cloudBuy plc

("cloudBuy" or the "Company")

Final Results for the year ended 31 December 2018, Funding Update, Share Incentives, Directorate Change and AGM date

1. Final results for the year ended 31 December 2018

- Revenue for the year was £1,108,547, a reduction of 26% on 2017. This reduction was due to a number of existing customers not renewing in 2017 and 2018. Project revenue continues to be earned from contracts won in 2016 but at a lower level than in 2017 as the projects are now live and operational. Revenue from Company Formations reduced by 15% in the year.
- Operating loss excluding share-based payments was £1,645,323, a reduction of 25% on 2017, as a result of cost reductions which have offset the reduction in revenue.
- For 2019, the business will continue to focus on generating revenue from existing customers with a particular focus on the PHBChoices UK Care Marketplace.
- Cash at 31 December 2018 was £790,989, a reduction of £1,668,923 in the year. No funding was raised in the year.

2. Funding Update

In the Trading Update issued on 8 February 2019, we stated that the Company is engaged in 2 opportunities which if won would enable the Company to reach cash flow break even without further funding. One of these opportunities is still viewed as having a good likelihood of success, the other is now unlikely. As a consequence, the company has agreed to drawdown £500,000 from the existing facility with Roberto Sella, to be received in March 2019, with a potential further drawdown of £250,000 if the current likely opportunity does not materialise. The Board believe that this should provide adequate financing to enable the Company to achieve cash flow break even

3. Issue of Share Incentives

<u>i. Share Options</u>

- An issue of share options has been approved by the Remuneration Committee and with the agreement of Roberto Sella. These are designed to act as a retention incentive. The details are as follows.
- David Gibbon will be awarded up to 3,406,927 options, representing approximately 1% of the diluted share capital, subject to the maximum exercise value being no more than £131,542, with an exercise price set at the closing price on 20 March 2019.
- Certain key technical staff will receive a total of 1,100,000 options, with an exercise price set at the closing price on 20 March 2019.
- Vesting will be 33.3% after 1 year and then monthly in equal amounts for the following 24 months.

<u>ii. Incentive Shares</u>

- £1,000 of cloudBuy shares will be awarded to all UK employees under the Group's HMRC approved scheme issued at the closing price on 20 March 2019.
- Vesting will be after 3 years.
- The executive directors will decline this award.

4. Directorate Change

Patrick Broughton, Senior Non-Executive Director has given notice that, due to personal commitments, he intends to resign from the Board after the publication of the Annual Report and Accounts. David Chellingsworth will take up the position as Senior Non-Executive Director. A suitable replacement is currently being sought.

5. Publication of Report and Accounts and AGM notice

The report and accounts for the year ended 31 December 2018 and notice of Annual General Meeting ("AGM") will be distributed to shareholders today and will also be available on the website: investor.cloudbuy.com.

6. AGM Date

The Company's AGM will be held on 16 April 2019 at 11.00 am at its registered office, 5 Jupiter House, Calleva Park, Aldermaston, Berkshire RG7 8NN.

7. Extract from Annual Report and Accounts 2018

The information included below is an extract from the Report and Accounts for 2018.

For further information, please contact:

cloudBuy plc **Tel: 0118 963 7000**
David Gibbon, CFO

Arden Partners plc – NOMAD and broker **Tel: 020 7614 5900**

Paul Shackleton/ Daniel Gee-Summons – Corporate Finance

Simon Johnson – Corporate Broking

About cloudBuy plc

cloudBuy, (AIM: CBUY), provides cloud solutions for buyers and sellers – and brings them together to trade securely and ethically via an increasing number of public eMarketplaces and private purchasing portals around the world, powered by cloudBuy technology. cloudBuy solutions for buyers help B2B purchasers understand and control their spend, to reduce costs and increase value. Our cloudSell solutions enable sellers of all sizes, from startups to corporates, reach new customers and grow their business.

cloudBuy's technology platform powers web sites, public marketplaces and private purchasing portals that enable all types of online interactions and relationships including, citizen and business to government; consumer to business; and business to business.

For more information, visit: www.cloudbuy.com .

Extract from Annual Report and Accounts 2018

Chairman's Statement

During 2018 we have continued to focus on PHBChoices with some additional development to meet the emerging needs of CCGs, as they implemented PHBChoices for the management of their Personal Budget Holders. We increased the number of CCGs contracting to use PHBChoices, but their move to full roll out was slower than anticipated as they had to deal with conflicting priorities.

Early 2019 has seen a significant change in engagement from contracted and new CCGs, as they face the introduction of PHBs as the default offer for all Continuing Healthcare (CHC) patients from 1st April 2019, the extension of PHBs into Mental Health and Wheelchair provision and the requirement to cut their administration budgets by 20%.

The NHS 10 Year Plan has confirmed that PHBs remain a key strategic imperative for the NHS with up to 200,000 budget holders anticipated by 2023/24.

This continuing emphasis on the importance of growth in Personal Health Budgets within the NHS gives us confidence that strong revenue growth for PHBChoices will be delivered in 2019.

Our existing ecommerce customers in the UK, Canada, Singapore and Australia continued to produce revenue with which we expect will continue at a similar level during 2019.

The move to profit and cash flow break even remains our priority, we have continued to make cost and efficiency savings and have reduced our operating loss by 27%. This lower cost base ensures that the increasing revenues from PHBChoices will have a greater impact on the bottom line during 2019.

We are delighted that Roberto Sella has committed to fund the business for up to £750,000 with further drawdowns from the December 2017 Convertible Loan Facility. Of this, £500,000 will be received in March 2019 and a further up to £250,000 which will be drawn if a specific alternative fund raising opportunity is not successful.

Patrick Broughton, our Senior Non-Executive Director, will be retiring after 5 years following the publication of these accounts. I would like to take this opportunity to thank Patrick for all of his input to the board and to wish him the very best of luck as he competes in some of the World's most challenging sailing races over the next six months. We are currently seeking a suitable replacement. We are delighted that David Chellingsworth is available to take on the role of Senior Non-Executive Director.

Ronald Duncan
Executive Chairman
19th March 2019

Strategic Report

Operational highlights

UK

PHBChoices

PHBChoices our solution for the management of Personal Health Budgets (PHBs) remains our major focus for growth. Local NHS bodies, the Clinical Commissioning Groups (CCGs) have continued to contract with PHBChoices during 2018, however they have had conflicting priorities and the implementation of PHBs has been lower on their agenda than anticipated.

Many CCGs have had arrangements where they contracted management of their PHBs to their Local Authority to manage and pay. Austerity has been widely reported to have caused a crisis in Social Care and with pressure on resources, the ability of Local Authorities to manage and audit PHBs to the standard expected by the NHS has diminished.

