our investment in a larger sales operation in the UK, which has helped drive an increase in RRPU, and our small scale but successful launch in the US, are beginning to be demonstrated in the KPIs.

While disappointed that progress has been slower than originally anticipated, the Board is encouraged by the KPIs and what we believe to be the significant opportunity in our marketplace. The Board is excited about the prospects for 2015 and are viewing Synety's future with optimism.

On behalf of all the Board, I would like to take this opportunity to say a huge thank you to all the staff of Synety for your exceptional hard work during the year. You should take pride in your achievements as the Company's progress to date is down to you.

Simon Cleaver
Executive Chairman

Financial Review

2014 continued to build on the foundations laid down by the Group in 2013. The results for the year ended 31 December 2014 show revenues increasing approximately threefold to £1.63m from £0.55m (2013). The Group saw operating losses before non-recurring items climb to £5.35m from £3.04m (2013). The increased loss for the year was in line with our revised expectations, and reflects the continuing investments being made in product development, strengthening the technical hub, launching in the US and further increasing UK sales and marketing. Recurring revenue continued to build throughout 2014, albeit not as quickly as our original estimates, due in the main to implementation on-boarding times lengthening as customers became larger and more complex.

Period-end cash and cash equivalents at 31 December 2014 were £2.36m (2013: £2.30m). Operating cash outflows of £4.31m (2013: £2.22m) were offset by net cash inflows from financing activities (see below) of £4.89m.

Total equity attributable to shareholders was £2.27m at 31 December 2014 (2013: £2.37m). The major elements comprise cash and cash equivalents of £2.36m together with intangible assets of £0.80m and goodwill of £0.34m recognised in respect of the acquisition of Synety Limited in September 2012, offset by £1.4m of contingent consideration due on this acquisition, payable in September 2015.

On 8 April 2014 shareholders approved the issue of 2,000,499 new ordinary shares in the Company, pursuant to a placing and open offer at a price of 250 pence each to raise a total of £5.0m before fees and expenses in order to continue to fund the Group's expansion.

As part of the acquisition of Synety Limited, deferred contingent consideration of up to 740,861 shares in the Company may become payable, subject to the business meeting certain growth targets. The Board considers it likely that these targets will be met and, with the share price movement seen in 2014, this has resulted in an exceptional charge of £0.2m in the 2014 income statement (2013: £0.71m).

Key Performance Indicators

During the course of 2014, the Group continued to publish its quarterly KPIs, allowing all stakeholders to monitor the key metrics and chart progress as the Group moves forward. The definitions of these six key measures being published quarterly can be found in the Group's Report and Accounts. The calendar for publication of 2015 data can be found above.

With two years of underlying activity, the business continues to deliver strong upward growth in user numbers and ARR.

The Group closely monitors the relationship between ARR, a forward-looking KPI measure, customer billing and the resulting revenue booked. Annualised revenue booked runs slightly ahead of annualised recurring billing as a result of non-recurring revenues such as hardware and set-up fees. Customer billing lags slightly behind the ARR figure as customer orders take time to be provisioned and then go-live. This process for the larger customers typically is running at 6-8 weeks from receipt of order, although some larger customers can take longer due to the complexity of their installation. Typically the lag between ARR and billing / revenue will widen in months of high sales activity (until provisioning catches up). Billing revenue will also fluctuate as the actual number of working days in a month will have an impact on customers' telecom spend.

Key Performance Indicators (KPIs)

Key Performance Indicators (KPIs)					
	31 Dec 2012	31 Dec 2013	31 Dec 2014	**Growth in 2014**	28 Feb 2015
Annualised Recurring Revenue (ARR)	£0.15m	£0.87m	£3.02m	**+247%**	£3.46m

No of End Users	564	2,678	7,705	**+188%**	8,779
Recurring Revenue Per User	£22.80	£24.10	£30.48	**+26%**	£30.73
Av. New Users per Month	55	224	419	**+87%**	537
No of Licences	794	5,160	19,221	**+272%**	23,798
Av. Users per Customer	5.8	10.1	11.7	**+16%**	13.7
Please see the Company's R&A for definition of these KPIs – Source: Company's own unaudited KPI analysis					

- **Annualised Recurring Revenue (ARR)** – this forward looking measure captures the future locked in visible recurring revenue expected from existing customers and signed orders over the coming 12 months, and has grown from £0.87m at the end of 2013, to £3.02m at the end of 2014. In 2015 (28 February) a further £0.44m has been added to this number.

