27 March 2019

CloudCall Group plc
("CloudCall" or the "Company")

Final Results for the Year Ended 31 December 2018

INVESTMENTS DRIVING ACCELERATION IN USER GROWTH

CloudCall (AIM: CALL), a leading cloud-based software business that integrates communications technology into Customer Relationship Management (CRM) platforms, is pleased to announce its audited full year results for the year ended 31 December 2018.

Key financial highlights

- Recurring revenues up 34% compared to 2017
- Total revenues increased 28% to £8.8m (2017: £6.8m)
  - US revenues increased 44% year-on-year
- Total number of end-users up 33% to 31,343 as at 31 December 2018 (2017: 23,520)
- Net new monthly users added in H2 2018 accelerated to 724 on average (o/w Q3 = 673 and Q4 = 775)
- Gross margin reduced slightly to 78.4% (2017: 79.9%), with gross profit up 26% to £6.9m (2017: £5.4m)
- EBITDA* losses widened by 50% to £2.9m (2017: £1.9m), consistent with investment strategy
- Losses per share increased to 12.9 pence (2017: 9.9 pence loss per share)
- Cash and cash equivalents £0.9m (2017: £4.9m)
- Successful January placing raising £2.2m (net of expenses) giving effective available cash of £5.0m including an unused revolving credit facility of £1.85m
- Net cash absorbed by operating activities up 52% year on year to £2.4m

**excluding share-based payments*

Key operational highlights

- The Group continues to make strong progress on its strategy based around 4 key pillars of growth
  - Developing messaging functionality to sell to existing users
  - Establishing a route to market through the Microsoft Dynamics CRM and Salesforce.com channel partners
  - A deeper strategic partner relationship with Bullhorn
  - Building integrations and commercial relationships with other CRM platforms in the recruitment vertical
- Instant Messaging / SMS functionality launched in Q4'18
- CloudCall's Microsoft Dynamics Partner Programme launched in Q4'18 following successful product launch
- Bullhorn's Account Manager Referral Programme for CloudCall successfully pilots in Q4'18 ahead of a wider roll-out in Q1 2019
- CloudCall's Easy-integrator toolkit to facilitate more effective CRM integrations is available for deployment in Q1 2019 with the next integration partners already identified

Outlook

- The fundamental principles of our growth strategy have always been about building a deeply integrated and relevant unified communications service and taking that to market through a network of committed and incentivised CRMs and their ecosystem of referral partners. Coming into 2019 with a compelling and innovative product offering and a rapidly expanding partner channel means we are very well positioned to execute our strategy.
- With a strong balance sheet and a focussed and effective growth strategy centred around 4 key growth pillars, the Board remains confident of achieving the stated growth plans for the year ahead, evidenced by a strong start to 2019.

Simon Cleaver, Chief Executive Officer of CloudCall, commented:

"The investments that we have made, and are continuing to make in our 4 key growth pillars have, as expected, increased our operating costs and cash-burn, but were always likely to have only limited impact on 2018 revenues. Despite this, we were delighted to see ourselves, for the second year running, positioned as one of the UK's fasted growing tech companies by the Financial Times.

I am, however, hugely encouraged to see the early impact of those investments coming through towards the end of the year. With this investment ongoing, and accelerating in some key areas, having effectively removed some of the cash constraints from the business with successful placings in late 2017 and early 2019, we are well placed to deliver on our growth plans with a high degree of confidence in the future."

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Investor presentation webcast
In addition, the Company will host a webcast and presentation for investors at 11.00am on Wednesday 27 March following publication of the full year results. Investors wishing to join the webcast are invited to log into the following website approximately 10 minutes prior to the commencement of the webcast. The webcast will provide an opportunity for investors to ask questions directly to the team.
https://www.cloudcall.com/webinars/

A replay of the webcast will be made available on CloudCall's website shortly after the event:
https://www.cloudcall.com/investor/rule26/

Annual Report
The Annual Report for the year ended 31 December 2018 will be published today on the Company's website at www.cloudcall.com. The Annual Report will be posted to shareholders that have requested hard copies in due course and the Company will notify its shareholders once this has occurred.

Annual General Meeting
The Annual General Meeting of the Group will take place on Monday 20 May 2019 at 11.00 am at the offices of Cloudcall Group plc, 1 Colton Square, Leicester LE1 1QH.

Chairman's statement
I am pleased to report on a strong set of results for the year ended 31 December 2018 that show excellent progress towards the focussed strategic objectives agreed by the board.