When a CCG uses a 3rd party such as a Local Authority to manage their PHBs, the individuals receive a 'direct payment' into their bank account each month. The average PHB budget on our system remains constant at around £70k per annum. The budget holders are responsible for managing these funds in line with their support plan and, as the majority directly employ their own care staff, they must also manage timesheets, rostering, payroll and payments to HMRC and pension providers.

Auditing this spend is time consuming and onerous for the CCG as it is predominantly paper based. The PHB holders produce receipts, bank statements, timesheets and other documents which must be physically audited by CCG staff. With pressure on resources these audits can be very infrequent. CCGs are increasingly taking back control of their PHBs and PHBChoices provides much greater visibility of spend and activity in real time. Our live CCGs have made significant savings following the implementation of PHBChoices.

PHBChoices ensures that the funds remain in the NHS bank account until they are paid over to the relevant suppliers and CCG staff can check the conduct of the account at any time. This level of visibility has helped both the CCG and the budget holders to manage their money better and has highlighted where more care is required and budgets need to be increased, as well as where surpluses are building up and the care requirement has reduced.

These findings from our early adopters have been instrumental in increasing interest in PHBChoices and along with greater pressure from NHS England, are increasing uptake. Local Authorities have also been contacting PHBChoices around integrated care and there is renewed interest in using the entire system to help them to drive cash and efficiency savings.

Overall, the level of interest and activity from CCGs has increased significantly in 2019 and we expect this will lead to revenue growth in 2019 and beyond.

Other UK Customers

We have continued to experience reduced revenue from UK ecommerce and legacy customers in 2018. However, we expect this to be flat in 2019 as reductions in legacy customer revenue is offset by increases from ecommerce customers.

The Company Formations business continued its downward trend in revenue due to increasing competition from larger competitors.

Asia Pac

Our project with United Overseas Bank (UOB) in Singapore has continued to progress with revenue from ongoing SaaS licence hosting and support supplemented by development work for a number of suppliers. This project continues to be profitable while we wait for transaction revenue to materialise.

The New South Wales HealthShare project for spend analytics has continued to supply meaningful spend date for their 33 hospitals.

North America

The project with York Schools is now generating some transaction revenues to supplement recurring revenue. This customer is a strong reference for cloudBuy in the Ontario Schools market.

We are delighted to have won our second contract in Ontario Schools with Waterloo Catholic District Schools Board signing in 2019. The revenue model is similar to York Schools with software licence, implementation and support supplemented by transaction fees.

Cost and Operational Efficiencies

The business has been simplified in 2016 and 2017 and for 2018 only has sales and marketing costs in countries where there is sufficient revenue to show a profit for the country before the allocation of central overheads. Further cost reductions have continued in the second half of 2018.

Funding

Roberto Sella has committed to fund the business for up to £750,000 from the existing Convertible Loan Note facility. Of this amount £500,000 will be received in March 2019.

Board Composition

As stated in the chairman's Statement, Patrick Broughton will resign after publication of this report. The position of Senior Non-Executive Director is being taken by David Chellingsworth and we are seeking a suitable replacement Non-Executive Director.

Research and Development

Investment in the Group's products to enhance Intellectual Property is a key foundation of future growth. Research and Development principally represents the cost of employee time spent on new products and features. Investment in Research and Development increased slightly in the year to

£579,723 from £575,261 in 2017.

Financial Results

In the year ended 31 December 2018, the group's revenue decreased by 26% to £1,108,547 (2017: £1,504,067) and the loss before taxation reduced to £2,316,749 (2017: loss of £2,747,599).

Sales of Web and ecommerce services decreased 30% to £750,794 (2017: £1,067,308).

Revenue from company formation services decreased by 16% to £317,653 (2017: £376,818) in the year reflecting Companies House's continued increase in market share in electronic formations.

Revenue from coding customers decreased by 33% to £40,100 (2017: £59,941).

Gross margin for the year was 82% (2017: 85%), reflecting the change in mix with a higher decrease in Web and ecommerce services which have a higher gross margin.

Operating expenses before share based payments reduced to £2,556,130 (2017: £3,462,787). The reduction is as a result of management action to improve efficiency and reduce costs with staff costs (excluding share based payments) reducing year on year by £596,620 to £1,618,462. A total of £72,495 was charged as share based payments, representing the calculated "cost" of share options granted to employees and shares issued to them under the Share Incentive Plan (2017: charge £164,352).

At 31 December 2018 the Group had cash and cash equivalents of £790,989 (31 December 2017: £2,459,912).

Risks and Uncertainties facing the Business

Effectively managing risks is an integral part of cloudBuy's business. The Group has identified its main risks and is taking appropriate action to manage and mitigate these risks. The Group now operates principally in the UK which has reduced risk when compared to previous years. Business Risks that have been identified and managed are detailed below. The Directors review and agree policies for managing each of these risks. Risks relating to Financial Instruments are detailed in note 20 to the accounts.

The Group operates secure systems where information security is a key requirement

There is an ongoing risk of information security. We have well established systems that have been operating successfully since 1999 to manage and mitigate this risk. A single incident could result in severe reputational and monetary damage to the company and its shareholder value and we continue our work to prevent this from occurring using our internal processes and external audit to ISO 9001 (business processes), ISO 27001(Information Security) and PCI/DSS level 1 (highest level accreditation for Payment Card Industry Data Security Standard). Our solutions are built with data protection as a core tenant and are GDPR compliant.

There is a risk that there will be a lack of demand for the Group's products and services

The Group has a diversified product suite which sells to a number of different sectors which are well established, therefore reducing risk. The number of products sold has been reduced in 2018 so allowing a greater focus on the remaining products, giving them a greater chance of success. PHBChoices, the Group's main product for growth is positioned in a market segment which is predicted to show strong demand.

There is a risk that there will be a lack of adoption of PHBChoices within the NHS

The PHBChoices product is continuingly being enhanced to ensure that it has the features required to deliver the benefits required to ensure wide scale adoption. Adoption to date has been low but the increasing push from NHS England for the growth in PHBs should increase the pace of adoption.

There is a risk that increasing competition will result in a further decline in revenue.

The Group's long-standing ecommerce products operate in mature markets and increasing competition in recent years has resulted in a reduction in revenue, particularly from older legacy contracts which have not been renewed. The Group's strategy of focusing on existing customers and focusing efforts on PHBChoices for growth means that competition in cloudBuy's traditional ecommerce markets is less relevant. In addition, the number of products sold has been reduced in 2018 so allowing a greater focus on the remaining products, meaning existing customers are more likely to stay with cloudBuy, rather than switching to a competitor.

The market for managing PHBs is new and growing. Before PHBChoices was developed, CCGs typically contracted with a local authority or private management agency to manage the provision of care. This was done a significantly higher cost than the charge for PHBChoices. PHBChoices gives the CCGs better control and visibility than their traditional management methods. There are a number of potential competitors who claim to have an integrated solution for PHBs. However, cloudBuy believes that their solutions do not offer the significant benefits that are delivered with PHBChoices. There has been very little evidence of these competitors actively selling to CCGs.

