18 September 2018

CloudCall Group plc

("CloudCall" or the "Company")

Interim results announcement

Cloudcall announces its unaudited interim results for the six-month period ended 30 June 2018 (the "Period").

Key financial highlights:

- Strong trading during period
- Revenues up 30% to £4.0m (H1 2017: £3.1m) *
- Recurring revenues up 37% compared to H1 2017
- Annualised revenue run rate surpassed £9m in June 2018
- 89% of income now either recurring or repeating (H1 2017: 86%) **
- EBITDA loss (excl. share-based payments) widens to £1.5m (H1 2017: £1.2m) due to planned step change in investment
- £2.4m cash at end H1 2018 (FY 2017: £4.9m)
- £1.85m undrawn revolving credit facility with Barclays
- Net cash absorbed by operating activities up 23% to £1.7m (H1 2017: £1.4m)
- Positive trading continues into H2 with trading for the full year expected to be in line with management expectations

Key operational highlights:

- Significant platform and product development completed
- 27,000 users as at 30 June 2018 - up 34% (H1 2017: 20,162)
- 1,073 customers (H1 2017: 858)
- Average customer size – 25.2 users - up 7% (H1 2017: 23.5)
- Average contract length for new customers up to 20.4 months (H1 2017: 18 months)
- Increased investment takes headcount up to 141, up 40 from the end of H1 2017
- Phase 1 Instant Messaging & SMS functionality launched to Bullhorn customers during Q2 2018
- Broadcast SMS and Mobile enhancements for Bullhorn due for release in Q4 2018
- CloudCall Unified Communications for Salesforce and Microsoft Dynamics due for release in Q4 2018

* Revenue is stated after full retrospective adoption of IFRS 15 Revenue from Contracts with Customers. Impact is immaterial, with £9k reduction in H1 2018 (H1 2017: £66k reduction).

** Recurring revenue is that related to contracted subscription-based products. Repeating revenue is related to pay-as-you-go telephony revenue which, whilst not directly contracted, has a high degree of visibility and predictability.

Peter Simmonds, Non–executive Chairman, commented:

"I am pleased to report that results for the half year ended 30 June 2018 continue to reflect the good progress towards the strategic objectives set out by the board.

"The growth strategy continues to deliver high levels of revenue growth, most notably from our relationship with Bullhorn, a key channel partner and a leading recruitment sector CRM provider.
Growth rates across all the Group's key metrics for the period were as follows:

- Monthly recurring revenues up 37% compared to H1 2017
- Total revenues up 30% to £4.0m (H1 2017: £3.1m)
- Annualised revenue run rate surpassed £9m in June 2018
- Total users up 34% to 27,000 (H1 2017: 20,162)

"We continue to see growth in the number of end users adopting CloudCall's technology, further demonstrating the quality of our product. In addition, we have seen a clear trend that, once the CloudCall service is adopted by a customer, it subsequently gains significant traction and uptake across further users and departments and will soon have the extra revenue opportunities presented by the newly developed messaging platform.

"Following the equity fund raising in Q4 2017 the business has accelerated the completion of its new Unified Communications architecture and completed the first phase of its new Instant Messaging and SMS products.

"Also, in line with the stated plans, recruitment of additional partner development, business development, sales, and marketing resources have taken place in the period.

"These developments have positioned the business well to build a strong pipeline which will facilitate the continued growth of monthly recurring revenue through 2019.

"I would like to take this opportunity to thank all our staff for their drive and commitment which has enabled the business to move forward and strengthen its position. The board look forward to the remainder of 2018 and 2019 delivering on the clear and exciting growth strategy that has been set out for the business."

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Operational Review

Strategic Update

The recurring nature of SaaS revenues, means there is typically a lag between increasing investment and that investment showing in the revenue numbers - CloudCall is no different. Consequently, following our capital raise in Q4 last year, we focused on investing in the business during H1 2018 to secure our future and to lay the foundations for a marked acceleration in growth in 2019 and beyond - whilst 'keeping the home fires burning.'