Financial highlights
- Total revenues up by 28% to £8.8m compared to £6.8m in FY 2017
- Monthly recurring revenues up by 34% compared to FY 2017
- Total users increased by 33% since 31 December 2017
- Annualised revenue run rate through £10m based on Q4 2018 revenues
- Strong SaaS metrics

Four pillars of growth
2018 saw the growth strategy concentrated around four growth pillars:

- Developing messaging functionality to sell to existing users
- Establishing a route to market through the Microsoft Dynamics CRM and Salesforce.com channel partners
- A deeper strategic partner relationship with Bullhorn
- Building integrations and commercial relationships with other CRM platforms in the recruitment vertical

Good progress was made against each of these growth objectives during the year and will continue to be the focus as we move into 2019.

Product development, scalability and customer retention
The key to long term success in an annuity revenue business is maintaining a high LTV:CAC ratio, which clearly requires effective sales and marketing, client satisfaction and ongoing client revenue growth in order to be achieved and maintained.

I am pleased to report that the relationship with our key strategic partner (Bullhorn CRM) has deepened globally during 2018 and is now providing a much higher quality of qualified lead flow. Focus on client satisfaction and client retention has seen improving metrics in this area and the introduction of new messaging functionality should provide even more opportunities for enhancing average revenues per user as we move forward.

Balance sheet
During 2017 we were able to report that the Company's lender, Barclays, agreed to provide a new revolving credit facility of £1.85m which together with a new share placing completed in late 2017 raising £5.7m (before fees and expenses), provided the board with confidence in the ability to invest in further product development, business development and wider CRM partner distribution during 2018.

This investment has delivered growing monthly revenues, increasing product capabilities, increased user growth and retention, all of which combine to give the board confidence that the focussed growth strategy is delivering tangible progress on all the key metrics set out in its plan.

Following the feedback received from certain attendees at a capital markets presentation in January 2019, the board concluded that it was appropriate to increase the Company's cash reserves through a further

placing of £2.2m (net of fees). This balance sheet strengthening leaves the business well placed to deliver in 2019 and to invest further – particularly in the US – to help execute on the four pillars growth strategy whilst still taking a prudent view on future earnings.

In light of the recent escalation of uncertainty surrounding Brexit, in addition to the increased focus on US sales and partner channel development, the Board have decided to advance its plans to safeguard current and future incomes from European customers. This includes some platform development to be able offer compliant data segregation and Euro billing for all of its services.

2018 saw no changes at board level and a board effectiveness exercise during the year showed no major areas of weakness although the process highlighted several areas for continuous improvement.

I would like to take this opportunity to thank all our staff for their drive and commitment throughout the year and look forward to 2019 being another year of strong progress against the clear and exciting growth strategy that has been set out for the business.

Outlook

With a strong balance sheet and a focussed and demonstrably effective growth strategy, the board continue to have confidence that the business is well placed to deliver long term shareholder value.

Peter Simmonds
Non-executive Chairman
CloudCall Group plc

Chief Executive's review

Performance overview and financial highlights

With most Software as a Service (SaaS) businesses, development and acquisition costs are accrued upfront but income is spread over the customers' lifetime. Therefore, there is a balance that needs to be struck between investing for customer acquisition to deliver growth, investment in the product, which is vital for customer retention and future growth, and cash generation or burn.

In CloudCall's case, in line with our stated strategy when we successfully raised capital at the end of 2017, 2018 has been a year of significant investment in new product and expanding our sales and marketing capabilities to lay strong foundations for future growth in 2019 and beyond.

The results presented here are very much reflective of that investment being made.

However, I am pleased to be able to report that not only have we achieved considerable success in delivering on this strategy, this has been achieved whilst still delivering a growth rate that keeps CloudCall within the Top 20 fastest growing technology companies in the UK according to the recently published FT 1000 list of Europe's fastest growing companies.

In numerical terms, growth continues strongly with an overall 28% increase in revenue compared to the prior year. Behind this headline growth, our core recurring revenue streams grew by 34%, and our US operation performed strongly, contributing an overall 44% increase in revenue. Our North American operation now contributes one third of our overall revenues.

I am particularly pleased to see momentum building through H2 2018 and even though it is very early in the year, this momentum continues into 2019. There are four areas where we hope to see further acceleration in 2019 and I refer to these investments as the 'four pillars of growth' and provide more details below.

Investing for growth
Two of the key metrics that we monitor closely are 'Total Users' and 'Net User Growth' which is the number of new users signed-up, less any lost or 'churned' users within that same period. We believe these metrics give a more appropriate basis for calculating future growth and revenues than simply using an extrapolation of historical income, which can give a distorted view due to timings.