The Group has a risk that demand for products and services leads to a surplus or shortfall of implementation and development staff

This could lead to customer dissatisfaction because implementations are delayed or higher costs for cloudBuy as a result of having more capacity than is required. This is mitigated due to cloudBuy's strategy of focussing on existing customers and PHBChoices. For any expected increases in demand, sales cycles are long, allowing cloudBuy to increase resources to fit with demand. cloudBuy has demonstrated that it has been successful in reducing costs when revue has been reduced, resulting in a reduction in losses in the past 3 years despite a reduction in revenue.

The Group is loss making and may need further financing in the future.

Following the funding commitment from Roberto Sella, outlined in the Chairman's Statement, the business is funded for the foreseeable future.

Outlook

The Strategy for 2019 remains consistent from the previous 2 years. We will optimise revenue from existing customers with a strong focus on cost management with PHBChoices, our main growth engine showing strong signs of growth so far in 2019.

Signed on behalf of the Board by:

Lyn Duncan

CEO

19th March 2019

Group Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	31 Dec 2018 £	31 Dec 2017 £
Revenue	4	**1,108,547**	1,504,067
Cost of sales		**(197,740)**	(226,872)
Gross Profit		**910,807**	1,277,195
Administrative expenses		**(2,556,130)**	(3,462,787)
Share based payments	19	**(72,495)**	(164,352)
Operating loss		**(1,717,818)**	(2,349,944)
Finance Income -interest received		**1,690**	-
Finance costs	8	**(600,621)**	(397,655)
Loss on ordinary activity before taxation		**(2,316,749)**	(2,747,599)
Income tax credit	9	**124,103**	136,226
Loss for the year attributable to equity shareholder of parents		**(2,192,646)**	(2,611,373)
Other comprehensive income – item which will or may			
be reclassified to profit and loss			
Exchange gain arising on translation of foreign operation		**115,266**	114,520
Total Comprehensive Income		**(2,077,380)**	(2,496,853)
Loss per share			
basic and diluted	10	**1.7**	2.0

Revenue and operating loss for the year all derive from continuing operations.

Statement of Financial Position

For the year ended 31 December 2018

		Group		Company	
	Notes	**2018** **£**	2017 £	**2018** **£**	2017 £
Assets					
Non current assets					
Goodwill	11	**-**	-	**-**	-
Other intangible assets	12	**6,408**	4,357	**6,408**	4,357
Property, plant and equipment	13	**34,126**	64,216	**26,371**	53,729
Investment	14	**-**	-	**-**	40,000
		40,534	68,573	**32,779**	98,086
Current Assets					
Trade and other receivables	15	**365,161**	463,509	**2,078,111**	2,040,434
Taxes recoverable		**124,103**	-	**124,103**	-
Cash and cash equivalents	16	**790,989**	2,459,912	**769,252**	2,445,766
		1,280,253	2,923,421	**2,971,467**	4,486,201
Total assets		**1,320,787**	2,991,994	**3,004,246**	4,584,286
Liabilities					
Current liabilities					
Trade and other payables	17	**(1,319,446)**	(1,163,932)	**(1,305,361)**	(1,056,233)
		(1,319,446)	(1,163,932)	**(1,305,361)**	(1,056,233)
Non current liabilities					
Financial liabilities - borrowings	18	**(5,833,545)**	(5,675,526)	**(5,833,545)**	(5,706,903)
Total liabilities		**(7,152,991)**	(6,839,458)	**(7,138,906)**	(6,763,136)
Total net (liabilities)/assets		**(5,832,204)**	(3,847,464)	**(4,134,660)**	(2,178,850)
Shareholder's equity					
Called up share capital	19	**1,304,327**	1,304,327	**1,304,327**	1,304,327
Share premium account	19	**5,534,165**	5,534,165	**5,534,165**	5,534,165
Other reserve		**2,234,585**	2,214,441	**1,605,150**	1,585,010
Share based payment reserve		**1,223,961**	1,151,466	**1,223,961**	1,151,466

Currency translation	**(79,061)**	(194,328)	**-**	-
Accumulated losses	**(16,050,181)**	(13,857,534)	**(13,802,262)**	(11,753,817)
Total equity attributable to equity shareholders of the parent	**(5,832,204)**	(3,847,464)	**(4,134,659)**	(2,178,850)

Company Registration Number 03732253

The financial statements on pages 26 to 52 were approved by the Board of Directors on 19th March 2019 and authorised for issue on 20th March 2019 and signed on their behalf by:

Ronald Duncan

Ronald Duncan, Executive Chairman

Statement of Cash Flows

For the year ended 31 December 2018

		Group		Company	
		2018	2017	**2018**	2017
	Notes	**£**	£	**£**	£
Cash flow from operating activities					
Loss before taxation		**(2,192,646)**	(2,749,734)	**(2,048,448)**	(2,867,344)
Adjustments for :					
Finance income/cost		**598,932**	397,655	**599,011**	397,655
Depreciation of property,		**30,326**	108,880	**27,593**	55,310
Amortisation /Impairment		**3,543**	5,508	**43,543**	5,508
Share based payments		**72,495**	164,352	**72,495**	164,352
Changes in working capital:					
Trade and other receivables		**(25,755)**	58,835	**(161,780)**	343,099
Trade and other payables		**(265,336)**	208,091	**(203,098)**	281,511
Currency translation		**115,348**	133,810	**-**	-
Net cash used by operations		**(1,663,094)**	(1,672,603)	**(1,670,684)**	(1,619,909)
Tax (paid)/received		**-**	-	**-**	-
Net cash used in operating activities		**(1,663,094)**	(1,672,603)	**(1,670,684)**	(1,619,909)

Cash flows from investing activities					
Interest paid			(1,307)		(713)
Purchase of other intangible assets		**(5,595)**	-	**(5,595)**	-
Purchase of property, plant and equipment		**(235)**	(10,702)	**(235)**	(10,702)
Net cash used in investing activities		**(5,830)**	(12,009)	**(5,830)**	(11,415)
Cash flows from financing activities					
Issue of ordinary shares		**-**	-		
Issue of loan notes		**-**	3,108,700	**-**	3,108,700
Interest received			-		
Net cash generated from financing		**-**	3,108,700	**-**	3,108,700
Net increase/(decrease) in cash and cash equivalents		**(1,668,923)**	1,424,088	**(1,676,513)**	1,477,376
Cash and cash equivalents at beginning of period		**2,459,912**	1,035,826	**2,445,766**	968,391
Cash and cash equivalents at end of period	16	**790,989**	2,459,912	**769,253**	2,445,766

