



Europe | Middle East | Americas | Asia Pacific

cloudBuy plc Annual Report and Accounts 2018

TUESDAY



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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 data 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 continually 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 at 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 revenue has been reduced, resulting in a reduction in losses in the past 3 years despite a reduction in revenue.

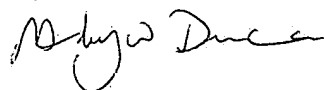
The Group is loss making and may need further financing in the future.

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

Board of Directors & Advisors

Ronald Duncan

(Executive Chairman and Chief Information Officer)

Ronald Duncan co-founded cloudBuy PLC in 1999. Prior to cloudBuy PLC, he spent ten years running his own computer software development company, servicing projects using a range of computer languages and platforms. Ronald studied Physics at Cambridge and is a Chartered Physicist and Member of the Institution of Analysts and Programmers. He is a former UK downhill ski champion who competed internationally for ten years, including at two Olympics, and was chairman of the Snowsports GB, the governing body of skiing and snowboarding, from 2002-2004 and left the organisation in a strong position having won 3 world cups. He now speaks over 10 languages.

Lyn Duncan

(Chief Executive Officer)

Lyn Duncan co-founded cloudBuy PLC in 1999, having gained a particular interest in the procurement field and has been actively working in this area since the late 1980's when she worked with Henley Management Consultants on a product which integrated purchasing and marketing processes. Her wider interest in technology developed when working for BT as a manager of emerging technologies such as shared computing and email into BT's corporate client base through a series of flagship business centres. Prior to founding cloudBuy PLC, she worked as a management consultant (both at Oasis and as an independent consultant leading on national initiatives within the NHS) gaining over ten years' experience of leading technology-driven change initiatives in the public and private sector.

David Gibbon

(Chief Financial Officer and Company Secretary)

David has 19 years' experience as CFO for technology companies. Prior to joining cloudBuy, he was briefly Chief Financial Officer of Allocate Software plc, a provider of workforce and compliance optimisation solutions, until its take private by HgCapital. David had previously been CFO of Omnico Group which was formed through the merger of Clarity Commerce Solutions plc, an AIM-quoted POS software company, and Digipos, a POS hardware company. Prior to joining Omnico Group, David was CFO of Kewill plc.

Patrick (Paddy) Broughton

(Senior and Independent Non-Executive Director)

Patrick, who is based in Australia, is President of Asia Pacific. He is a very experienced banker who from 1987 to 1995 worked at JP Morgan, rising to European Head of FX Sales, prior to joining SG Warburg in Sydney in 1997. From 1998 until 2009 he rose to Head of Equity Capital Markets at ABN AMRO Rothschild in Sydney before being appointed as Global Head of Equity Origination for RBS and Chief Executive of Hoare Govett in London, a position which he held until 2012. He is currently Chairman of the Dixon Advisory Investment Committee.

David Chellingsworth*(Independent Non-Executive Director)*

David is a qualified Chartered Accountant and was formerly the Finance Director of cloudBuy between 1999 and 2001, before its flotation on AIM. He spent the majority of his career at British Gas. Subsequently, he served as Finance Director of Advanced Medical Solutions from 1994 to 1999 where he oversaw its successful flotation on the Official List in 1996. Since leaving cloudBuy, David has acted as Finance Director of private companies, including Medtrade Limited and acted as financial consultant at UK Biobank Limited. David is Chairman of the Board's Audit Committee.

Michael Pasternak*(Non-Executive Director)*

Michael is currently CEO of SAFE Holding Co., LLC a combined hydroponic and fish farm. He has a background in investment banking including senior positions at Saudi International Bank in London and Goldman Sachs in New York. Michael Pasternak is a resident of the USA and his experience will assist in cloudBuy's expansion in Saudi Arabia and the USA.

Company Secretary

David Gibbon

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Solicitors

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Corporate Governance Report

The Company's Ordinary Shares trade on AIM and the Company has adopted the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the "QCA Code").

The Directors recognise that it is in the best interests of the Company and its Shareholders to follow the QCA Code's principles of Corporate Governance and to have in place risk controls appropriate for a company of its size.

Chairman's introductory statement on Corporate Governance

As Chairman, my role is to lead the Board, ensure it operates effectively and contains the right balance of skills, diversity and experience. The Board is collectively responsible for the long-term success of the Company and for setting and executing the business strategy. I believe our culture is consistent with the company's objectives, strategy and business model and is supportive in minimising our principal risks and uncertainties.

Good corporate governance is a key element of our business success and we have in place a strong and effective governance framework and practices to ensure that high standards of governance, values and behaviours are consistently applied throughout the Group. These elements are critical to business integrity and maintaining the trust of all stakeholders.