	H1 2018	Q3 2018	Q4 2018
Total Users	27,000	29,018	31,343
Net User Growth (average per month)	580	673	775

It is pleasing to see the considerable acceleration in Net User Growth over the course of 2018 (and shown in the table above) and I believe that this level of acceleration clearly validates our strategy and demonstrates that the investments we have been making are starting to bear fruit.

However, the investments made are really targeted at 2019, and I hope to see further acceleration in net user growth being driven from these four key areas.

Our four pillars of growth

1. Developing messaging functionality to sell to existing users
I believe there can be little doubt that messaging is playing an increasingly important role within the communications mix, and it was therefore essential that we developed a messaging service to maintain our competitive advantage. In July 2018 we launched Version 1 (v1) of our internal messaging (IM) and SMS service, which allowed users to have one-to-one conversations. This was a feature light stepping stone towards v2 that allows customers to simultaneously send SMS messages to multiple end users from lists complied within our partner CRMs and for all messages to synchronise with CloudCall Go! - our mobile app.

By the end of the period, v1 had achieved penetration of just under 5% of our customer base, which had little impact on revenue as this version only allows users to send single SMS. With v2, users can broadcast many SMS messages at once, creating a much greater opportunity to increase monthly spend.

Version 2 has now been launched on Bullhorn and we are witnessing very encouraging levels of interest and take-up from both existing and new customers - particularly in the US. As we plan to roll this functionality out to our other CRM partners, this is a key target for growth for 2019.

2. Establishing a route to market through Microsoft Dynamics CRM and Salesforce.com channel partners
Microsoft Dynamics CRM and Salesforce.com are two of the world's largest CRMs and collectively represent over 30% of global CRM spend. During the period, we rebuilt our voice integrations for both CRMs on the new unified platform and work is ongoing to add messaging services. Once that work is complete (expected Q2 2019), we will be able to offer a deeply integrated, unified communications solution for both these global CRMs. This combination should provide a competitive advantage over many of our competitors that also integrate with these CRMs.

In H2 2018 we successfully piloted our new partner program and successfully signed up several Microsoft Dynamics partners. Furthermore, this channel partner program will be rolled out to potential Salesforce.com

partners, enabling us to adopt a more proactive approach to marketing to Salesforce.com customers, which for the past couple of years has been purely reactive.

Once the work on the unified communications ("UC") integrations is complete, we plan to turn up the marketing activity for both CRMs, looking to expand upon the successful partner trials we have been running.

3. A deeper strategic partner relationship with Bullhorn

Our key relationship with Bullhorn continues to grow in strength and importance. During 2018, in addition to growing their customer base organically by over 20%, Bullhorn continued with their roll-up strategy and acquired recruitment software firms Talent Rover, JobScience and Invineas – further increasing their customer base and our addressable market.

To date, Bullhorn have maintained an agnostic approach to partners with lead flows primarily coming from their website based 'partner marketplace'. However, following a successful trial in H2 2018, Bullhorn have selected CloudCall as one of a small number of non-competing partners to proactively market to their customer base.

This activity is expected to ramp up in 2019.

4. Building integrations and commercial relationships with other CRM platforms

CloudCall's market is made up of the customers of our CRM integration partners, and within those customer bases we have a distinct competitive advantage due to a lack of competing service providers that integrate as deeply as CloudCall. Over the last 18 months, our platform has been re-architected to enable it to integrate with additional CRMs consistently, quickly and easily. Therefore, our final pillar of growth for 2019, is to expand our available market and accelerate growth by integrating with additional CRMs.

To ensure these new CRMs proactively participate in marketing CloudCall's services to their customers, CloudCall has developed a market leading partner program that includes a commission structure that partners pay on to their sales teams for recommending CloudCall. Whilst we anticipate this partner program will have slight detrimental effect on gross margins, we believe it will be instrumental in attracting partners and driving sales leads.

In the latter part of 2018, conversations were had with a considerable number of CRMs – many of which specialise in recruitment – who wish to offer the CloudCall service to their customers.

However, to maintain focus and to optimise marketing spend, it has been necessary to limit the number of partnerships we can currently accept. We have prioritised CRMs that have little or no competition for our services and who agree to provide the commercial commitment that comes from having their development team assist with the integration and to actively market CloudCall to their customer bases.

Integration and marketing plans are now well underway with this first tranche of new CRMs whose customers will be able to benefit from CloudCall's full UC service combining voice and messaging features. Over the coming months and throughout 2019 we expect to make further announcements about these new partners.