I'm therefore pleased to report that the business has performed well during this period, with H1 2018 revenues 30% higher than those for the previous period, and new orders received at their highest level, 13% up on our previous high-water mark. Furthermore, we continued to see strong appetite from our existing customers whose volume of orders represents just over 40% of monthly sales. Sales in the US continue to grow strongly, and we expect to have surpassed last year's entire US new business sales figure by the time we get to the end of September.

However, what I'm particularly pleased to be able to report is that a significant amount of progress has been made behind the scenes with our platform, our product, and our sales and marketing processes, so much so that we now believe that we have laid the foundations to start delivering that acceleration in growth.

To reach this point we have invested in three areas;

1) **Investment in infrastructure**

   Work has taken place to rearchitect and expand both our UK and US platforms. This project which is now largely complete, not only makes the platform far more robust to de-risk the possibility of service outages but also increases our current capacity by an order of magnitude and, allows easier future scaling with only relatively incremental costs when required.

   This work was a vital precursor to allow us to scale the business in any serious manner.

   Reconfiguring and replacing servers and core network equipment on a SaaS platform with many thousands of live users is an extremely complex and painstaking task. I'd like to congratulate and thank our team who put substantial effort into successfully completing this work.

2) **Investment in product and development**

   In line with plans announced during the Q4 2017 fund raise, we have made a sizeable investment in our technical departments, most significantly in our product and software development teams which have seen 20 employees added between October 2017 and June 2018.

   As a direct consequence of this additional investment we successfully launched the first phase of our Unified Communications platform which adds messaging, both IM (instant messaging) and SMS (mobile text messages) to our product offering, on time and on budget.

‘Messaging’ is becoming an increasingly important part of the communications mix and is often the preferred communications method for many of the younger workforce. Whilst this growth in messaging is significant for all businesses, it’s especially pertinent for recruitment and staffing companies as they seek to attract younger candidates. The two most prevalent issues in the recruitment sector now are ‘candidate shortages’ and ‘improving candidate experience’. Our new messaging service plays into both.

CloudCall’s primary selling point is its deep integration with CRMs and the resulting ability to log and report on all communications activities. We therefore see little competition from traditional telecoms carriers who are only offering bland telecoms minutes products with no integration.

In recent months, we have increasingly seen prospective customers having to make purchasing decisions about whether to buy from unified communications providers offering a feature-rich service including messaging, albeit without a CRM integration, or from more limited voice-only service providers, but with a deep CRM integration. We are confident that our extensive and integrated product suite is a more attractive offering to customers than other competing providers of unified communications products that do not offer the same depth of CRM integration.

Just before the end of the period we launched phase one of messaging, which included person to person SMS and IM. Phase two, which includes broadcast or ‘mass’ messaging is scheduled for release in Q4 2018. I’m pleased to report that phase one has been well received and is being adopted by customers. However, we believe it will be phase two, with its ability to send large volumes of SMS that will drive our expected increase in ARPU.

Whilst we will continue to add features and services to our UC platform, we now believe that once phase two of messaging and our new mobile app (which includes UC messaging) are launched in Q4 we will have an extremely compelling and largely unique product offering. Development focus should therefore be turned to product distribution rather than pure product enhancement.

3) Investment in sales and marketing

We’ve made a considerable investment in sales and marketing where we have added 11 heads - most of whom have been recruited from the recruitment sector. Whilst recruitment and training took longer than we expected, the teams are now in place and organised into ‘pod-based’ structures that focus on their specific sectors and have in-depth knowledge of the CRMs that are sold from within their pod.

I believe this was a necessary step before we began to increase the number of CRMs we integrate with. Sales staff in a non-focused mass structure tend to migrate to the lowest hanging fruit, or the ‘next new CRM’ as opposed to building deep relationships and becoming experts in a sector. Without the investment providing more sales and marketing resources, this focused pod structure would not have been possible.

Our target market is tightly defined as the customers of the CRMs we integrate with. By investing in additional marketing headcount, we have been able to refocus marketing on the CRMs and each ‘pod’ is now aligned with a partner marketing manager with responsibility for lead generation for that pod.

We have also created new partner programs that further incentivise partners to proactively recommend CloudCall to their customers. Whilst still very early days, this approach seems to be working well particularly with Microsoft Dynamic CRM partners. Bullhorn are also considering ways in which we could work more closely, looking to increase the number of their customers using CloudCall.