- **Number of End Users** – up 188% year-on-year in 2014 and a further 14% to 28 February 2015.

- **Recurring Revenue Per User** – has increased from £24.10 at the end of 2013, to £30.48 at the end of 2014 - a strong increase which shows the increasing value being delivered to our customers as new products and functionality become available.

- **Average New Users per Month** – average monthly user acquisition doubled in 2014, and initial numbers for 2015 to 28 February 2015 are very encouraging.

- **No of Licences** – up 272% year-on-year in 2014, and a further 24% to 28 February 2015.

- **Av Users Per Customer** – continuing the upward trend from 10.1 at the end of 2013 to 11.7 at the end of 2014, with a further significant increase in 2015 (to 28 February) showing clearly the increasing size of our customers. The average monthly users per customer in the last 3 months (to 28 February 2015) is 25, demonstrating clearly the evolution of the customer base towards larger companies, which in the longer term offer greater economies of scale, resulting in enhanced margins and opportunities for expansion revenues.

Risk Management

The Group is exposed to a number of potential risks which may have a material effect on its reputation, financial or operational performance. It is not possible to identify or anticipate every risk that may affect the Group, or the materiality of that risk.

The Board has overall responsibility for risk management and internal controls and is supported by the Audit Committee. For further details see the Corporate Governance section below.

Operational risks

Key areas for on-going risk management are:

- Revenues - The business remains early stage and the prospects of the Group continue to be dependent upon the development of the revenue model. Through the Group's performance dashboards, the Board monitors incoming orders, and customer account provisioning on a daily basis, while revenue is tracked and analysed on a monthly basis. The Group keeps its pricing and sales commission models under constant review, and discounts are monitored and approved on a case by case basis.

- Business continuity – The Group is dependent on the efficient functioning of its internal systems and website as well as accessibility to the wider internet infrastructure, key systems and assets on which they depend. Business disruption contingency plans are prepared and reviewed, and work continues to improve the resilience of our systems and core platform.

- Staff retention and recruitment – given the importance of know-how, no individual has sole responsibility for any critical element of the Group's business, albeit the loss of certain key personnel would clearly be disruptive to the business. Staff retention is encouraged by a range of staff benefits including share based incentive plans, health care, pensions and death in service benefits. Staff performance is regularly reviewed and training and support provided wherever necessary.

- Commercial partners – the Group has partnerships and agreements with a number of third parties. Whilst these partnerships are secured by contracts and in most cases alternative partners could be found in the medium to longer term, a loss of support or disruption of service from any partner could have a short term detrimental impact on Synety's reputation and business. The Group continues to actively monitor its commercial partners, and works with them to ensure commercial and geo-political risks are minimised.

Financial Risks

The major financial risks faced by the Group are liquidity risk, market risk, currency risk and credit risk. The Board regularly reviews these risks and approves policies covering overall risk limits and the use of financial instruments where appropriate to manage financial risk.

Liquidity risk

The key liquidity risk facing the Group continues to be the sufficiency of working capital until profitable trading is established. The Board has detailed business plans, including cash flow projections, which it keeps under regular review, at least monthly, to ensure the adequacy of working capital at all times. The Group does not have any external borrowings or financial obligations or guarantees in respect of its subsidiary undertakings.

The Group's growth plans require additional funding to enable its internal targets to be met. Whilst the directors are confident of obtaining such funding, they have also prepared contingency plans to enable cost savings to be made to ensure that the Group can continue to meet its liabilities as they fall.

Market risks

Currency risk

The greater part of the Group's revenues and costs are denominated in sterling, however the Group is exposed to foreign exchange risk, principally through cash flows incurred in US dollars by the Group's US subsidiary. The foreign exchange risk is partly addressed by matching income and costs denominated in US dollars. Management closely monitors exchange rate fluctuations and will use forward contracts when considered appropriate to reduce this risk.

Credit risk

The Group's billing cycle ensures minimal credit risks as customers pay monthly which minimises the amount of credit outstanding. Each account has an individually assigned credit limit which, if breached, results in suspension of service until the account is paid or revised credit agreed. There were no balances representing over 10% of the total trade receivables at the year end. The Group's funds are held at Santander Bank, a AAA rated bank, reducing credit risk in this area.