Our culture

CloudCall's core values place the customer at the heart of what we do. Our strategy is based around a desire to help customers get more from their commercial data by providing easy to use and powerful communications tools that are deeply integrated into their CRM systems. To that end, we work hard to ensure that we take the time to understand our customers' businesses and pride ourselves on being able to react quickly and effectively to all their needs. Despite being a technology company, CloudCall prides itself

on being a caring, customer-focused services company first and foremost, and our staff are encouraged and trained to act accordingly.

Like all businesses, CloudCall operates in an environment that is not free from risks or uncertainties. The nature and complexity of the services it provides can present technical challenges that carry a certain element of commercial risk, and the company is naturally exposed to external market, geo-political and compliance related risks that are not necessarily within its control. CloudCall works diligently to identify, monitor and mitigate all risks and uncertainties.

The Board is committed to promoting a healthy corporate culture that ensures its staff are motivated, challenged and happy working together for the mutual benefit of all the Company's stakeholders. Staff engagement and ongoing satisfaction levels are routinely monitored through a series of regular one-to-one meetings and regular company meetings held on a quarterly basis to help to ensure inclusivity and awareness of company-wide strategy and objectives and our ongoing progress.

Over the year, staff numbers increased from 119 to 148, reflective of the investment we are making in our product and sales and marketing capabilities. As mentioned above, we continue to focus on creating a caring and inclusive culture and improvements we have made, and continue to make, in staff mentoring, training and ongoing support mechanisms are contributory to improved skill levels, higher staff satisfaction levels and good staff retention. Our charity and community initiatives continue to be highly valued and well supported by our staff and we remain keen to ensure all staff have equal opportunity to participate in these worthwhile activities.

We remain focused on our objective to ensure CloudCall remains a responsible employer, creating valuable and skilled jobs and being a caring neighbour wherever it is represented around the world. We continue to believe that success in this area generates significant benefits for employees, customers, partners and members of our local communities alike.

Outlook

The investments that we have made, and are continuing to make, in our 4 key growth pillars were always likely to have only limited impact on revenue growth in 2018. That said, it is encouraging to see early indications of the impact those investments will make in the future coming through towards the end of the year. Having effectively removed some of the cash constraints from the business with successful placings in late 2017 and early 2019, and following a successful UK pilot, we have elected to accelerate investment in our US sales and marketing partner channels for Microsoft Dynamics and Salesforce.com. Furthermore, in 2019 we are accelerating planned investments in our enterprise account management capabilities, and in those parts of our platform that help to secure future revenues from post-Brexit European customers, such as Euro billing and data segregation. With all of this, we are now poised to deliver on our ambitious growth plans with a high degree of confidence in the future, and I am pleased to report a strong start to 2019.

Simon Cleaver
Chief Executive Officer
Cloudcall Group plc

Financial review

Revenue

Revenues grew by 28% from £6.8m to £8.8m in 2018

The Group derives all its revenues from the provision of unified communications software and services to customers in the UK, mainland Europe and North America. In 2018, the Group's North American operation increased its overall share of the Group's revenues to 33%, delivering strong growth with revenues up 44% to £2.9m (from £2.0m in 2017). The UK and mainland Europe operation grew by 22% to £5.9m (from £4.8m in 2017). Recurring revenue from subscription-based software services grew by 34% in 2018 compared to the prior year. Based on an extrapolation of Q4 revenues, the annualised revenue run rate is now above £10m.

During 2018, the Group was able to grow recurring revenues from its existing customer base by 18%, which when offset by customer cancellations and user reductions yielded a net 3% overall recurring revenue growth from its existing customer base. Strong recurring revenue growth from new customers during 2018, underpinned by this net revenue growth from the existing customer base supports the Board's ongoing view that its strategy to focus on several key CRM partnerships, as well as investing for growth from both its US new business sales operations and the existing customer base continues to deliver positive results.

Gross margin

Gross margin reduced from 79.9% in 2017 to 78.4%

Gross margin reduced slightly in 2018 because of three main factors. Firstly, hardware sales are increasingly being undertaken on an "at cost" basis. CloudCall is not a pure-play hardware vendor, and for the most part simply looks to use its buying power to source and supply cost effective hardware on behalf of its customers. Although customers that require hardware are increasingly able to source that equipment at competitive prices elsewhere, purchasing their hardware from CloudCall enables it to be configured correctly by CloudCall engineers on installation, and returned in the event of any issues. Secondly, partner commissions are slightly higher as an overall percentage of recurring revenues compared to last year as we continue to grow business from our core partner, Bullhorn, and as the new referral partner program began to establish itself in the latter part of 2018. Finally, customer set-up fees and professional services, which are effectively reported at 100% gross margin, were flat year on year in absolute terms, a factor which will be responsible for an element of overall gross margin reduction.