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2018

Group	Share Capital £	Share premium £	Other reserve £	Share based payment reserve £	Currency translation £	Accumulated losses £	Shareholder's equity £
At 01 January 2017	**1,304,327**	**5,534,165**	**1,593,686**	**987,114**	**(308,847)**	**(11,246,162)**	**(2,135,717)**
Share issued in the year	-	-	-	-	-	-	-
Convertible loan notes issued in the year	-	-	620,755	-	-	-	620,755
Share based payments	-	-	-	164,352	-	-	164,352
Exchange in year	-	-	-	-	114,520	-	114,520
Retained loss for the year	-	-	-	-	-	(2,611,373)	(2,611,373)
At 31 December 2017	**1,304,327**	**5,534,165**	**2,214,441**	**1,151,466**	**(194,328)**	**(13,857,534)**	**(3,847,464)**
Share issued in the year	-	-	-	-	-	-	-
Convertible loan notes issued in the year	-	-	20,144	-	-	-	20,144
Share based payments	-	-	-	72,495	-	-	72,495
Exchange in year	-	-	-	-	115,266	-	115,266
Retained loss for the year	-	-	-	-	-	(2,192,646)	(2,192,646)
At 31 December 2018	**1,304,327**	**5,534,165**	**2,235,185**	**1,223,961**	**(79,061)**	**(16,050,181)**	**(5,832,204)**

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2018

Company	Share Capital £	Share premium £	Other reserve £	Share based payment reserve £	Accumulated losses £	Shareholder's equity £
At 01 January 2017	**1,304,327**	**5,534,165**	**964,251**	**987,114**	**(9,025,430)**	**(235,570)**
Share issued in the year	-	-	-	-	-	-
Convertible loan notes issued in the year	-	-	620,755	-	-	620,755
Share based payments	-	-	-	164,352	-	164,352
Retained loss for the year	-	-	-	-	(2,728,368)	(2,728,368)
At 31 December 2017	**1,304,327**	**5,534,165**	**1,585,006**	**1,151,466**	**(11,753,798)**	**(2,178,850)**
Share issued in the year	-	-	-	-	-	-
Convertible loan notes issued in the year	-	-	20,144		-	20,144
Share based payments	-	-		72,495	-	72,495
Retained loss for the year	-	-	-	-	(2,048,464)	(2,048,464)
At 31 Dec 2018	**1,304,327**	**5,534,165**	**1,605,150**	**1,223,961**	**(13,802,262)**	**(4,134,659)**

Notes to the Financial Statements

For the year ended 31 December 2018

1. General information

cloudBuy plc ("the Company") and its subsidiaries (together "the Group)" provides an integrated software platform for eprocurement and ecommerce to facilitate the trading of goods and services between purchasers such as public sector bodies and their suppliers, along with the analysis and coding of spend and product data. The Group also provides services to new businesses, including incorporation, company secretary services and filing annual returns, using its software platform. The Company is a public limited company which is listed on the Alternative Investment Market of the London Stock Exchange and is incorporated and is headquartered in the UK.

The address of the registered office is:
5 Jupiter House,
Calleva Park,
Aldermaston,
Berkshire RG7 8NN.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

2.1 Basis of accounting

These financial statements have been prepared in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 3.

As permitted under Section 408 of the Companies Act 2006 a separate statement of comprehensive income for the parent company has not been presented.

2.2 Going concern

The Group had a loss attributable to shareholders for the year of £2,192,646 and at the year-end had cash balances of £790,989. The Group has also had commitment to fund from Roberto Sella for up to £750,000. The directors of the Group have prepared detailed projections and cash flow forecasts through to 31 December 2020. In considering these cash flow forecasts and commitment to funding, the directors have carefully considered the assumptions and sensitivities and have concluded that the Group will be able to continue trading within its current working capital position and they have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date the accounts were signed and as such have prepared the accounts on the going concern basis.

2.3 Consolidation

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefit from their activities. Subsidiaries are fully consolidated from the date on which control is transferred until the date control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The investment in subsidiaries in the Company's statement of financial position is shown at cost less provision for diminution in value.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

2.4 Goodwill

Goodwill arising on acquisitions represents the excess of the consideration given plus any associated costs for investments in subsidiary undertakings over the fair value of the identifiable assets and liabilities acquired. Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. Provision is made for any impairment in the value of goodwill. The costs of integrating and reorganising acquired businesses are charged to the post acquisition statement of comprehensive income.

In accordance with IFRS1, the Group has applied the exemption from retrospectively recalculating goodwill which arose on acquisitions prior to 1 January 2006. This goodwill is included at its deemed cost, being the amount recorded under UK GAAP as at 1 January 2006. Goodwill is carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed. Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of these cash generating units represents the group's investment in each country of operation by primary reporting segment.

Goodwill is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.5 Other intangible assets

Other intangible assets are shown at historical cost less accumulated amortisation and impairment losses.

The costs directly associated with the development of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets and amortised over their estimated useful lives. Other research and development expenditure is written-off to the statement of comprehensive income in the year in which it is incurred.

Amortisation is charged to administrative expense in the statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The useful lives are as follows:

- Software - 3 years
- Development expenditure - 3 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

2.6 Property, plant and equipment

All are stated at cost less accumulated depreciation.

Depreciation of property, plant and equipment is provided to write each asset down to its estimated residual value on a straight-line basis over its estimated useful life, as follows:

- Computer equipment - 3 years
- Fixtures, fittings and equipment - 3 to 5 years

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Gains or losses on disposal are included in the statement of comprehensive income.

2.7 Impairment of assets

The Group assess at each statement of financial position date whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value.

For goodwill and intangible assets that have an indefinite life and intangible assets not yet available for use, the recoverable amount is estimated at each statement of financial position date and whenever there is an indication of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

2.8 Financial instruments

Financial assets and financial liabilities are recognised on the group's statement of financial position when the group has become a party to the contractual provisions of the instrument.

2.8.1 Trade receivables

Trade receivables are initially recognised at fair value and then subsequently measured at amortised cost using the effective interest rate method. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

2.8.2 Trade payables

Trade payables are initially recognised at fair value and then subsequently measured at amortised cost using the effective interest rate method. Trade payables are not interest bearing and are stated at their nominal value.

2.8.3 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest rate basis.

2.8.4 Convertible and non-convertible loan notes

Convertible loan notes are separated into the equity and liability components at the date of issue. The liability component is recognised initially at its fair value. Subsequent to initial recognition, it is carried at amortised carrying value using the effective interest method until the liability is extinguished on conversion or redemption of the loan notes. The equity component is the residual amount of the convertible bond after deducting the fair value of the liability component. This is recognised and included in equity, net of deferred tax effect, and is not subsequently remeasured.

Loan notes with no option to be converted to share capital and that will be repaid in cash, are recognised in liabilities.

2.8.5 Equity Instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

2.9 Share based payments

The group has applied the requirements of IFRS 2: Share-based Payments.