The following Corporate Governance Report contains a summary of the Company's governance arrangements.

Ronald Duncan
Chairman

Overview

The Group is run by its Board of Directors, which currently has five members, including three non-executive directors, and meets at least 11 times per year. The Non-executive Directors make a valuable contribution by bringing a breadth of business and relevant professional experience to the Board and commit at least half a working day per month to their roles.

The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. It is responsible for the overall Group strategy, acquisition and divestment policy, corporate policies, approval of major capital expenditure and consideration of significant capital matters.

The Chairman considers the operation of the Board and performance of the Directors on an ongoing basis as part of his duties and will bring any areas of improvement he considers are needed to the attention of the Board.

The Company carried out a formal review of Board Effectiveness in November and December 2018. This utilised a formal externally developed questionnaire. The results and actions were discussed and agreed at the December Board Meeting. The main actions are for the Chairman to carry out a formal evaluation of each Board members performance and that there will be a formal Board review of strategy twice per year. Progress

on actions will be carried out at the June Board Meeting and the Effectiveness Review will be carried out each year.

The Directors are encouraged to attend training and continuing professional development courses as required. Updates are given to the Board on developments in governance and regulations as required. David Gibbon is the Company Secretary and supports the Chairman in ensuring that the Board receives the information and support it needs to carry out its roles. When new Directors join the Board, they will receive an induction covering topics such as the operation of the Board, Directors' responsibilities, insider dealing, AIM Rules and governance documents.

In addition to the Board, certain matters are devolved to committees which are chaired by an Independent Non-Executive Director.

Audit Committee

The Audit Committee comprises David Chellingsworth, Patrick Broughton and Mike Pasternak and is chaired by David Chellingsworth. In compliance with the QCA Code, David Chellingsworth has relevant financial experience. The Audit Committee will normally meet not less than twice a year and has responsibility for, amongst other things, the planning and review of the Group's annual report and accounts and half yearly reports and the involvement of the Group's auditors in that process.

The committee will focus in particular on compliance with legal requirements, accounting standards and on ensuring that an effective system of internal financial control is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board.

The terms of reference of the Audit Committee cover such issues as membership and the frequency of meetings, as mentioned above, together with the role of the secretary and the requirements of notice of and quorum for the right to attend meetings. The duties of the Audit Committee covered in the terms of reference are: financial reporting, internal controls and risk management systems, whistleblowing internal audit, external audit and reporting responsibilities. The terms of reference also set out the authority of the committee to exercise its duties.

Nominations Committee

The Nominations Committee comprises Patrick Broughton, David Chellingsworth and Mike Pasternak and is chaired by Patrick Broughton. The Nominations Committee will meet when appropriate and will consider the composition of the Board, retirements and appointments of additional and replacement directors and make appropriate recommendations to the Board.

Remuneration Committee

The Remuneration Committee comprises Patrick Broughton, David Chellingsworth and Mike Pasternak and is chaired by Patrick Broughton. The Remuneration Committee will normally meet not less than once a year and has responsibility for making recommendations to the Board on the Group's policy on the remuneration of certain senior executives (including senior management), including annual bonuses, the eligibility requirements for benefits under long term incentive schemes and for the determination, within agreed terms of reference, of specific remuneration packages for each of the executive Directors, including pension rights, contracts of employment and any compensation payments.

The terms of reference of the Remuneration Committee cover such issues as membership and frequency of meetings, as mentioned above, together with the role of secretary and the requirements of notice of and quorum for and the right to attend meetings. The duties of the Remuneration Committee covered in the terms of reference relate to the following: determining and monitoring policy on and setting levels of remuneration, contracts of employment, early termination, performance related pay, pension arrangements, authorising claims for expenses from the executive Directors, reporting and disclosure, and consideration of the use of remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to exercise its duties.

A separate Remuneration Committee report has not been included due to the simple nature of the remuneration structure. Details of Director Remuneration are set out in note 7 and shareholdings and options are included in the Directors Report.

Attendance at the relevant committees during the year was as follows:

	Board	Audit	Nominations	Remuneration
Patrick Broughton	10/12	2/2	1/1	1/1
David Chellingsworth	12/12	2/2	1/1	1/1
Mike Pasternak	5/12	0/2	1/1	1/1
Ronald Duncan	12/12	N/A	N/A	N/A
Lyn Duncan	11/12	N/A	N/A	N/A
David Gibbon	12/12	N/A	N/A	N/A

Directors who are unable to attend particular meetings receive a full briefing after the meeting from the Company Secretary. All meetings are minutes and the minutes are circulated to all directors.