Operating costs excluding depreciation, amortisation and share based payments

Operating costs grew from £7.4m to £9.8m in 2018

Growth in operating expenditure of 32% year-on-year in the context of a 28% growth in revenues for the same period was the anticipated consequence of a period of significant investment deployed to generate accelerated revenue growth in the future. Following the placing in late 2017, it was clearly signalled that fresh investment would lead to greater operating expenditure and increased operating losses in the short-term, as the investment took time to flow through to increased revenue.

Reported operating costs should be read in the context of a further £1.1m (2017: £0.9m) of costs incurred in the development of new products and services and capitalised to the balance sheet under IAS 38. The adjusted operating cost including this expenditure would have been £10.9m (2017: £8.3m), an increase of 31% against the IAS 38 adjusted operating spend in 2017. The increased IAS 38 qualifying expenditure is reflective of ongoing investment being made in new product development.

EBITDA (loss) before share-based payments was £2.9m, up by 50% from £1.9m in 2017.

Research and development costs

Development costs capitalised £1.12m (2017: £0.91m)

Investment in the development of new and improved products, features and applications and the integral intellectual property of such development work is considered key to the preservation of CloudCall's competitive position.

To that end, the Group continues to invest in product development and continued to adopt the accounting treatment set out in IAS 38 (Intangible Assets) for the ongoing capitalisation of research and development costs through 2018.

The Group confirms that, as a result of new products coming into service since the policy was implemented, IAS 38 related amortisation charged in 2018 was £241k (2017: £35k).

Debt and financing expenses

The Group has no outstanding debt (2017: £nil) and a financing expense of £88k (2017: £73k)

The Group continues to maintain a revolving credit facility ("RCF" or the "Facility") with Barclays which provides borrowing facilities of up to £1.85 million for a 3-year term set to expire in July 2020. 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 31 December 2018 the Facility was fully undrawn.

The Board remains committed to maintaining its borrowing facilities going forward and will review the existing arrangements with a view to renewal or replacement at an appropriate point before the expiry of the current facility.

Because there were no material changes to its debt position during 2018, nor were there any drawings against its current facility, the Group's net financing expense was slightly increased at £88k compared to £73k in 2017 reflective of the switch from a smaller term loan to a larger RCF in July 2017.

Cash and working capital

The Group had £0.9m net cash at the end of the year (2017: £4.9m).

Available cash, including the Barclays facility, was £2.8m on 31 December 2018.

The Group's balance sheet also includes an R&D tax credit receivable of £0.64m. As has been the case in recent years, this is expected to be received in cash in June or July 2019.

Net cash absorbed by operating activities was £2.4m, up from £1.6m in 2017. This increase in cash absorption is the direct consequence of additional investment related expenditure incurred during the year.

During 2018, the Group incurred £450k of capital expenditure other than intangibles, up from £170k in 2017. Whilst the Group continues to leverage a greater proportion of web-based service providers such as AWS to host some of its core technology services, planned capital expenditure climbed significantly during 2018 due to the fit-out costs for a new larger office in Minsk, Belarus, and successful hardware refreshes carried out to both our UK and US technology platforms.

In January 2019, the Company successfully placed of 2.4m shares at 100 pence to raise new capital of £2.4m (before fees and expenses) predominantly for the purpose of strengthening the balance sheet. Including the net amount raised in the available cash balances at year-end gives an adjusted available cash figure of £5.0m, including the Barclays Facility.

Share capital

Total issued share capital at the year-end comprised 24,181,062 ordinary shares of 20 pence each.

During the year, the Company received £91k gross proceeds from exercised share options.

In January 2019, the Company successfully raised new capital amounting to £2.4m (before fees and expenses) expressly for the purpose of strengthening its balance sheet and in turn, further de-risking the Group's strategy.

This new capital raise was fulfilled by the issue of 2,400,000 new ordinary shares in the Company, at a price of 100.0 pence per share.

Loss per share and dividends

Loss per share for the year was 12.7 pence (2017: 9.9 pence).

As the business continues to be in a pre-profit, high-growth, investment phase, the Board does not recommend the payment of a dividend (2017: nil).

Going concern

The Directors confirm that 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.