CRM integrations

For some time, we've focussed on a limited number of CRMs and Bullhorn in particular. Whilst this strategy has been very successful and allowed us to grow the business whilst we improve our product and systems, inevitably we will need to add additional CRM partners if we are to grow more quickly.

In 2017 we launched our Unified architecture which was specifically designed to simplify our code base and allow us to integrate with additional CRMs in a cleaner and more consistent manner. With the investments discussed above, we now believe we are well placed to successfully expand the number of CRMs we integrate with in a controlled and efficient manner.

We have therefore recently launched a specialist integrations team and are in advanced discussions with a number of other recruitment CRMs who are keen to recommend CloudCall to their customers and take advantage of our enhanced partner program.

Cash

We finished the half year with £4.8m of effective available cash made up from £2.9m cash at bank - including £0.6m from our annual R&D tax rebate received the first week of July - and £1.9m available from an undrawn Barclays revolving credit facility. Reported gross cash burn during the half was £2.5m, a figure that includes £0.7m of capex and other one-off operating costs items associated with the above investment.

The resulting operating cash burn, adjusting for these one-time items and capex is now running at approx. £330k per month, with £200k of that £330k coming as a direct result of the investments made since the Q4 2017 raise. Growth in sales income is offsetting some of these operating cost increases now, so monthly operating cash burn exiting H1 2018 is effectively only £120k higher than the pre-investment level.

Cash-flow continues to be under control, and we remain confident that we have sufficient cash to support the business plan.

Outlook

As discussed above, the first half of 2018 has been all about ensuring that the business continued to perform well, whilst at the same time making key investments in our platform, product, and our sales and marketing capabilities to underpin future growth.

Having now successfully put much of these foundations and structures in place, I am confident that trading remains in line with expectations for the full year 2018 and that we will additional benefits in 2019 as we continue to deliver on our ambitious plans.

Simon Cleaver
Chief Executive Officer

Financial Overview

Revenues grew by 30% from £3.1m to £4.0m in 1H 2018. The Group's H1 2018 revenues continue to be solely driven by sales of its voice-only products to new and existing customers. Initial customer uptake of the new Instant Messaging and SMS services is not yet feeding into the revenues as the product only launched at the tail-end of the half.

Recurring revenue from subscription-based services grew 37% in H1 2018 compared to the same period last year.

With 89% of revenues that are either recurring or repeating in nature, up from 86% at the same point last year, revenues continue to be highly visible and predictable. This predictability and stickiness of revenues is further evidenced by an increasing number of new customers signing up for longer initial contracts (average contract length for new customers signed up in 2018 to date is 1.7 years and climbing, compared to 1.5 years for the same period last year).

Furthermore, contract renewals from our existing customers are slightly increased in H1 2018, with 25 customers renewing during the period, compared to 21 for the same period last year, further improving revenue visibility, predictability and customer retention.

Annualised revenue run rate surpassed £9m in June 2018.

Revenues are presented after a full retrospective restatement for the impact of IFRS 15 Revenue Recognition standards taking effect from 1 January 2018.

Gross margin was 79.7% in H1 2018, slightly down from 80.3% in the corresponding period. The Group's continued focus on delivering more value-adding network discovery, training and implementation services to our new customers, together with better partner management and more efficient procurement of upstream telecoms capacity continues to underpin a strong and stable gross margin in the region of 80%. The ongoing management of its cost of sales has enabled the Group to maintain gross margins, whilst remaining competitive on pricing for its core integrated telephony products.

Gross operating costs grew from £4.0m in H1 2017 to £5.3m in H1 2018. Growth in gross operating expenditure of 32% compared to the same period last year is to be viewed in the context of a significant amount of additional investment in the business, much of which flows through as increased operating expenditure before that investment eventually starts to have an impact in terms of increased revenues. The additional investment was mainly raised to invest in new product development, increased sales and marketing resources and market expansion through increased CRM integrations.

Broadly, the additional funds raised during Q4 2017 have so far been deployed into the operating expenses as follows: investment in new staff (sales, marketing, technical and software development); additional rent of larger premises in Belarus and a new sales and marketing facility in London, and increased direct marketing spend.