Ethics and Culture

cloudBuy plc has a culture based on ethical values and behaviours, which are promoted by the Directors. The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees in the Group. The Company adopts a policy of equal opportunities and diversity in the recruitment and engagement of staff, as well as during the course of their employment. It endeavours to promote the best use of its human resources on the basis of individual skills and experience, matched against those required for the work to be performed. The Company recognises the importance of investing in its employees and, as such, it provides opportunities for training and personal development and encourages the involvement of employees in the planning and direction of their work. The Company also recognises that commercial success depends on the full commitment of all its employees, and commits to respecting their human rights, to providing them with favourable working conditions that are free from unnecessary risk, and to maintaining fair and competitive terms and conditions of service at all times. These values are applied regardless of age, race, religion, gender, sexual orientation or disability.

Report of the Audit Committee

Membership and meetings of the Audit Committee

The Audit Committee is a committee of the Board and is composed entirely of Non-executive Directors. The Audit Committee invites the Executive Directors and other senior managers to attend its meetings as appropriate. During the year the Audit Committee was chaired by David Chellingsworth. The Audit Committee is considered to have sufficient, recent and relevant financial experience to discharge its functions. The Audit Committee invites others, including the external auditor, to attend its meetings as appropriate.

In line with the duties of the Audit Committee, the activities of the Audit Committee covered the following items:

Internal Control

Considered, whether there should be an internal audit function and make recommendations to the Board accordingly;

Reviewed management's reports on the adequacy and effectiveness of systems for internal financial control, other internal control and financial reporting and risk management; and

Reviewed and approved the statements to be included in the annual report concerning internal controls and risk management.

External Audit

Considered and made recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, on the re-appointment of the Company's external auditor.

Oversaw the relationship with the external auditor including (but not limited to):

Reviewed proposals on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable a high quality audit to be conducted;

Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

Assessed their independence and objectively taking into account relevant UK law, professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of non-audit services and any threats to the auditor's independence and the safeguards applied to mitigate those threats;

Satisfied itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

Agreed with the Board that no former employees of the Group's auditor shall be recruited as employees.

Monitored the compliance with the relevant UK Law, regulation and ethical and professional guidance on the rotation of audit partner.

Evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee.

Met with the external auditors, including after the audit at the reporting stage.;
Reviewed the findings of the audit with the external auditor. This included the following:

- A discussion of any major issues which arose during the audit;
- Reviewed the auditor's explanation of how the risks to audit quality were addressed;
- Reviewed any accounting and audit judgements;
- Reviewed the auditor's view of their interactions with senior management;
- Reviewed the levels of errors identified during the audit; and
- Reviewed the effectiveness of the audit process.

The Committee also:

Reviewed the representation letter requested by the external auditor before they are signed by management;

Reviewed the external auditor's management letter and management's response to the auditor's findings and recommendations; and

Developed and recommend to the Board the Group's policy in relation to the provision of non-audit services which were restricted to tax advice.

Financial Reporting

The Committee monitored the integrity of the financial statements of the Company, including its annual and half-yearly reports.;

This included:

The consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company and Group;

The methods used to account for significant or unusual transactions where different approaches are possible and how they are disclosed;

Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account any views of the external auditor;
and

All material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management, paying particular attention to:

- i. Decisions requiring a major element of judgement;
- ii. Significant adjustments resulting from the audit;
- iii. The going concern assumption;
- iv. Compliance with accounting standards;
- v. Compliance with stock exchange and other legal or regulatory requirements including the AIM rules.

The Committee was not requested by the Board to consider any other topics.

Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

Narrative Reporting

As is usual, following a request by the Board, the Committee reviewed the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Main outputs of the Audit Committee Meetings for the 2018 Financial Year

Two formal meetings were conducted for the 2018 financial year, the following items were covered:

Review and approval of the half year statement and the full year audited Annual Report and Accounts.

The audited results for the year were in line with the indications given in the Trading Update.

The consideration of the need for a separate internal audit function. This concluded that this was not necessary due to the small size of the company and the likely high cost.

The audit partner was rotated off following a 5 year term.

In addition, the Chairman of the Audit Committee reviewed and approved the Auditor's Planning Memorandum and their fees.

David Chellingsworth
Chairman of the Audit Committee
19 March 2019

Directors' Report

The Directors present their report with the Financial Statements of the Company and Group for the year ended 31 December 2018.

Result for the year

The results for the year ended 31 December 2018 and the financial position at that date are set out in the Financial Statements. The loss of the Group for the year after taxation amounted to £2,192,646 (2017: £2,611,373).