Paul Williams
Chief Financial Officer

Consolidated Income Statement and Statement of Comprehensive Income

For year ended 31 December 2014 (audited)

	Before non-recurring item Group 2014 £000	Non-recurring item Group 2014 £000	After non-recurring item Group 2014 £000	After non-recurring item Group 2013 £000
Revenue	**1,629**	**-**	**1,629**	547
Cost of Sales	**(445)**	**-**	**(445)**	(173)
Gross Profit	**1,184**	**-**	**1,184**	374
Sales and marketing expenses	**(1,505)**	**-**	**(1,505)**	(648)
Administrative expenses	**(3,735)**	**(196)**	**(3,931)**	(2,752)
Share based payments	**(269)**	**-**	**(269)**	(216)
Total administrative expenses	**(4,004)**	**(196)**	**(4,200)**	(2,968)
Research & development expenses	**(1,026)**	**-**	**(1,026)**	(509)
Operating loss	**(5,351)**	**(196)**	**(5,547)**	(3,751)
Financial income	**25**	**-**	**25**	10
Financial expenses	**-**	**-**	**-**	(1)
Net financing income/(expense)	**25**	**-**	**25**	9
Loss before tax	**(5,326)**	**(196)**	**(5,522)**	(3,742)
Taxation	**257**	**-**	**257**	159
Loss for the year attributable to owners of the parent	**(5,069)**	**(196)**	**(5,265)**	(3,583)
Other comprehensive income				
Foreign exchange translation differences	**-**	**-**	**-**	-
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**(5,069)**	**(196)**	**(5,265)**	(3,583)
Earnings / (Loss) per share (£)				
Basic & fully diluted loss per share	**(0.64)**	**(0.03)**	**(0.67)**	(0.67)

Consolidated Statement of Financial Position

At 31 December 2014 (audited)

	Group 2014 £000	Group 2013 £000
Non-current assets		
Investment in subsidiaries	**-**	-
Property, plant and equipment	**646**	266
Goodwill	**339**	339
Other intangible assets	**801**	1,110
	1,786	1,715
Current assets		
Inventories	**70**	23
Trade and other receivables	**480**	155
Research & development tax credit receivable	**194**	95
Cash and cash equivalents	**2,359**	2,300
	3,103	2,573
Total assets	**4,889**	4,288
Current liabilities		
Trade and other payables	**(988)**	(467)
Liabilities classified as held for sale	**(50)**	-
Contingent consideration	**(1,407)**	-
	(2,445)	(467)
Non-current liabilities		
Deferred tax liabilities	**(176)**	(239)
Contingent consideration	**-**	(1,211)
Total liabilities	**(2,621)**	(1,917)
Net assets	**2,268**	2,371
Equity attributable to shareholders		
Share capital	**1,686**	1,266
Share premium	**56,761**	52,288
Translation reserve	**-**	-
Warrant reserve	**29**	33
Retained earnings	**(56,208)**	(51,216)
Total equity attributable to shareholders	**2,268**	2,371

Consolidated Statement of Changes in Equity

For year ended 31 December 2014 (audited)

Group	Share capital £000	Share premium £000	Translation reserve £000	Warrant reserve £000	Retained earnings £000	Total equality attributable to shareholders £000
Balance at 1 January 2013	986	50,654	-	34	(47,850)	3,824
Loss For the period	-	-	-	-	(3,583)	(3,583)
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(3,583)	(3,583)
Equality settled share based payments transactions	-	-	-	(1)	217	216
Issue of equity shares	280	1,634		-	-	1,914
Balance at 31 December 2013	1,266	52,288	-	33	(51,216)	2,371
Balance at 1 January 2014	1,266	52,288	-	33	(51,216)	2,371
Loss for the period	-	-	-	-	(5,265)	(5,265)
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(5,265)	(5,265)
Equity settled share based payments transactions	-	-	-	(4)	273	269
Issue of equity shares	420	4,473	-	-	-	4,893
Balance at 31 December 2014	**1,686**	**56,761**	**-**	**29**	**(56,208)**	**2,268**

Consolidated Cash Flow Statement

For year ended 31 December 2014 (audited)