Operating expenditure is shown in the financial statements net of the amount qualifying for re-classification to the balance sheet under IAS 38 rules (Capitalisation of Software Development Costs). In H1 2018, this is £564k (H1 2017: £328k).

EBITDA (loss) before share-based payments was £1.5m, up by 29% from £1.2m in H1 2017.

Development costs capitalised £0.56m (H1 2017: £0.33m). Increasing investment to accelerate the development of new and improved products and applications and the protection of the intellectual property of such development work was a key reason for raising funds in Q4 2017.

Further to the adoption of IAS 38, the Group confirms that, because of new products coming into service during since the adoption of the policy, IAS 38 related amortisation charged in H1 2018 amounted to £73k (1H 2017: £3k).

Further details can be found in Note 4 - intangibles.

The Company has no outstanding debt (H1 2017: £0.9m) and a net financing expense of £39k (H1 2017: £41k). The Company's revolving credit facility ("RCF" or the "Facility") with Barclays provides borrowing facilities of up to £1.85 million for a 3-year term. Interest is set at 7.45% above 3-month LIBOR rate for funds drawn. Funds can be drawn as required by the Company, typically for fixed periods of 3, 6 or 12 months. Interest is payable upon settlement of each tranche drawn. The Facility also incorporates a non-utilisation fee whereby undrawn funds are charged at a rate of 2.98% per annum. The facility is secured over the assets of the Group.

As at 30 June 2018 there were no funds drawn down from the Facility.

The Group had £2.4m cash at the end of the period (H1 2017: £1.5m). The Group's balance sheet includes an R&D tax credit receivable of £0.88m of which £0.58m was received into cash on 4 July 2018. This, combined with cash at bank and the available headroom from the Barclays RCF, provides the Company with effective available cash of £4.8 million.

Net cash absorbed by operating activities was £1.7m in H1 2018 (H1 2017: £1.4m). This figure is expected to increase further in the short-term as the Group's operating expense growth continues to outpace revenue growth as funds raised in Q4 2017 continue to be invested. Operating cash burn is likely to peak during H2 2018, before beginning to reduce as operating expense growth levels off and revenue growth starts to feed in.

During H1 2018, the Group incurred £321k of capital expenditure other than intangibles, up from £45k in H1 2017. Capital expenditure growth is the direct result of relocation to a new larger office in Minsk, Belarus, and other equipment refreshes and resilience related activities that were planned as a consequence of the funding received in Q4 2017.

Total issued share capital at the year-end comprised 24,145,746 ordinary shares of 20 pence each. During the half year period, the Company received new capital amounting to £68k in relation to exercised share options, resulting in the issue of 76,242 ordinary shares.

Loss per share for the half year period was 6.6 pence (H1 2017: 6.2 pence).

The Directors confirm that, as disclosed in Note 2, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

By order of the board

Simon Cleaver
Chief Executive Officer

Paul Williams
Chief Financial Officer

Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June 2018 £000	Unaudited Six months ended 30 June 2017 (restated) £000	Audited Year ended 31 December 2017 (restated) £000
Revenue	4,043	3,118	6,814
Cost of sales	(821)	(614)	(1,371)
Gross profit	3,222	2,504	5,443
Operating costs	(4,771)	(3,709)	(7,366)
Loss from operating activities before depreciation, amortization and share-based payment charges	(1,549)	(1,205)	(1,923)
Depreciation and amortisation	(181)	(237)	(477)
Share based payment charges	(115)	(54)	(140)
Operating loss	(1,845)	(1,496)	(2,540)
Net financing expense	(39)	(41)	(73)
Loss before tax	(1,884)	(1,537)	(2,613)
Taxation	300	299	569
Loss for the period attributable to owners of the parent	(1,584)	(1,238)	(2,044)
Other comprehensive income			
Exchange differences on translation of foreign operations	(31)	76	70
Other comprehensive income	(31)	76	70

Total comprehensive income for the period attributable to owners of the parent	**(1,615)**	**(1,162)**	**(1,974)**
Loss per share (pence)			
Basic & fully diluted loss per share	**(6.6)**	**(6.2)**	**(9.9)**