Key financial and non-financial performance indicators

The Board uses a range of financial and non-financial key performance indicators (KPIs) in the management of the group.

The main financial KPIs are the measurement against budget of sales (by business area), overheads, operating profit and cash flow. These are reviewed monthly by the Board. The operating performance for the year is covered in the Strategic Report and financial performance is shown in the Financial Statements.

The main non-financial KPIs are deal pipeline, volumes of transactions and user numbers.

Issue of shares

There were no issue of shares during the year

Dividend

The Directors do not recommend the payment of a dividend on the ordinary shares.

Research and development

During the year the Group expended £579,722 (2017: £575,261) on research and development activities. The nature of these activities is considered in the Strategic Report.

Directors

The names of the present Directors of the Company, together with brief career details, are shown on pages 9 and 10.

The interests of the Directors in office at the year-end and at the date of this report in the 1p ordinary shares of the Company were as follows:

	31 December 2018	31 December 2017
	Number	Number
HL & RJ Duncan	18,287,981	18,487,981
D Gibbon	387,692	387,692
PH Broughton	2,609,371	2,609,371
D Chellingsworth	290,000	290,000
Michael Pasternak	2,150,000	2,150,000

At the date of this report, the Directors had the following interest in options over ordinary shares

Name	Date of Grant	Number of Options	Exercise Price	Date Exercisable	Date Lapses
RJ Duncan	28 August 2009	300,000	1.75p	Note 1	28 August 2019
RJ Duncan	24 December 2012	332,867	11.625p	Note 1	24 December 2022
RJ Duncan	24 March 2016	1,751,042	10p	Note 2	24 March 2026
RJ Duncan	21 December 2016	250,000	6.5p	Note 3	21 December 2026
HL Duncan	28 August 2009	187,500	1.75p	Note 1	28 August 2019
HL Duncan	24 December 2012	332,867	11.625p	Note 1	24 December 2022
HL Duncan	24 March 2016	1,359,245	10p	Note 2	24 March 2026
HL Duncan	21 December 2016	250,000	6.5p	Note 3	21 December 2026
D Gibbon	24 March 2016	1,341,667	10p	Note 2	24 March 2026
D Gibbon	21 December 2016	250,000	6.5p	Note 3	21 December 2026
P Broughton	24 March 2016	300,000	10p	Note 2	24 March 2026
D Chellingsworth	21 December 2016	75,000	6.5p	Note 3	21 December 2026

Note 1: Exercisable 3 years after issue

Note 2: Exercisable in 36 equal monthly instalments commencing one year after issue

Note 3: Exercisable in 24 equal monthly instalments commencing one month after issue

Going concern

As detailed in note 2.2 of the financial statements the directors have analysed the combination of the nature of the Group's business, its cash balance, the commitment to fund from Roberto Sella, and the current economic climate to allow the Group to continue trading for a period of 12 months from the date these accounts were agreed.

Having considered these uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence in the foreseeable future and as such have prepared the financial statements on the going concern basis. They have reached this conclusion having reviewed the Group's accounts, budgets and forecasts.

Financial Instruments

The risk exposure of the Group and how the Group addresses this is detailed in note 20 of the Financial Statements.

Directors' and officers' liability insurance

The Company has maintained throughout the year and continues to maintain liability insurance for its Directors and officers.

Substantial shareholdings

As at 19 March 2019 the Company had been notified under the Disclosure and Transparency Rules of the following interests of 3% or more in its issued share capital:

	Number of ordinary Shares	Percentage
RJ & HL Duncan	18,287,981	14.02%
Roberto M. Sella	14,700,000	11.27%
Mark Dixon	9,200,000	7.05%
DJ Holloway	8,842,181	6.78%
William Barbour	8,183,625	6.27%

The following details are required to be disclosed in this report to comply with the conditions of The Takeover Code. Mike Pasternak who is a director of cloudBuy is deemed to be acting in concert with Roberto Sella for the purposes of the Takeover Code. The holdings of Roberto Sella and Mike Pasternak are as follows:

Shareholder	Interest in issued share capital on 31 December 2018	Percentage interest in issued share capital on 31 December 2018	Total interest Note 1	Percentage total interest (Note 1)
Roberto Sella*	14,700,000	11.27%	301,204,965	72.24%
Mike Pasternak*	2,150,000	1.65%	2,150,000	0.52%
Total	16,850,000	12.92%	303,354,965	72.76%

* Mike Pasternak who is a director of CloudBuy is deemed to be acting in concert with Roberto Sella for the purposes of the Takeover Code.