The group issues equity-settled share-based payments to its employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

2.10 Pensions

All pension schemes operated by the Group are defined contribution schemes. The costs are charged to the statement of comprehensive income in the year in which they are incurred.

2.11 Revenue

Revenue is measured at fair value of consideration received or receivable for goods sold and services provided to customers outside the Group, net of Value Added Tax and any discounts.

Where invoices are raised in advance of the income being earned through the performance of the service, the unearned portion is included in the accounts as deferred income and released to the Statement of Comprehensive Income as earned.

2.12 Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term. The Group does not hold any assets under hire purchase contracts or finance leases and has not received any benefits as an incentive to sign a lease of whatever type.

2.13 Current and deferred taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

2.14 Provisions

Provisions are recognised in the statement of financial position when there is a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2.15 Adoption of new or amended IFRSs

(a) The Company has adopted the following revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the year beginning 1 January 2018.

IFRS 15	Revenue from Contracts with Customers	(effective 1 January 2018)

(b) At that date of authorisation of these Financial Statements, the following Standards and Interpretations (International Financial Reporting Interpretation Committee – IFRIC), which have not been applied in these Financial Statements, were in issue but not yet effective:

IFRS 16	Leases	(effective 1 January 2019)

The Directors have considered the above new standards, interpretations and amendments to published standards that are not yet effective The implementation of IFRS 16 has been evaluated, it is not expected to have a material impact on the profit or loss of the business. Therefore, IFRS 16 will be adopted for the 2019 report and accounts and not adopted before the effective date.

3. Accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1. Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Goodwill has been tested for impairment by comparing the amount of goodwill against future forecast results including cash flows expected to be generated in the future by the appropriate asset, cash-generating unit, or business segment.
- The fair value of share-based payments is measured using a binomial model which inherently makes use of significant estimates and assumptions concerning the future applied by the directors.
- Capitalised development expenditure is reviewed for compliance with IAS 38 on an ongoing basis. The technical feasibility and commerciality of development expenditure is considered prior to capitalisation and the carrying values are compared against future forecast results including cash flows expected to be generated in the future for any indication of potential impairment.
- The convertible loan notes are apportioned between an equity element and a liability element. This apportionment is calculated applying judgements covering interest rates and discounts.

4. Revenue- Segmental Analysis

The Group's operating segments under IFRS have been determined with reference to the information presented in the management accounts reviewed by the Board of Directors.

The Group's main reportable segments are Company Formation and web and ecommerce services. These are managed from one operating platform and cannot be readily separated, so all management decisions in connection with these segments are taken to ensure the relevant skill sets are in place to maximise the return from these resources.

The Chief Operating Decision Maker, which is taken to be the Board of Directors, evaluates the performance and resource requirements of these segments in unison to ensure maximum efficiencies within the business. Resources are shared; in particular, technical support and research and development advances are shared between the two in the form of improvements and refinements being made to the underlying platform that hosts them.

The Directors consider the most beneficial method of splitting these segments to provide useful information to users of the accounts is to provide details down to the Gross Profit level only.

From then on, any further detail would necessitate arbitrary cost allocation that they do not use in managing the business and is not considered meaningful in terms of how resources are actually utilised. Similarly, any split of the statement of financial position assets would involve arbitrary allocation.

The revenue recognised and gross profit attributable between reportable segments is shown below:

31 Dec 2018

	Company Formation services	Web and ecommerce Services	Coding Customer services	Total
	£	£	£	£
Revenue	317,653	750,794	40,100	1,108,547
Cost of sales	(138,901)	(58,839)	-	(197,740)
Gross Profit	178,752	691,955	40,100	910,807

31 Dec 2017

	Company Formation services	Web and ecommerce Services	Coding Customer services	Total
	£	£	£	£
Revenue	376,818	1,067,308	59,941	1,504,0667
Cost of sales	(158,066)	(68,806)	-	(226,872)
Gross Profit	218,752	998,502	59,941	1,277,195

5. Operating loss

	2018	2017
	£	£

This is stated after the following:		
Staff costs (see note 7)	**1,618,462**	2,215,082
Depreciation of property, plant and equipment (see note 13)	**30,325**	114,507
Amortisation of other intangible assets (see note 12)	**-**	5,508
Research and development costs recognised as an expense	**579,723**	575,261

6. Auditor's remuneration

Amounts payable to James Cowper Kreston in respect of audit and non-audit services

	2018	2017
	£	£
Audit of company and consolidated accounts	**15,860**	15,399
Other Services relating to:		
Taxation	**3,289**	3,193

7. Employees

	2018	2017
	£	£
Staff costs including directors comprised :		
Wages and salaries	**1,381,577**	1,867,631
Pension	**17,095**	8,822
Social security costs	**147,295**	174,277
Share based payments	**72,495**	164,352
	1,618,462	2,215,082
		.
The average monthly number of persons (including Directors) employed by the Group during the year was:	No	No

Management and administration	**7**	7
Technical and delivery	**31**	49
Sales and marketing	**1**	7
	39	63

Directors remuneration:

	2018	**2018**	**2018**	2017	2017	2017
Emoluments for qualifying services:	**Salary/fees**	**Pension**	**Total**	Salary/fees	Pension	Total
	£	**£**	**£**	£	£	£
P Broughton	**-**	**-**	**-**	-	-	-
D Chellingsworth	**15,000**	**-**	**15,000**	14,167	-	14,167
RJ Duncan	**120,000**	**-**	**120,000**	120,000	-	120,000
HL Duncan	**120,000**	**703**	**120,703**	120,000	386	120,386
DKC Gibbon	**160,000**	**1,708**	**161,708**	139,614	773	140,387
JR Holden	**-**	**-**	**-**	91,749	-	91,749
M Pasternak	**-**	**-**	**-**	-	-	-
	415,000	**2,410**	**417,410**	485,529	1,159	486,689

None of the Directors exercised share options in the year.

8. Finance costs

	31 December 2018	31 December 2017
	£	£
Interest on loan notes	**600,621**	397,655

9. Taxation

	2018	2017
	£	£
R&D tax credit	**90,000**	90,000
Adjustment in respect of prior years	**34,103**	48,226
Tax credit for the year	**124,103**	138,226

Factors affecting tax charge for the year		
Loss on ordinary activities before taxation	**(2,316,749)**	(2,747,597)
Loss on ordinary activities before taxation multiplied by Standard rate of UK corporation tax of 20% (2018: 20%)	**(463,350)**	**(549,519)**
Effects of:		
Expenses not deductible for tax purposes	**2,000**	2,000
Share based payments	**72,495**	64,397
Capital allowances less than depreciation and amortisation	**3,995**	7,884
R&D tax credit claim in respect of current year	**(90,000)**	(18,854)
Prior year	**(34,103)**	(48,226)
Carry forward of tax losses	**384,860**	404,092
Total tax credit	**(124,103)**	(138,226)

No deferred tax asset has been recognised in respect of the losses given the uncertainty regarding available future taxable profits.