Consolidated Statement of Financial Position
At 30 June 2018

	Unaudited Six months ended 30 June 2018 £000	Unaudited Six months ended 30 June 2017 (restated) £000	Audited Year ended 31 December 2017 (restated) £000
Non-current assets			
Property, plant and equipment	494	257	281
Goodwill	339	339	339
Other intangible assets	1,511	549	1,020
	2,344	1,145	1,640
Current assets			
Inventories	7	24	7
Trade and other receivables	1,716	1,364	1,457
Research & development tax credit receivable	880	889	580
Cash and cash equivalents	2,350	1,457	4,872
	4,953	3,734	6,916
Total assets	7,297	4,879	8,556
Current liabilities			
Trade and other payables	(1,473)	(1,340)	(1,300)
Bank loan < 12 months	-	(900)	-
Total liabilities	(1,473)	(2,240)	(1,300)
Net assets	5,824	2,639	7,256
Equity attributable to shareholders			
Share capital	4,829	4,012	4,814
Share premium	66,382	61,788	66,329
Translation reserve	(8)	29	23
Warrant reserve	29	29	29

Retained earnings	**(65,408)**	**(63,219)**	**(63,939)**
Total equity attributable to shareholders	**5,824**	**2,639**	**7,256**

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Share capital £000	Share premium account £000	Translation reserve £000	Warrant reserve £000	Retained earnings £000	Total equity attributable to shareholders £000
Balance at 1 January 2017 (as previously stated)	4,012	61,788	(47)	29	(61,937)	3,845
Restatement – IFRS 15	-	-	-	-	(98)	(98)
Balance at 1 January 2017 (as restated)	4,012	61,788	(47)	29	(62,035)	3,747
Loss for the period	- -	-	-	-	(1,238)	(1,238)
Other comprehensive income						
Exchange differences on translation of foreign operations	-	-	76	-	-	76
Total comprehensive income for the year	-	-	76	-	(1,238)	(1,162)
Transactions with owners recognised in equity:						
Equity settled share based payments	-	-	-	-	54	54
Balance at 30 June 2017	4,012	61,788	29	29	(63,219)	2,639
Balance at 1 July 2017 (as previously restated)	4,012	61,788	29	29	(63,083)	2,775
Restatement – IFRS 15	-	-	-	-	(136)	(136)
Balance at 1 July 2017 (as restated)	4,012	61,788	29	29	(63,219)	2,639
Loss for the period	-	-	-	-	(806)	(806)
Other comprehensive income						
Exchange differences on translation of foreign operations	-	-	(6)	-	-	(6)
Total comprehensive income for the year	-	-	(6)	-	(806)	(812)
Transactions with owners recognised in equity:						
Equity settled share based payments	-	-	-	-	86	86
Issue of equity shares	802	4,931	-	-	-	5,733
Issue costs of equity shares	-	(390)	-	-	-	(390)
Total transactions with owners recognised in equity	802	4,541	-	-	86	5,429
Balance at 31 December 2017	4,814	66,329	23	29	(63,939)	7,256
Balance at 1 January 2018 (as previously restated)	4,814	66,329	23	29	(63,809)	7,386
Restatement – IFRS 15	-	-	-	-	(130)	(130)
Balance at 1 July 2017 (as restated)	4,814	66,329	23	29	(63,939)	7,256
Loss for the period	-	-	-	-	(1,584)	(1,584)
Other comprehensive income						
Exchange differences on translation of foreign operations	-	-	(31)	-	-	(31)
Total comprehensive income for the year	-	-	(31)	-	(1,584)	(1,615)
Transactions with owners recognised in equity:						
Equity settled share based payments	-	-	-	-	115	115
Issue of equity shares	15	53	-	-	-	68
Total transactions with owners recognised in equity	15	53	-	-	115	183
Balance at 30 June 2018	4,829	66,382	(8)	29	(65,408)	5,824