	Group 2014 £000	Group 2013 £000
Cash flows from operating activities		
Loss for the period	**(5,265)**	(3,583)
Adjustments for:		
Depreciation and amortisation	**474**	390
Fair value contingent consideration	**196**	710
Loss on disposal of property, plant and equipment	**2**	-
Financial income	**(25)**	(10)
Financial expenses	**-**	1
Equity settled share-based payment expenses	**269**	216
Taxation	**(257)**	(159)
Operation loss before changes in working capital and provisions	**(4,606)**	(2,435)
Decrease/(Increase) in trade and other receivables	**(325)**	24
Decrease/ (Increase) in inventory	**(47)**	(10)
(Decrease)/ Increase in trade and other payables	**571**	197
Cash absorbed by operations	**(4,407)**	(2,224)
Tax received	**95**	-
Net cash absorbed by operating activities	**(4,312)**	(2,224)
Cash flows from investing activities		
Net interest received	**25**	9
Acquisition of property, plant and equipment	**(547)**	(91)
Development expenditure capitalised and other intangible assets acquired	**-**	(12)
Net cash absorbed by investing activities	**(522)**	(94)
Cash flows from financing activities		
Net proceeds from the issue of share capital	**4,893**	1,914
Net cash from financing activities	**4,893**	1,914
Net (decrease)/increase in cash and cash equivalents	**59**	(404)
Cash and cash equivalents at start of period	**2,300**	2,704
Cash and cash equivalents at end of period	**2,359**	2,300

1. GENERAL INFORMATION

The preliminary financial information does not constitute full accounts within the meaning of section 434 of the Companies Act 2006 but is derived from accounts for the years ended 31 December 2014 and 31 December 2013. The figures for the year ended 31 December 2014 are audited. The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year ended 31 December 2014. Those accounts, upon which the auditors issued an unqualified opinion, did not include a reference to any matters to which the auditors drew attention by way of emphasis, without qualifying their report, and made no statement under section 498(2) or (3) of the Companies Act 2006, will be delivered to the Registrar of Companies following the Annual General Meeting.

Statutory accounts for the year ended 31 December 2013 have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis, without qualifying their report, and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), this announcement does not in itself contain sufficient information to comply with IFRSs.

Synety Group plc is incorporated and domiciled in the United Kingdom.

2. SIGNIFICANT ACCOUNTING POLICIES

Going concern

The accounts have been prepared on a going concern basis.

The Group made a loss of £5,265k after non-recurring items in the year ended 31 4. As at 31 December 2014 the Group had cash reserves of £2,359k.

The Directors have prepared projections covering three years. Such forward looking projections are inevitably subjective and sensitive to changes in the underlying assumptions and the Directors have sensitised these projections, in particular to factor in a delay in the growth of revenue. These projections, as sensitised, indicate that, based on the assumptions underlying the projections, sufficient working capital will be available to settle liabilities as they fall due for at least 12 months from the date of approving these accounts.

The Group's growth plans require additional funding to enable its internal targets to be met, and the availability of such funding is a critical assumption in the projections. Whilst the directors are confident of obtaining such funding, they have also prepared contingency plans to enable cost savings to be made to ensure that the Group can continue to meet its liabilities as they fall due.

For these reasons, the Directors have adopted the going concern basis in preparing the annual financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. Entities are accounted for as subsidiary undertakings when the Group is exposed to, or has rights to variable returns through its involvement with the entity and it has the ability to affect those returns through its power over the entity. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred in a business combination is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

Provisional fair values are adjusted against goodwill if additional information is obtained within one year of the acquisition date, about facts or circumstances existing at the acquisition date. Other changes in provisional fair values are recognised through profit or loss.

Changes in contingent consideration arising from additional information, obtained within one year of the acquisition date, about facts or circumstances that existed at the acquisition date are recognised as an adjustment to goodwill. Other changes in contingent consideration are recognised through profit or loss, unless the contingent consideration is classified as equity. In such circumstances, changes are recognised within equity.

Employee benefits

Share-based payment transactions.

The Management Incentive Plan and Share Option Plan allow Group employees to acquire shares of the ultimate parent Company; these awards are granted by the ultimate parent Company. The fair value of options granted is recognised as an employee expense. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity. Amounts recharged to the subsidiary are recognised as a reduction in the cost of investment in subsidiary.