Paul Williams
Chief Financial Officer
Cloudcall Group plc

Financial Statements

Consolidated Statement of Comprehensive Income

For year ended 31 December 2018

	Notes	2018 £000	2017 (restated) £000
Revenue	4	**8,751**	6,814
Cost of sales		**(1,889)**	(1,371)
Gross profit		**6,862**	5,443
Operating costs	5	**(9,752)**	(7,366)
Loss from operating activities before depreciation, amortisation and share based payment charges		**(2,890)**	(1,923)
Depreciation and amortisation		**(490)**	(477)
Share based payment charges		**(224)**	(140)
Operating loss		**(3,604)**	(2,540)
Finance expense		**(88)**	(73)
Loss before tax		**(3,692)**	(2,613)
Taxation	6	**630**	569
Loss for the year attributable to owners of the parent		**(3,062)**	(2,044)
Other comprehensive income			
Exchange differences on translation of foreign operations		**(50)**	70
Other comprehensive income		**(50)**	70
Total comprehensive income for the year attributable to owners of the parent		**(3,112)**	(1,974)
Loss per share		**Pence**	Pence
Basic and fully diluted loss per share	10	**(12.7)**	(9.9)

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 £000	2017 (restated) £000
Non-current assets			
Property, plant and equipment		**482**	281
Goodwill	7	**339**	339
Other intangible assets	7	**1,897**	1,020
		2,718	1,640
Current assets			
Inventories		**-**	7
Trade and other receivables		**1,857**	1,457
Research & development tax credit receivable		**640**	580
Cash and cash equivalents		**927**	4,872
		3,424	6,916
Total assets		**6,142**	8,556
Current liabilities			
Trade and other payables		**(1,697)**	(1,300)
Total liabilities		**(1,697)**	(1,885)
Net assets		**4,445**	7,256
Equity attributable to shareholders			
Share capital	9	**4,836**	4,814
Share premium account		**66,384**	66,329
Translation reserve		**(27)**	23
Warrant reserve		**29**	29
Retained earnings		**(66,777)**	(63,939)
Total equity attributable to shareholders		**4,445**	7,256

Consolidated Statement of Changes in Equity

For year ended 31 December 2018

	Share capital	Share premium account	Translation reserve	Warrant reserve	Retained earnings	Total equity attributable to shareholders
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2017	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 year	- -	-	-	-	(2,044)	(2,044)
Other comprehensive income						
Exchange differences on translation of foreign operations	-	-	70	-	-	70
Total comprehensive income for the year	-	-	70	-	(2,044)	(1,974)
Transactions with owners recognised in equity:						
Equity settled share based payments	-	-	-	-	140	140
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	-	-	140	5,483
Balance at 31 December 2017 (as restated)	4,814	66,329	23	29	(63,939)	7,256
Loss for the year	**-**	**-**	**-**	**-**	**(3,062)**	**(3,062)**
Other comprehensive income						
Exchange differences on translation of foreign operations	**-**	**-**	**(50)**	**-**	**-**	**(50)**
Total comprehensive income for the year	**-**	**-**	**(50)**	**-**	**(3,062)**	**(3,112)**
Transactions with owners recognised in equity:						
Equity settled share based payments	**-**	**-**	**-**	**-**	**224**	**224**
Issue of equity shares	**22**	**69**	**-**	**-**	**-**	**91**
Issue costs of equity shares	**-**	**(14)**	**-**	**-**	**-**	**(14)**
Total transactions with owners recognised in equity	**22**	**55**	**-**	**-**	**224**	**301**
Balance at 31 December 2018	**4,836**	**66,384**	**(27)**	**29**	**(66,777)**	**4,445**

Consolidated Cash Flow Statement

For year ended 31 December 2018

	2018	2017 (restated)
	£000	£000
Cash flows from operating activities		
Loss for the year after tax	**(3,062)**	(2,044)
Adjustments for:		
Depreciation and amortisation	**490**	477
Foreign exchange (gains)/losses on operating activities	**(67)**	84
Financial expenses	**88**	73
Equity settled share-based payment expenses	**224**	140
Taxation	**(630)**	(569)
Operating loss before changes in working capital	**(2,957)**	(1,839)
Increase in trade and other receivables	**(400)**	(490)
Decrease in inventory	**7**	21
Increase in trade and other payables	**397**	164
Cash absorbed by operations	**(2,953)**	(2,144)
Tax received	**570**	579
Net cash absorbed by operating activities	**(2,383)**	(1,565)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(450)**	(170)
Development expenditure capitalised	**(1,118)**	(910)
Net cash absorbed by investing activities	**(1,568)**	(1,080)
Cash flows from financing activities		
Net interest paid	**(88)**	(73)
Net proceeds from the issue of share capital	**77**	5,343
(Repayment)/proceeds from loans	**-**	(900)
Net cash from financing activities	**(11)**	4,370
Net increase in cash and cash equivalents	**(3,962)**	1,725
Cash and cash equivalents at start of period	**4,872**	3,169
Effect of exchange rate fluctuations on cash held	**17**	(22)
Cash and cash equivalents at end of period	**927**	4,872

Notes to the financial statements

1. Preliminary announcement
The preliminary announcement set out above does not constitute the Group's statutory financial statements for the years ended 31 December 2018 or 2017 within the meaning of section 434 of the Companies Act 2006 but is derived from those audited financial statements. The auditor's report on the consolidated financial statements for the year ended 31 December 2018 and 2017 is unqualified and does not contain statements under s498(2) or (3) of the Companies Act 2006.

