26 March 2013

Synety Group plc

Audited preliminary results for the year ended 31 December 2012

Synety Group plc ("the Company" or "the Group"), the cloud-based software and communications business, announces preliminary results for the year to 31 December 2012

Highlights

· **Completed acquisition of Synety Limited on 26 September 2012, for an initial consideration of £75,000 cash and £998,000 in ordinary shares in the Company**

· **Customer Relationship Market ("CRM") market is set to expand**

· **Good progress integrating with major CRM partners**

· **Fully exited from discontinued businesses and no further costs are expected**

· **Year end cash reserves of £2.7million**

"Early signs very are encouraging, with the number of 'seats' sold this year increasing month on month. We have already sold more seats this year than the whole of last year and are beginning to see that CloudCall's advanced, value adding telephone call services are capable of achieving good market share. The Board are viewing the medium term with some confidence." - Simon Cleaver, Executive Chairman.

Financial results

The results for the year show a significantly reduced loss of £1.71 million compared to £20.57 million in the year ended 31 December 2011. The loss includes the residual costs of £0.39 million incurred in exiting the business in which the Company had been engaged prior to the acquisition of Synety Ltd on 26 September 2012. Excluding that discontinued segment, the Company made a loss of £1.32 million after tax, on sales of £76,000 which arose since 25th September from the business acquired.

Year-end cash resources reduced to £2.7 million from £5.29 million at 31 December 2011 due principally to the cash costs associated with the acquisition of Synety of £0.57 million (including a payment of £0.15 million for a period of exclusivity to conduct due diligence, professional fees of £0.34 million in connection with the acquisition and re-admission of the Company's shares to AIM and £75,000 in respect of the cash element of the initial consideration) and operating cash (out) flows of

£2.39 million (2011: £6.61 million). We also invested £0.19 million in Synety Ltd's hardware. Cleared funds at 26 March 2013 amounted to £2.3 million.

Net assets or Total Equity attributable to shareholders were £3.82 million at 31 December 2012 (2011: £5.47 million). The major elements comprise cash and cash equivalents of £2.70 million together with intangible assets of £1.41 million and goodwill of which £0.34 million have been recognised on the acquisition of Synety Ltd.

The number of ordinary shares in issue on 1 January 2012 was 69,059,368. On 26 September 2012, shareholders approved a 20:1 consolidation of the ordinary share capital of the Company. As a result, the number of shares in issue immediately after the consolidation was 3,452,969 ordinary shares of 20 pence each ("Ordinary Shares"). A further 1,477,106 Ordinary Shares were issued as initial consideration for the acquisition of Synety Ltd bringing the current issued share capital to 4,930,075 Ordinary Shares.

Current Operations

As our 31st December year end only includes 3 months of trading since the Group's change of direction with the acquisition of Synety Ltd, and the statutory accounts largely reflect the Group's historical business activities, I thought it may be helpful to shareholders if we used this statement as an opportunity to provide an update on trading through to March 2013.

According to recently released data from analyst firm Gartner, "CRM (customer relationship management) software will be the top priority for additional spending on enterprise applications around the world this year and next , The category edged out ERP (enterprise resource planning), which took up the second-highest spot".

Whist most of these CRM and ERP systems are excellent at controlling and tracking the majority of customer interactions, many struggle with phone calls as they are traditionally handled by different systems. Synety's CloudCall® software integrates with CRM and other suitable software platforms to allow businesses to make and receive, record and log phone calls directly from within these platforms. All call recordings and logs are immediately accessible directly from the Customer record within the CRM.

Since acquiring Synety Ltd, our primary focus has therefore been on partnering and integrating with suitable CRM software companies. The positive response we have received from this market is very encouraging and has exceeded the Board's expectations. CRM companies clearly foresee a requirement and demand from their end users for the additional functionality that CloudCall provides.

To date integrated companies include;

- § Bullhorn
- § Lunar CRM
- § CallPro CRM
- § Microsoft Dynamics CRM
- § DealerWeb CRM
- § Outlook
- § Gmail
- § Salesforce.com
- § Intrabench CRM
- § Sugar CRM

In addition to the actual software providers, we have signed up over 25 integrators and resellers to our partner program.

The Board believes that since January this year, the combined customer base of the additional integrated CRM platforms has increased CloudCall's addressable market from around 10,000 seats to over 1million in the UK and over 5 million seats worldwide. Further integrations are expected to be announced shortly.

As we have now established a reasonable addressable market , and, whilst partner acquisition and integration will always be on-going, increased sales focus is starting to be directed to end user signup with a number of marketing initiatives, including a free 14 day trial, to be launched imminently.

The early signs from this activity are certainly very encouraging, with the number of 'seats' sold this year increasing month on month. We are beginning to see that CloudCall's set of advanced, value-added telephone call services are capable of achieving good market share and are viewing the medium term with some confidence.