Note 1- Assuming all the convertible Loan Notes (including the maximum number of PIK CLS and New PIK CLS) are converted in full at 6.5p per share in the case of Existing CLS and 2p in the case of the New CLS.

By Order of the Board

David Gibbon

David Gibbon
Secretary
19th March 2019

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

UK Company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the Directors are required to prepare Group financial statements in accordance with IFRS as adopted by the European Union ("EU").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether they have been prepared in accordance with IFRSs adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the cloudBuy plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Auditors

A resolution approving the re-appointment of James Cowper Kreston will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board by:



Ronald Duncan
Executive Chairman
19th March 2019

Independent Auditor's Report to the Members of cloudBuy plc

Opinion

We have audited the financial statements of CloudBuy plc (the 'Company') for the year ended 31 December 2018 which comprises the Statement of Comprehensive Income, the Statement of Financial Position, the Cash Flow Statement, the Statements of Changes in Equity and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards as adopted by the European Union. The financial reporting framework applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements:

- Give a true and fair view of the state of the Group and Parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- Have been properly prepared in accordance with the financial reporting frameworks as outlined above; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards of Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further discussed in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standards as applied to listed entities, and we have fulfilled our ethical responsibilities with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you were:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate;
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

An overview of the scope of our audit

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK and Ireland)'). We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account our understanding of the Group and its environment, the accounting processes and controls, and the industry in which the Group operates. The Group operates primarily within the parent company, but there are also operating subsidiaries. We planned our work to include sufficient work in respect of the parent company and the subsidiaries to enable us to provide an opinion on the Group financial statements.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified in the Key audit matters section below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we not provide a separate opinion on these matters.

Going concern*Risk description*

Going concern assessments are inherently uncertain as they rely on management's estimations and forecasts in respect of expected future trading, cash flows, funding requirements and availability of finance. The Group remains at a stage in its development where it is reliant on future improvements in trading performance and/or its ability to raise additional finance, in order for it to continue operating for the foreseeable future.

How the scope of our audit responded to the risk

We have reviewed management's assessment of the Group's ability to continue operating as a going concern in detail including reviewing the cash flow projections prepared by management and assessing the reasonableness of the assumptions on which those projections are based.

We have reviewed and considered the appropriateness and sufficiency of the disclosures included in the financial statements in respect of going concern in light of the above.

Key observations

The results of our testing were satisfactory and we consider that the disclosures in respect of going concern are appropriate and sufficient.

Revenue recognition*Risk description*

There is an inherent risk of misstatement of revenue in most trading business, whether amounting from fraud or error.

How the scope of our audit responded to the risk

To assess the appropriateness and completeness of revenue recognised in the year the following procedures were performed:

- Examined a sample of revenue transactions by reference to underlying contractual terms;
- examined on a sample basis invoices and postings for items recorded around the period end;
- reviewed manual journals posted to the revenue account in the period and subsequent to year-end gaining an understanding of the appropriateness of these;
- Considered the appropriateness and application of the company's accounting policy for revenue recognition and;
- Considered the disclosures in the financial statements regarding revenue.

Key observations

The results of our testing were satisfactory.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decision of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgements we determined materiality for the financial statements as a whole to be £110,000 (2017: £110,000). The key driver for the materiality calculation was loss before taxation but we also considered the appropriateness of this figure in the context of the reported revenue for the year, and the balance sheet.

We agreed with the directors that we would report all audit difference in excess of £5,500 (2017: £5,500) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Other information included in the annual report

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion

on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially misstated. If we identify such material inconsistencies or apparent material misstatement, we are required to determine whether there is a material misstatement in the financial statement or a material misstatement in the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared are consistent with the financial statements; and
- The strategic report and the directors' report have been prepared in accordance with the applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to the financial statements which the Companies Act 2006 require to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for the audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 20 the directors' are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors' either intend to liquidate the Company or to cease operating, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditors' report.

Use of our report

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Alan Poole BA (Hons) FCA (Senior Statutory Auditor)

For and on behalf of

James Cowper Kreston

Statutory Auditors

Reading Bridge House

George Street

Reading

Berkshire

RG1 8LS

Date: 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

	Notes	Group		Company	
		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, Executive Chairman

Statement of Cash Flows

For the year ended 31 December 2018

		Group		Company	
	Notes	2018 £	2017 £	2018 £	2017 £
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

	Share Capital	Share premium	Other reserve	Share based payment reserve	Accumulated losses	Shareholder's equity
Company	£	£	£	£	£	£
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.

(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	1,504,067
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

	Cost	Provision for impairment	Carrying Value
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
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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 current 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

	2018	2017
	£	£
Present value of future commitments under non-cancellable operating leases:		
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