10. Loss per share

The calculations for loss per share are based on the weighted average number of shares in issue during the year 130,432,664 (2017:130,432,664) and the following losses:

	2018	2017
	£	£

Earnings:		
Loss for the year attributable to equity shareholders of the parent	**(2,192,646)**	(2,611,373)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: share options and convertible loan note. The company has made a loss and these are therefore anti-dilutive and so ignored in the calculation.

The basic and diluted loss per share calculated earnings is 1.7p (2017:2.0p).

11. Goodwill

Carrying Value	Cost	Provision for impairment	Carrying Value
	£	£	£
Group			
1 January 2017, 31 December 2017 and 2018	**96,274**	**(96,274)**	-

12. Other intangible assets

Group and Company	**Computer Software**	**Development Expenditure**	**Total**
	£	£	£
Cost:			
01 January 2017	156,172	455,995	612,167
Additions	-	-	-
01 January 2018	156,172	455,995	612,167
Additions	5,595	-	5,595
31 December 2018	**161,767**	**455,995**	**617,762**
Amortisation :			
01 January 2017	151,816	455,995	607,810
Charges for the year	-	-	-
01 January 2018	151,816	455,995	607,810
Charges for the year	3,543	-	3,543
31 December 2018	**155,359**	**455,995**	**611,353**
Carrying value at 1 January 2017	4,357	-	4,357
Carrying value at 1 January 2018	4,357	-	4,357
Carrying value at 31 December 2018	**6,408**	**-**	**6,408**

13. Property, plant and equipment

Group	Fixture, fittings and equipment £	Computer equipment £	Total £
Cost :			
01 January 2017	333,888	1,157,108	1,490,996
Additions	-	10,702	10,702
Exchange	(1,742)	(11,919)	(13,661)
01 January 2018	332,146	1,155,891	1,488,037
Additions		235	235
Disposals	(70,050)	(19,942)	(89,992)
Exchange	-	-	-
31 December 2018	**262,096**	**1,136,184**	**1,398,280**
Depreciation:			
01 January 2017	268,795	1,040,518	1,309,313
Charges for the year	57,520	56,988	114,508
Exchange	-	-	-
01 January 2018	326,315	1,097,506	1,423,821
Disposals	(70,050)	(19,942)	(89,992)
Charges for the year	1,147	29,179	30,325
Exchange	-	-	-
31 December 2018	**257,412**	**1,106,743**	**1,364,154**
Carrying value at 1 January 2017	65,093	116,590	181,683
Carrying value at 1 January 2018	5,831	58,385	64,216
Carrying value at 31 December 2018	**4,684**	**29,441**	**34,126**

13. Property, plant and equipment (continued)

Company	Fixture, fittings and equipment £	Computer equipment £	Total £
Cost :			
01 January 2017	256,255	1,120,585	1,376,840
Additions	-	10,702	10,702
Exchange	-	-	-
01 January 2018	256,255	1,131,287	1,387,542
Additions	-	235	235
Exchange	-	-	-
31 December 2018	256,255	1,131,523	1,387,777
Depreciation:			
01 January 2017	256,227	1,022,277	1,333,504
Charges for the year	28	55,282	55,310
Exchange	-	-	-
01 January 2018	256,255	1,077,559	1,333,814
Charges for the year	-	27,598	27,598
Exchange	-	-	-
31 December 2018	256,255	1,105,157	1,361,412
Carrying value at 1 January 2017	28	98,308	98,336
Carrying value at 1 January 2018	-	53,729	53,729
Carrying value at 31 December 2018	**-**	**26,371**	**26,371**

14. Investments

Company	£
Subsidiary undertakings:	

Cost at 1 January 2017 and at December 2018	70,394
Provision for impairment:	
1 January 2017 to 31 December 2017	30,394
1 January 2018 to 31 December 2018	40,000
Carrying value at 31 December 2018	-

The investments shown above represents the Company's 100% holding in the ordinary shares of @Software PLC and its wholly owned subsidiary Software Limited (incorporated in the United Kingdom; non-trading) and Coding International Limited (incorporated in the United Kingdom; provides coding services for use in procurement). The business of Coding International Limited was transferred to CloudBuy UK Plc as on 31st December 2017. The business of @software Plc has no value and therefore the carrying value has been fully impaired at 31 December 2018

The Company also has 100% investments in cloudBuy India Private Limited, incorporated in India, which provides eCommerce solutions to Indian companies and cloudBuy Pty Limited, incorporated in Australia, which provides eCommerce solutions in the Asia Pacific region.

15. Trade and other receivables

	Group		Company	
	2018	2017	**2018**	2017
	£	£	**£**	£
Prepayments and accrued income	**128,150**	58,338	**128,150**	58,338
Amounts owed by related undertakings	**-**	-	**1,714,246**	1,583,658
Other receivables	**189,142**	72,029	**189,142**	68,479
Trade receivables	**171,973**	333,142	**170,676**	329,959
	489,264	463,509	**2,202,214**	2,040,434

	2018	2017
	£	£
Ageing of trade receivables		
Not yet due	**35,667**	20,440

Up to 1 month	**9,778**	119,017
2 to 3 months	**11,486**	63,540
Over 3 months	**115,042**	130,145
Total	**171,973**	333,142

The Group's financial assets are fairly short term in nature. The directors consider that the carrying value of trade and other receivables approximates to the fair value.

16. Notes to the cash flow statement

Analysis of net funds/debt

	Group		Company	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
Cash at bank and in hand	**790,989**	2,459,912	**769,253**	2,445,766
	790,989	2,459,912	**769,253**	2,445,766

Cash and cash equivalents (which are presented as a single class of asset on the face of the statement of financial position) comprise cash at bank and other short term highly liquid investments with a maturity of three months or less.

17. Trade and other payables

	Group		Company	
	2018	2017	**2018**	2017
	£	£	**£**	£
Trade creditors	**86,814**	110,271	**74,261**	111,282
Other taxation and social security	**61.587**	88,549	**61,587**	77,564
Other creditors	**889**	9,246	**889**	9,423
Accrual and deferred income	**1,170,155**	955,865	**1,168,624**	857,964
	1,319,446	**1,163,931**	**1,305,361**	**1,056,233**

The Group's financial liabilities are fairly short term in nature and due for payment in a period of less than 6 months. In the opinion of the directors the book values equate to their fair value.

18. Borrowings

	Group		Company	
	2018	**2017**	**2018**	**2017**
	£	**£**	**£**	**£**
Non current:				
Convertible loan notes	**4,070,981**	4,001,101	**4,070,981**	4,001,101
Non-convertible loan notes	**1,762,564**	1,674,424	**1,762,564**	1,674,424
Amounts owed to Group undertakings	**-**		**-**	31,377
	5,833,545	5,675,525	**5,833,545**	5,706,902

The amount owed to Group undertakings has no fixed repayment schedule.