Consolidated Cash-flow Statement

	Unaudited Six months ended 30 June 2018 £000	Unaudited Six months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
Cash flows from operating activities			
Loss before tax for the period	**(1,584)**	**(1,238)**	(2,044)
Adjustments for:			
Depreciation and amortisation	**181**	**237**	477
Foreign exchange losses on operating activities	**-**	**-**	84
Financial expenses	**39**	**41**	73
Equity settled share-based payment expenses	**115**	**54**	140
Taxation	**(300)**	**(299)**	(569)
Operating cashflow before changes in working capital and provisions	**(1,549)**	**(1,205)**	(1,839)
Increase in trade and other receivables	**(259)**	**(342)**	(490)
Decrease in inventory	**-**	**3**	21
Increase in trade and other payables	**135**	**188**	164
Cash absorbed by operations	**(1,673)**	**(1,356)**	(2,144)
Tax received	**-**	**-**	579
Net cash absorbed by operating activities	**(1,673)**	**(1,356)**	(1,565)
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(321)**	**(45)**	(170)
Development expenditure capitalised	**(564)**	**(328)**	(910)
Net cash absorbed by investing activities	**(885)**	**(373)**	(1,080)
Cash flows from financing activities			
Net interest paid	**(39)**	**(41)**	(73)
Proceeds from the issue of share capital	**68**	**-**	5,34
Repayment of loan	**-**	**-**	(900)
Net cash from financing activities	**29**	**(41)**	4,370
Net (decrease)/increase in cash and cash equivalents	**(2,529)**	**(1,770)**	1,725
Cash and cash equivalents at start of period	**4,872**	**3,169**	3,169
Effect of exchange rate fluctuations on cash held	**7**	**58**	(22)
Cash and cash equivalents at end of period	**2,350**	**1,457**	4,872

1. Accounting policies and basis for preparation

The condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with the presentation, recognition and measurement requirements of applicable International Financial Reporting Standards adopted by the European Union ('IFRS') except that the Group has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK Groups listed on AIM.

The financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2017 which are prepared in accordance with International Financial Reporting Standards and International Reporting Interpretations Committee pronouncements as adopted by the European Union.

Except as described below, the accounting policies applied in these condensed consolidated interim financial information for the six months ended 30 June 2018 are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. The effect of initially applying these standards is noted below.

The Group's 2017 annual report provides full details of significant judgements and estimates used in the application of the Group's accounting policies. There have been no significant changes to these judgements and estimates during the period.

The financial information included in this document is unaudited and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2017 are the Group's statutory accounts for that financial year as restated for the application of IFRS 15. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has applied IFRS 15 using the full retrospective method (adopting all practical expedients); under which the Group has applied all of the requirements of IFRS 15 to each comparative period presented and adjusted the 2017 comparatives within the 2018 condensed consolidated interim financial information. Substantially all of the Group's revenue is within the scope of IFRS 15, and the only change to the timing of revenue recognition is in respect of set up fees which are treated as part of the on going performance obligation in the contract, therefore the revenues and costs associated with these fees are recognised ove r the life of the

contracts with customers rather than being recognised as incurred as previously treated. Under IFRS 15 revenue is recognised when a customer obtains control of goods or services in line with identifiable performance obligations.

Under IFRS 15, the Group has deferred set up fee income of £233k and prepaid associated costs of £98k, with the net impact on the income statement for the six months ended 30 June 2018 being an increase in the loss of £5k. The following table summarises the impacts of adopting IFRS 15 on the Group's interim statement of financial position as at 30 June 2018 and statement of comprehensive income for the six months ended 30 June 2018.

Impact on the interim consolidated statement of financial position

	As reported £000	Adjustments £000	Amounts without adoption of IFRS 15 £000
Current assets			
Trade and other receivables	1,716	98	1,618
Current liabilities			
Trade and other payables	(1,473)	(233)	(1,240)
Equity attributable to shareholders			
Retained earnings	(65,408)	(135)	(65,273)

Impact on the interim consolidated statement of comprehensive income

	As reported £000	Adjustments £000	Amounts without adoption of IFRS 15 £000
Revenue	4,043	(9)	4,052
Operating costs	(4,771)	4	(4,775)

Reconciliation of equity

	1 January 2017 £000	30 June 2017 £000	31 December 2017 £000
Equity as previously reported	3,845	2,775	7,386
IFRS 15 adjustments	(98)	(136)	(130)
Equity as reported	3,747	2,639	7,256

Reconciliation of loss for the financial period

	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Loss for the period as previously reported	(1,200)	(2,012)
IFRS 15 adjustments	(38)	(32)
Loss for the period as reported	(1,238)	(2,044)

IFRS 9 Financial Instruments

IFRS 9 applies a forward-looking impairment model that replaces the current applicable incurred loss model. In contrast to the complex and rules based approach of IAS 39, the new hedge accounting requirements provide an improved link to risk management and treasury operations and will be simpler to apply. The adoption of IFRS 9 did not have a material impact on the Group's consolidated results or financial position and does not require a restatement of comparative figures.