Except as noted below, the accounting policies used for the year ended 31 December 2018 are unchanged from those used for the statutory financial statements for the year ended 31 December 2017. The Group has 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 2018 statutory financial statements will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

2. Compliance with accounting standards
While the financial information included in this preliminary announcement has been computed in accordance with IFRSs as adopted by the EU, this announcement does not itself contain sufficient information to comply with IFRSs as adopted by the EU.

Accounting standards adopted in the year

IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard 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.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

IFRS 15 Contracts with Customers
IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. It describes the principles an entity must follow to measure and recognise revenue using a five step approach. The standard requires revenue to be recognised when goods or services are transferred to customers and the entity has satisfied its performance obligations under the contract, and at an amount that reflects the consideration to which an entity expects to be entitled in exchanged for those goods or services.

The Group has applied IFRS 15 using the full retrospective method (adopting all practical expedients); under which the Group has applied all the requirements of IFRS 15 to each comparative period presented and adjusted the 2017 comparatives within the 2018 consolidated Group annual report and financial statements. 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 over 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.

Impact on the consolidated statement of financial position as at 31 December 2018

	As reported £000	Adjustments £000	Amounts without adoption of IFRS 15 £000
Current assets			
Trade and other receivables	1,857	98	1,759
Current liabilities			
Trade and other payables	(1,697)	(234)	(1,463)
Equity attributable to shareholders			
Retained earnings	(67,777)	(136)	(67,641)

Impact on the consolidated statement of comprehensive income for the year ended 31 December 2018

	As reported £000	Adjustments £000	Amounts without adoption of IFRS 15 £000
Revenue	8,751	(13)	8,764
Operating costs	(9,752)	5	(9,757)

Reconciliation of equity

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

Reconciliation of loss for the financial period

	Year ended 31 December 2017 £000
Loss for the period as previously reported	(2,012)
IFRS 15 adjustments	(32)
Loss for the period as reported	(2,044)

3. Critical accounting estimates and judgements

The following accounting judgements and estimates have been made by the Directors in interpreting treatment of amounts included in these financial statements in accordance with IFRSs.

Development costs

Management judgement is required in assessing the fair value of development costs capitalised including the future economic benefit expected to be generated by the assets and in calculating the attributable costs. Management judgement is also required in assessing the useful economic lives of these assets for the purposes of amortisation. The carrying value of development costs at the Statement of Financial Position date was £1,897,000.

Impairment

The requirement for the Directors to ensure that the Group's non-current assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs of disposal and value in use) is covered by IAS 36 Impairment of Assets. The fair values in respect of the valuation of the Group's assets in relation to the future value of the returns those assets are predicted to generate have been estimated using a discounted cash flow model. The assumptions used as inputs to the model are by their nature areas of judgement. Based on the historic sales performance of the business and actions being taken to grow the business further, the directors do not currently assess any of these assets as impaired. The carrying value of intangible assets and property, plant and equipment at the Statement of Financial Position date was £2,236,000 and £482,000 respectively.

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Judgement is required in determining the most appropriate valuation model and the most appropriate inputs into the model including the level of volatility and the expected life of the option. Judgement is also required in estimating the number of options that are expected to vest based on the non-market conditions.

4. Revenue

The directors consider that the Group has a single business segment, being the provision of hosted telecom solutions. The operations of the Group are managed and reported centrally with group-wide functions covering sales and marketing, development, professional services, customer support and finance and administration. An analysis of revenue by type is given below.

Revenue by location of customer

	2018	2017 (restated)
	£000	£000
UK	**5,211**	4,271
USA	**2,860**	1,985
Rest of Europe	**680**	558
Total revenues	**8,751**	6,814

Revenue by type

	2018	2017 (restated)
	£000	£000
Recurring subscriptions	**6,888**	5,126
Pay As You Go Telephony	**880**	867
Non-recurring services and hardware	**983**	821
Total revenues	**8,751**	6,814

Timing of revenue recognition

	2018	2017 (restated)
	£000	£000
Goods transferred at a point in time	**421**	129
Services transferred over time	**8,330**	6,685
Total revenues	**8,751**	6,814

Revenue by product

All revenue is attributable to the Group's main activity, the provision of hosted telecoms solutions.