At this time, it is still too early to accurately forecast the ultimate level of penetration CloudCall is likely to achieve, however, we hope be in a position to comment further in our interim statement for the 6 months to 30 June 2013, expected to be announced in September 2013.

To handle this increase in volume, work is being carried out to strengthen both our customer facing operations and platform infrastructure. Since acquisition, Synety's infrastructure has been enhanced to provide a scalable, "fully redundant", high availability platform that has capacity for over 100,000 seats.

The Board does not anticipate the need for further material capital expenditure in the UK in the medium term.

Finally, on behalf of the all the Board, I would like to take this opportunity to thank all our staff. The excellent progress we have accomplished during this 5 month period would not have been possible without their exceptional dedication and hard work.

Simon Cleaver

Executive Chairman

Further information

Simon Cleaver	Synety Group plc	+44 203 587 7188
Charlotte Stranner	FinnCap	+44 207 220 0569
David Bick/Mark Longson	Square1 Consulting	+44 207 929 559

Consolidated Income Statement

	Group 2012 £000	Group 2011 £000
Continuing operations		
Revenue	**76**	61
Cost of sales	**(47)**	(445)
Gross profit/(loss)	**29**	(384)
Other operating income	-	(9)
Sales & marketing expenses	**(38)**	(713)
Administrative expenses	**(795)**	(1,253)
Research & development expenses	-	(810)
Impairment loss on intangibles	-	(7,924)
Acquisition costs	**(522)**	-
Operating loss	**(1,326)**	(11,093)
Finance income	**10**	166
Finance expenses	**(18)**	(32)
Net finance income/(expense)	**(8)**	134
Loss before tax	**(1,334)**	(10,959)
Taxation	**18**	873
Loss from continuing operations	**(1,316)**	(10,086)
Discontinued operations		
Profit/(loss) from discontinued operations (net of income tax)	**(390)**	(10,484)
Loss for the year attributable to owners of the parent	**(1,706)**	(20,570)
		Restated for 20:1 consolidation
Basic and diluted loss per share(£)		
Loss per share - continuing operations	**(0.34)**	(2.92)
Loss per share - discontinued operations	(0.10)	(3.04)
Loss per share	(0.44)	(5.96)

Consolidated Statement of Comprehensive Income

	Group	Group
	2012	2011
	£000	£000
Loss for the period	**(1,706)**	(20,570)
Other comprehensive income/(expense)		
Foreign exchange translation differences on translation of foreign operations	**91**	(211)
Total comprehensive income/(expense) for the year	**(1,615)**	(20,781)

Consolidated Statement of Financial Position

	Group 2012 £000	Group 2011 £000
Non-current assets		
Investment in Subsidiaries	-	-
Property, plant and equipment	**256**	186
Goodwill	**339**	-
Other intangible assets	**1,407**	-
	2,002	186
Current assets		
Inventories	**13**	124
Trade and other receivables	**179**	382
Research & development tax credit receivable	-	158
Cash and cash equivalents	**2,704**	5,287
	2,896	5,951
Total assets	**4,898**	6,137
Current liabilities		
Trade and other payables	**(270)**	(663)
Total current liabilities	**(270)**	(663)
Non current liabilities		
Deferred tax liabilities	**(303)**	-
Contingent consideration	**(501)**	-
Total liabilities	**(1,074)**	(663)
Net assets	**3,824**	5,474

Equity attributable to equity owners of the parent

	2012	2011
Share capital	**986**	691
Share premium	**50,654**	49,951
Translation reserve	-	2,336
Warrant reserve	**34**	134
Retained loss	**(47,850)**	(47,638)
Total equity attributable to owners of the parent	**3,824**	5,474

Consolidated Statement of Changes in Equity

Group	**Share capital £000**	**Share premium £000**	**Translation reserve £000**	**Warrant reserve £000**	**Retained earnings £000**	**Total equity £000**
Balance at 1 January 2011 restated in Sterling	691	49,951	2,547	134	(26,210)	27,113
Loss for the period	-	-	-	-	(20,570)	(20,570)
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	-	-	(211)	-	-	(211)
Total comprehensive income for the year	-	-	(211)	-	(20,570)	(20,781)
Equity settled share based payments transactions	-	-	-	-	(858)	(858)
Balance at 31 December 2011	691	49,951	2,336	134	(47,638)	5,474
Balance at 1 January 2012	**691**	**49,951**	**2,336**	**134**	**(47,638)**	**5,474**
Loss for the year	-	-	-	-	**(1,706)**	**(1,706)**
Other comprehensive income						-
Foreign exchange differences on translation of foreign entities	-	-	**91**	-	-	**91**
Total comprehensive income for the year	-	-	**91**	-	**(1,706)**	**(1,615)**
Transactions with owners of the Company, recognised directly in equity						
Equity settled share based payments transactions	-	-	-	**(100)**	**(271)**	**(371)**
Disposal			**(2,427)**		**1,765**	**(662)**
Issue of shares	**295**	**703**	-	-	-	**998**
Balance at 31 December 2012	**986**	**50,654**	-	**34**	**(47,850)**	**3,824**