The principal terms of the loan instruments are as follows:
For the April 2016 Loan Notes, all of which have been issued

Instrument (the "Instrument")	Interest bearing loan note instrument constituting 4,172,562 £1.00 secured convertible loan notes and 1,577,438 £1.00 secured non-convertible loan notes
Amount	Up to £5,750,000 which is fully drawn
Term	10 year term with an early repayment option on 5th anniversary
Drawdown	Minimum of £3,274,300 in first draw down then in increments of a minimum of £1 million in size
Interest	2.33%
Borrower Covenants	cloudBuy plc cannot issue any instrument that is pari passu or senior to the Instrument and/or the Loan Notes without the consent of the holder of the Loan Notes
Lender Covenants	None
Conversion price	6.5 pence (conversion at any time in full or in part at the election of loan note holder) or 1 penny (in the event that the outstanding amount of the Convertible Loan Notes (including principal and interest) has not been repaid or converted by the Final Redemption Date)

Security	The Loan Notes will be secured, by way of a secondary charge over the Company's assets, with the charge ranking behind the Company's clearing bank facility provider from time to time where the priority charge over the Company assets will be limited to £300,000 in value
Future Investment	Mr. Roberto Sella to have the right, but not the obligation, to participate in future equity fundraising by the Company at 80% of the price of other investors up to the end of the Term

For the December 2017 Loan Notes

Instrument (the "Instrument")	Interest bearing loan note instrument constituting 3,400,000 £1.00 secured convertible loan notes
Amount	Up to £3,400,000
Term	10 year term with an early repayment option on 5th anniversary
Drawdown	Initial drawdown of £1,700,000, further drawdowns can be requested by the Group in minimum amounts of £500,000
Interest	2.33%
Borrower Covenants	cloudBuy plc cannot issue any instrument that is pari passu or senior to the Instrument and/or the Loan Notes without the consent of the holder of the Loan Notes
Lender Covenants	None
Conversion price	2.0 pence (conversion at any time in full or in part at the election of loan note holder) or 1 penny (in the event that the outstanding amount of the Convertible Loan Notes (including principal and interest) has not been repaid or converted by the Final Redemption Date)
Security	The Loan Notes will be secured, by way of a secondary charge over the Company's assets, with the charge ranking behind the Company's clearing bank facility provider from time to time where the priority charge over the Company assets will be limited to £300,000 in value

19. Share capital and share premium

	Number of shares	Ordinary shares	Share premium
	£	£	£
At 1 January 2017	130,432,664	1,304,327	5,534,164
At 31 December 2017	**130,432,664**	**1,304,327**	**5,534,164**
At 31 December 2018	**130,432,664**	**1,304,327**	**5,534,164**

The total authorised number of ordinary shares is 250 million (2017: 250 million) with a par value of 1p each.

Subscribers to the share issues in August 2009 were granted warrants to subscribe for a total of 10 million new ordinary shares at 2p per share. The warrants were exercisable up to five years after issue. At the AGM in 2014 the extension of the exercise period by another five years was approved. There are warrants to subscribe for 2,053,836 shares outstanding.

During 2017 & 2018 the number of options granted under the cloudBuy plc Share Option Scheme to subscribe for ordinary shares in the Company changed as follows:

	2018 Number	Weighted average exercise price	2017 Number	Weighted average exercise price
At 1 January	**11,512,859**	**8.9p**	14,292,632	9.1p
Options granted during the year	**-**	**-**		-
Options lapsed during the year	**(2,317,920)**	**9.1p**	(2,779,773)	9.9p
Cancelled	**-**	**-**		-
Reissued	**-**	**-**		-
Exercised in the year	**-**		-	
At 31 December	**9,194,939**	**8.8p**	11,512,859	8.9p
Exercisable at the year end	**4,748,833**	**8.4p**	3,831,685	7.7p

The options at 31 December 2018 are as follows:

Number of options under grant	Subscription price per share	Exercise period
613,750	1.75p	August 2012 to August 2019
400,000	3.5p	October 2013 to October 2020
1,091,235	11.625p	December 2015 to December 2022
5,664,954	10p	March 2017 to March 2026
1,425,000	6.5p	January 2017 to December 2026

Share based payments

The Group has a share option scheme under which the Remuneration Committee can grant options over share in the Company to employees of the Group. Options are granted with a fixed option price equal, normally, to the market price of the shares under option at the date of grant. The contractual life of an option is normally 10 years. The scheme allows for performance criteria or market conditions to be attached to the options, but this has not generally been done. Options are valued using the Black Scholes option pricing model. The fair value of options granted and which remain open and the assumptions used in the calculations are as follows:

Grant Date	28 Aug 09	24 Oct 10	24 Dec 12	24 Mar 16	21 Dec 2016
Share price at grant date	1.6p	3.5p	11.625p	6.25p	3.45p
Exercise price	1.75p	3.5p	11.625p	10p	6.5p
Number of employees	37	31	9	4	11
Shares originally under option	2,930,795	3,150,000	2,303,604	2,000,000	2,155,000
Vesting period (years)	3	3	3	†	††
Expected volatility	90%	90%	65%	225%	225%
Expected life (years)	4	4	4	4	4
Risk free rate	2.45%	1.75%	0.9%	1.4%	1.4%
Rate ceasing employment before vesting (total)	25%	25%	25%	0%	10%
Fair value per option	£0.003	£0.015	£0.04	£0.04 to £0.05	£0.02 to £0.03

† Vest in equal parts between 1st and 4th anniversary

†† 1,475,000 vest in equal parts between 1st and 24th month after issue; the balance vest in equal parts between 1st and 4th anniversary

No dividends were assumed. The expected volatility is based on the historical volatility of the Company's shares.

Share incentive plan

The Group has a share incentive plan under which shares can be awarded to all employees. The shares are held separately by the plan's Trustees. To date there have been five issues:

On 5 April 2012 1,878,288 ordinary shares were issued at 11.5p per share;

On 24 December 2012 1,703,229 ordinary shares were issued at 11.65p per share, and

On 15 October 2013 745,462 ordinary shares were issued at 33p per share.

On 12 June 2015 2,172,520 ordinary shares were issued at 24p per share.

On 23 March 2017 540,000 ordinary shares were issued at 2.25p per share.

Cost of the shares issued is charged to the profit and loss account over three years, the period for which the shares must be held by the trustees before becoming available to the relevant employee.

20. Financial instruments

The Group's financial assets and liabilities comprise cash and borrowings, and various items, such as trade receivables and trade payables that arise directly from its operations. The Group is not exposed to significant foreign exchange risk.