Information about major customers

The Group had no customers for continuing operations which represented more than 10% of sales in the year to 31 December 2018.

5. Operating costs

	2018	2016
	£000	£000
Wages and salaries (*)	**6,565**	4,863
Foreign exchange (gains) and losses	**(67)**	84
Expected credit losses	**115**	79
Other operating costs	**3,139**	2,340
	9,752	7,366

(*) included in wages and salaries above is £830k (2017: £652k) relating to research and development costs expensed.

6. Taxation

Recognised in the Consolidated Statement of Comprehensive Income

	2018	2017 (restated)
	£000	£000
Current tax income		
Overseas income tax charge for the current year	**(8)**	(1)
Current year tax credit	**640**	580
Adjustments in respect of prior year	**(2)**	(10)
	630	569
Deferred tax for the current year	**-**	-
Total tax credit recognised in current year	**630**	569
Reconciliation of effective tax rate		
Loss before tax	**(3,692)**	(2,613)
Tax credit using the Group's effective tax rate of 19% (2017 19.25%)	**702**	503
Tax losses not recognised	**(522)**	(195)
Non-deductible (expenses)/non-taxable income	**12**	(92)
Deferred tax not recognised	**211**	143
R&D tax credit	**275**	270
Amortisation	**(46)**	(50)
Adjustments in respect of prior years	**(2)**	(10)
Total tax	**630**	569

Legislation to reduce the main rate of corporation tax to 17% from 1 April 2020 was enacted in September 2016. Legislation to reduce the main rate of U.S. federal corporate income tax from 35% to 21% from 1 January 2018 was enacted in December 2017. The impact of this change on the Group's financial statements is not significant as it has no recognised deferred tax liabilities or assets.

7. 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	-	-	-	910	910
Balance as at 31 December 2017	339	12	1,448	1,090	2,889
Internally developed	**-**	**-**	**-**	**1,118**	**1,118**
Balance as at 31 December 2018	**339**	**12**	**1,448**	**2,208**	**4,007**
Amortisation					
Balance at 1 January 2017	-	(12)	(1,228)	(35)	(1,275)
Amortisation for the year	-	-	(220)	(35)	(255)
Balance as at 31 December 2017	-	(12)	(1,448)	(70)	(1,530)
Amortisation for the year	**-**	**-**	**-**	**(241)**	**(241)**
Balance as at 31 December 2018	**-**	**(12)**	**(1,448)**	**(311)**	**(1,771)**
Net Book Value					
At 31 December 2017	339	-	-	1,020	1,359
At 31 December 2018	**339**	**-**	**-**	**1,897**	**2,236**

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

The carrying amount of ongoing development projects on which amortisation has not yet commenced was £639k (2017: £550k). The weighted average remaining amortisation period for software and websites is 4.4 years (2017: 4.8 years).

8. Bank Loan

On 11 July 2017, the Company agreed a revolving credit facility with Barclays Bank for an amount of £1.85m which expires on 11 July 2020. Interest is set at 7.45% above base rate and the non-utilisation fee is set at 2.98%.

There is a debenture over all the assets of the Group, and a cross guarantee in place in favour of Barclays Bank plc under which the Company’s subsidiaries undertook to repay the bank debt should it be required.

9. Share capital

The issued, called up and fully paid share capital of the Company at 31 December was as follows:

Number of shares	**2018 (000)**	2017 (000)	**2018 £000**	2017 £000
Allotted, called up and fully paid Ordinary shares of £0.20 each	**24,181**	24,069	**4,836**	4,814

The movement in the issued share capital in the year was as follows:

Number of shares	**Ordinary Shares (000)**
In issue at 31 December 2017 - fully paid	24,069
Issued in consideration for additional shares placed	**112**
In issue at 31 December 2018 - fully paid	**24,181**

10. Loss per share

Basic loss per share

The calculation of basic loss per share at 31 December 2018 of 12.7 pence (2017: 9.9 pence) was based on the loss for the year attributable to owners of the parent of £3,062k (2017: £2,044k) and a weighted average number of Ordinary Shares outstanding during the period of 24,131,000 (2017: 20,638,000), calculated as follows:

(Thousands of Shares)	**2018**	**2017**
Issued ordinary shares at start of period	**24,069**	20,060
Issued for cash on 24th October 2017	**-**	465
Issued for cash on 8th December 2017	**-**	99
Issued in respect of warrants and options	**62**	14
Weighted average number of ordinary shares	**24,131**	20,638

Diluted loss per share

The weighted average number of shares and the loss for the year for the purposes of calculating diluted loss 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.