Consolidated Cash Flow Statement

	Group 2012 £000	Group 2011 £000
Cash flows from operating activities		
Loss for the period	**(1,706)**	(20,570)
Adjustments for:		
Depreciation	**98**	446
Amortisation of intangible assets	**76**	119
Foreign exchange gains/(losses)	**112**	(276)
Impairment losses on intangible assets	-	7,924
Impairment loss on investment in subsidiaries	-	-
Loss on sale of property, plant and equipment	**72**	-
(Profit)/loss on discontinued operation, net of cash disposed of	**(978)**	5,881
Finance income	**(13)**	(166)
Finance expenses	**1**	32
Equity settled share-based payment credit	**(371)**	(262)
Taxation	**(16)**	(873)
Cash flows before changes in working capital and provisions	**(2,725)**	(7,745)
(Increase)/Decrease in trade and other receivables	**383**	1,691
(Increase)/Decrease in inventory	**115**	(186)
Increase/(decrease) in trade and other payables	**(321)**	(211)
Cash absorbed by operations	**(2,548)**	(6,451)
Tax received/(paid)	**159**	(157)
Net cash (outflow)/inflow from operating activities	**(2,389)**	(6,608)

	2012	2011
	£000	£000
Net cash (outflow)/inflow from operating activities	**(2,389)**	(6,608)
Cash flows from investing activities		
Interest received	**13**	50
Investment in subsidiaries	**(75)**	
Cash assumed on acquisition of subsidiary	**75**	
Acquisition of property, plant and equipment	**(188)**	(322)
Development expenditure capitalised and acquisition of other intangible assets	-	(1,585)
Net cash outflow from investing activities	**(175)**	(1,857)
Cash flows from financing activities		
Interest paid	**(1)**	-
Net cash inflow from financing activities	**(1)**	-
Net (decrease)/increase in cash and cash equivalents	**(2,565)**	(8,465)
Cash and cash equivalents at start of period	**5,287**	13,639
Effect of exchange rate fluctuations on cash held	**(18)**	113
Cash and cash equivalents at 31 December	**2,704**	5,287

Basis of preparation

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2012 or 2011 but is derived from those accounts. Statutory accounts for 2011 have been delivered to the registrar of companies, and those for 2012 will be delivered in due course. The auditors have reported on those accounts; the report for 2011 included an emphasis of matter paragraph in relation to a fundamental uncertainty on going concern. The report for 2012 (i) is unqualified, (ii) does not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) does not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial statements include the following notes:

Going concern

The accounts have been prepared on a going concern basis.

The Group made a loss of £1,706,000 in the year ended 31 December 2012. As at 31 December 2012 the Group had cash reserves of £2,704,000.

During 2012 the Company divested itself of, or closed down, the business previously carried on by the Group. On 26 September the Company acquired 100% of the issued share capital of Synety Ltd. The Directors have prepared projections covering the three years ending 31 December 2015. Such forward looking projections are inevitably subjective and sensitive to changes in the underlying assumptions. Accordingly, the Directors have sensitised these projections, in particular to factor in a delay in the growth of revenue. These projections, as sensitised, indicate that 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. Although the Directors consider that the sensitised forecasts present a worst case scenario, should these not be achieved then the Directors would make cost savings in order to match income with expenditure on a cash basis. This could include deferring certain capital expenditure associated with new markets. Additionally, they would investigate options for raising further cash if required.

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

Earnings per share

Restatement of earnings per share to reflect share consolidation

The number of ordinary shares in issue on 1 January 2012 was 69,059,368 ordinary shares of 1 pence each. On 26 September 2012, shareholders approved a 20:1 consolidation of the ordinary share capital of the Company. As a result, the number of shares in issue immediately after the consolidation was 3,452,969 ordinary shares of 20 pence each. The comparative figures for earnings per shares have been restated to reflect the consolidation.