The fair value of each category of the Group's financial instruments approximates to their carrying value. Where financial assets and liabilities are measured at fair values the measurement hierarchy, valuation techniques and inputs used are consistent with those used at 31 December 2017. There were no movements between different levels of the fair value hierarchy in the year.

2. Going concern

The Group made a loss of £1,615k in the six months ended 30 June 2018. As at 30 June 2018 the Group had cash reserves of £2,350k, and an average monthly cash absorption by operations for the half-year to date of £272,000. The Group balance sheet at 30 June 2018 shows an outstanding R&D tax credit receivable of £880,000, of which £578,000 was received into the Company's bank account on 4 July 2018.

The Directors have prepared projections covering two years. Such forward looking projections are inevitably subjective and sensitive to changes in the underlying assumptions and the Directors have sensitised these projections accordingly, 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 Directors remain confident in their assertion that the current trajectory of the Group's sales income, combined with expense restraint, existing cash at bank, and other expected cash inflows, is enough to deliver the Group to cash break-even without the need to raise further funds. The Group also has a £1.85m revolving credit facility with Barclays until July 2020 which is currently unutilised. This, together with a successful track record in raising new capital, are key factors in providing further comfort that the Group will have sufficient access to the funding it needs to execute its strategy and meet its financial commitments.

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

3. Taxation

Recognised in the Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June 2018 £000	Unaudited Six months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
Current income tax			
Overseas income tax charge for the current year	**-**	-	-
R&D tax credit	**300**	300	580
Adjustments in respect of prior periods	**-**	-	-
Total tax credit recognized in the current period	**300**	299	569

4. Intangible assets

	Goodwill	Patents & trademarks	Acquired IPR	Software development costs	Total
	£000	£000	£000	£000	£000
Cost					
Balance at 1 January 2017	339	12	1,448	180	1,979
Internally developed	-	-	-	328	328
Balance at 30 June 2017	339	12	1,448	508	2,307
Internally developed	-	-	-	564	564
Balance at 31 December 2017	339	12	1,448	1,090	2,889
Internally developed	-	-	-	564	564
Balance as at 30 June 2018	**339**	**12**	**1,448**	**1,654**	**3,543**
Amortisation					
Balance at 1 January 2017	-	(12)	(1,228)	(35)	(1,275)
Amortisation for the period	-	-	(141)	(3)	(144)
Balance as at 30 June 2017	-	(12)	(1,369)	(38)	(1,419)
Amortisation for the period	-	-	(79)	(32)	(111)
Balance at 1 July 2017	-	(12)	(1,448)	(70)	(1,530)
Amortisation for the period	-	-	-	(73)	(73)
Balance as at 30 June 2018	**-**	**(12)**	**(1,448)**	**(143)**	**(1,603)**
Net Book Value					
At 30 June 2017	339	-	79	470	888
At 31 December 2017	339	-	-	1,020	1,359
At 30 June 2018	**339**	**-**	**-**	**1,511**	**1,850**

The acquired IPR arose on the acquisition of Cloudcall Limited and represents the fair value of the proprietary software developed within Cloudcall.

5. Loss per share

	Unaudited Six months ended 30 June 2018 000's	Unaudited Six months ended 30 June 2017 000's	Audited Year ended 31 December 2017 000's
Issued ordinary shares at start of period	24,080	20,060	20,060
Shares issued for cash	24	-	578
Weighted average number of ordinary shares	24,104	20,060	20,638
	£000	**£000**	**£000**
Loss attributable to ordinary shareholders	(1,584)	(1,238)	(2,044)
	Pence	**Pence**	**Pence**
Loss per share			
Basic and fully diluted loss per share	(6.6)	(6.2)	(9.9)