The Group does not enter into instruments for speculative purposes. The Group is exposed to credit risk predominantly from trade receivables and cash and cash equivalents held with banks.

The Group finances its operations through funds raised from the issue of Loan Notes, Convertible Loan Notes and share issues.

Risk Management

General objectives, policies and processes

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

The Board receives monthly financial reports from the CFO through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Group reports in Pound Sterling. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of directors. The Group does not use derivative financial instruments such as forward currency contracts, interest rate swaps or similar instruments. The Group does not issue or use financial instruments of a speculative nature.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables;
- Cash and cash equivalents;
- Trade and other payables
- Loan notes and convertible loan notes;

Trade and other receivables are measured at face value and subsequently at net realisable amount. Book values and expected cash flows are reviewed by the Board and any impairment charged to the consolidated statement of comprehensive income in the relevant period.

Trade and other payables are measured at book value. The book value of financial assets and liabilities equates to their fair value.

A summary of the financial instruments held by category is provided below:

	2018	2017
	£	£
Cash and cash equivalents	**790,989**	2,459,912
Trade receivables - due at reporting date	**153,305**	323,702
Trade receivables - not due at reporting date	**35,667**	20,440
Gross trade receivables	**188,973**	344,142
Less: Provision for impairment	**17,000**	11,000
Net trade receivables	**171,973**	333,142
Other receivables	**181,142**	68,479
Total Receivables	**361,114**	401,621
Total Financial Assets	**1,152,103**	2,861,533

Trade receivables principally comprise amounts outstanding for sales to customers and are payable within a range of 30 to 45 days after invoice date. The average debtor days to settle invoices are 30-60 days (2017: 30-60 days). An impairment review of outstanding trade receivables is carried out at the period end and a specific amount provided for.

A summary of Financial Liabilities is as follows:

	2018	2017
	£	£
Trade Creditors	**86,814**	110,271
Loan Notes	**5,833,545**	5,675,526
	5,920,359	5,785,797

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs and are usually payable within 30 days of invoice date. The average credit period taken for trade purchases is 30 days (2017:30 days).

Cash and cash equivalents

Cash and cash equivalents comprise balances on bank accounts in the business.

Finance charges are accounted for on an accruals basis and charged to the statement of comprehensive income when payable.

Most cash and cash equivalents are held in Pound Sterling with 97% at 31 December 2018 being in Pounds Sterling

Risks Arising from Financial Instruments

The main risks arising from the Group's financial instruments are as follows:

- Credit Risk;
- Liquidity Risk; and
- Foreign Exchange Risk;

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. At 31 December 2018 the Group has net trade receivables of £171,973 (2016: £333,142).

The Group is exposed to credit risk in respect of these balances such that, if one or more customers encounter financial difficulties, this could materially and adversely affect the Group's financial results. The Group's customers are largely public sector bodies in developed countries or part of large private sector companies. In addition, the Group attempts to mitigate credit risk by assessing the credit position of any new customers. and by entering contracts with customers with agreed credit terms. During the year the Group held bank accounts at Barclays and HSBC in the UK and ANZ bank in Australia

The ageing of Trade Debtors and provision for bad debts is shown in note 15.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Group has the ambition to maintain cash balances to meet expected requirements for a period of at least 45 days.

The tables below analyse the Group's financial liabilities by contractual maturities. All amounts disclosed in the table are the contractual undiscounted cash flows.

Trade Creditors	**2018**	2017
	£	£
Ageing of trade creditors		
Not yet due	**78,895**	86,640
Up to 1 month	**2,189**	-
2 to 3 months	**-**	-
Over 3 months	**5,730**	21,631
Total	**86,814**	110,271

Loan Notes	**2018**	2017
	£	£
More than 5 years	**5,833,545**	5,675,526

Foreign exchange risk

Foreign exchange risk arises when Group entities enter into transactions denominated in a currency other than their functional currency. Revenue not denominated in Pounds sterling was £85,780 in the year. Where different, the Group's policy is, where possible and as is expected by major organisations, to allow customers to settle liabilities denominated in the customer's functional currency. These non-Pounds Sterling currencies are Canadian Dollar, Singapore Dollar and Australian Dollar.

There are no significant purchases made in foreign currencies.

Net currents assets denominated in foreign currencies at 31 December 2018 were £94,960 and therefore the risk is considered immaterial and further analysis is therefore not disclosed.

Interest Rate Risk

The Group has no borrowing except the Loan Notes and Convertible Loan Notes with Roberto Sella. The Loan Notes have a fixed interest for their term of 2.33% and therefore, there is no cashflow interest rate risk.

Capital risk management

The Group's capital is made up of share capital, share premium, other reserve, other, share based payment reserve, currency translation and accumulated losses totalling £5,832,204 at 31 December 2018 (2017: £3,847,464).

The Group's objectives when maintaining capital are:

To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of shareholders equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and loan notes.

Sensitivity analysis has not been performed as any impact is considered immaterial.

21. Leasing commitments

Present value of future commitments under non-cancellable operating leases:	**2018** **£**	2017 £
Group		
Land and buildings, falling due		
– within 1 year	**38,682**	51,409
– within 2 to 5 years	**36,165**	63,294
– over 5 years	**14,988**	20,710
	89,835	135,413
Company		
Land and buildings, falling due		
– within 1 year	**38,682**	40,000
– within 2 to 5 years	**36,165**	27,129
– over 5 years	**14,988**	
	89,835	67,129

22. Related party transactions

Mr RJ Duncan and Mrs HL Duncan are the landlords of a property which is occupied by the Group. The annual rent is currently £24,000 (2017: £24,000). Isabella M Deas Limited, a company owned by Mr Duncan's parents and in which he has a minority interest, is the landlord of a second property which is occupied by the Group. The annual rent is currently £24,000 (2017: £24,000). The leases on both properties are due for renewal in August 2019.

There is no party which has ultimate control of the Group.

Key management compensation

	2018 **£**	2017 £
Short term employee benefits	**469,925**	659,055
Share based payment remuneration	**-**	-

	469,925	659,055

Share based payment remuneration represents the value of options granted to key management valued as described in note 19.

23. Non-trading subsidiaries

The company has incorporated a number of subsidiaries for the purpose of name preservation. These are non-trading, wholly owned and are incorporated in the United Kingdom unless otherwise specified:

cloudSell Limited, cloudBuy (HK) Ltd, cloudBuy Pty Ltd, cloudBuy Group Ltd, cloudBuy Holdings Ltd, cloudBuy Services Ltd, cloudBuy & Co Ltd, cloudBuy India Private Ltd, cloudBuy UK Ltd, cloudBuy International Ltd, cloudSell & Co Ltd, cloudSell Pty Ltd, cloudSell Group Ltd, cloudSell Services Ltd, cloudSell International Ltd, cloudSell UK Ltd, cloudSell Holdings Ltd, Cloud Incorporations Limited