Basic earnings per share

The calculation of basic loss per share - in relation to continuing operations as at 31 December 2012 resulting in a loss of £0.34 per share (2011: £2.92 loss) was based on the loss from continuing operations attributable to ordinary shareholders of £1,316,000. The calculation of basic loss per share in relation to both continuing and discontinued operations as at 31 December 2012 resulting in a loss of £0.44 (2011: £5.96 loss) was based on the Loss for the year attributable to shareholders of £1,706,000 (2011: £10,086,000 and £20,570,000 respectively) and a weighted average number of ordinary shares outstanding during the period of 3,845,000 (2010:69,059,000), calculated as follows:

Thousands of shares	**2012 (000)**	2011 (000)
Issued ordinary shares at start of period	**69,059**	69,059
Shares in issue following 20:1 consolidation	**3,453**	
Issued for shares on 26 September 2012	**393**	-
Weighted average number of ordinary shares	**3,845**	69,059

Diluted earnings per share

The weighted average number of shares and the loss for the year for the purposes of calculating diluted earnings per share are the same as for the basic loss per share calculation. This is because the outstanding share options would have the effect of reducing the loss per share and would not, therefore, be dilutive under the terms of IAS 33.

The instruments that could dilute the basic earnings per share are as follows:

	2011	**Consoli-dation**	**Lapsed/ surrendered**	**Issued**	**2012**
	(000)	**(000)**	**(000)**	**(000)**	**(000)**
Warrants	160	**(152)**	-	**38**	**46**
Share options	7,734	**(7,347)**	**(273)**	**26**	**140**
Total potential dilutive instruments	7,894	**(7,499)**	**(273)**	**64**	**186**

Acquisition

The Company acquired 100% of the issued share capital of Synety Ltd on 26 September 2012 for an initial consideration of cash and shares; £75,000 cash and 1,477,106 ordinary shares at a price of 67.6p being the published price on the date of acquisition. The fair value of the initial consideration was £1,073,524.

In addition, contingent consideration of up to 740,861 ordinary shares will be due on 26 September 2015 dependent upon the number of users contracted to Synety Ltd at that time. The maximum contingent consideration will be due if more than 25,000 users are contracted and none will be due if less than 10,000 users are contracted at that date. A sliding scale applies between 10-25,000 users contracted. The fair value of the contingent consideration, which is included in financial liabilities, was £500,822, calculated at 740,861 ordinary shares to be issued at 67.6pence and based on sensitised projections of the numbers of users projected to be in place in September 2015.

The assets acquired comprised the following:

	£000
Intangible assets	**35**
Tangible fixed assets	**81**
Inventories	**4**
Amounts receivable	**77**
Cash and cash equivalents	**75**
Amounts payable	**(166)**
	107

There is no difference between the book and fair values of assets and liabilities acquired.

Acquired IPR of £1,448,000 and goodwill of £339,000 arose on the business combination. The most significant component of the goodwill acquired is the technical knowledge of individuals employed by Synety Limited. The goodwill is not tax deductible.

Deferred tax of £319,000 has been provided on the acquired IPR.

Directly attributable acquisition costs of £522,000 have been expensed through profit and loss as incurred.

Operating Segments

Following the cessation of its discontinued businesses and the acquisition of Synety Ltd during the year, the provision of hosted integrated telecommunications solutions comprises the sole continuing activity of the Group.

The Head office segment comprises the expenses of Synety Group plc relating to the head office function and Stock Exchange listing and related costs.

Discontinued comprises the results of Zenergy FCL Ltd and Zenergy Power Inc. to 31 December 2012 following a decision to close those companies, and Zenergy Power Pty Ltd up to 20 July 2012 when it was sold.

The accounting policies of all segments are consistent with the policies adopted by the remainder of the Group.

Information regarding each operating segment is included below. Segments are assessed based on revenues and loss before tax, as included in the management information that is reviewed by the Chief Operating Decision Maker. Inter-segment pricing is determined on an arm's length basis.

For the year ended 31 December 2012	Hosted telecomms solutions	Head office	Eliminations and restatements	Continuing	Discontinued
	£000	£000	£000	£000	£000
Revenue					
Sales to external customers	76	-	-	76	460
Total segment revenue	**76**	-	-	**76**	460
Result					
Segment result being loss from operations	(409)	(1,411)	494	(1,326)	(1,079)
Finance income	-	10	-	10	4
Finance expense	-	(18)	-	(18)	(181)
Loss before tax	**(409)**	**(1,419)**	**494**	**(1,334)**	(1,256)
Tax	18	-	-	18	-
Profit on disposals	-	-	-	-	866
Loss for the year	**(391)**	**(1,419)**	**494**	**(1,316)**	(390)
Balance sheet					
Segment assets	529	4,972	(603)	4,898	-
Segment liabilities	(813)	(700)	439	(1,074)	-
Net assets/(liabilities)	**(284)**	**4,272**	**(164)**	**3,824**	-
Other information					
Capital additions tangible and intangible	188	-	-	188	-
Depreciation and amortisation	13			13	84
Impairment loss on intangibles	-	-	-	-	-
Research and development	-	-	-	-	545