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Annual Report &  
Accounts 2016

2016



Who just  
joined?

“ Who has all  
the background  
noise?

Can you see  
my screen yet?

Who is that  
speaking? ”

## Meet better. Meet LoopUp.

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Strategic Report  
Performance Highlights

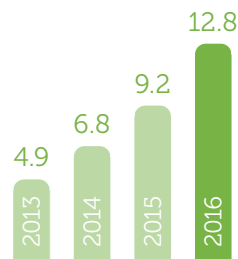
Strong, efficient growth

LoopUp revenue growth

39%

(FY2015: 36%)

LoopUp revenue  
(£m)



LoopUp Revenue is revenue from the LoopUp product and associated value-added add-on capabilities; excludes discontinued BT technology licensing revenue.

2016 gross margin

75.9%

(FY2015: 74.5%)

EBITDA

£2.1m

(FY2015: £1.0m)

Year-end net cash

£2.2m

(FY2015: £7.3m net debt)

Operating profit

£0.4m

(FY2015: £0.4m loss)

## Strategic Report

### Key Performance Indicators

#### Business economics KPIs

##### Negative net churn

# 8.3%

(FY2015: 6.7%)

LoopUp experienced negative net churn – i.e. net growth – in our established base of customers that are at least one year old.

Negative net churn is the combination of our 5.1% loss rate with our 13.4% ‘upsell’ rate.

##### New ARR per Pod

# £509k

(FY2015: £440k)

‘Pods’ are LoopUp’s business acquisition teams (for more, see: Our Markets and Distribution).

In 2016, LoopUp had an average of 6.2 Pods. Each Pod cost £490k on a fully loaded basis (FY2015: £410k).

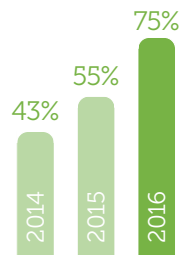
In 2016 each Pod delivered £509k in new annual recurring revenue (ARR), which, based on our 5% loss rate, would imply a 20-year ‘expected lifetime’.

#### Product KPIs

LoopUp’s streamlined, intuitive design ensures that users can easily understand how to use the product without training, and the product capabilities that set LoopUp apart are highly adopted by our users.

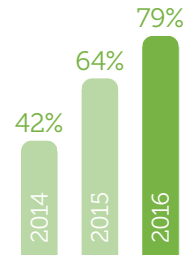
New users (hosts) are increasingly having LoopUp dial out to them to join their meetings, and the majority leverage LoopUp for Outlook, our Microsoft Outlook™ add-in, or the LoopUp mobile app.

##### Percentage of meetings where LoopUp dials out to the host



Group data on cohort of new users each year.

##### Percentage of users using LoopUp for Outlook and/or LoopUp for iOS or Android



Group data on cohort of new users each year.

## Frustrating, time-wasting and insecure for too long

Remote meetings have become an essential part of day-to-day business, yet the experience on conference calls is often riddled with frustrations and distractions.

Research shows that people waste an average of 13 minutes<sup>(1)</sup> on a typical conference call getting connected or dealing with distractions and interruptions. That equates to more than £14bn of time wasted<sup>(2)</sup> in the UK and US alone.

Most professionals don't have time to waste fumbling for dial-in numbers and passcodes, constantly asking 'who just joined?', dealing with background noise, or trying to figure out why guests can't view their screen. They've got business to do and they want to get to work – they certainly don't want their conferencing tool slowing things down or getting in the way.



# 13

minutes wasted  
(out of 38-minute average  
conference call)



# 14<sup>bn</sup>

of time wasted

<sup>1</sup> Research Now survey to 1,000 frequent conference callers, commissioned by LoopUp, 2015.

<sup>2</sup> Estimate derived from overlaying data from Office for National Statistics and Bureau of Labor Statistics.

## Strategic Report Why We Exist

### A premium remote meeting experience

LoopUp is a premium remote meetings solution that makes it easier for discerning professionals to collaborate in real time.

Streamlined and intuitive, we designed LoopUp to deliver a refreshingly better experience for business users, while ensuring the quality, security and reliability required by large enterprises and global businesses. We've built LoopUp to integrate seamlessly with tools people use every day, like Microsoft Outlook™, and not to overwhelm users with complex features or require user training.

In the world of remote meetings, adding value usually means slashing prices or introducing a laundry list of specialist features. At LoopUp, it means delivering an experience that exceeds expectations and that you can count on without fail.

Whether you're creating a first impression, negotiating a deal, or connecting with colleagues, LoopUp keeps you focused on business, not the meeting.

#### Customers

>2,000

#### Employees

115

#### Global offices

6



#### An exceptional experience

Streamlined and intuitive, no training required



#### For the enterprise

Quality, security, and reliability come first



#### That works where you work

Easily integrates with everyday collaboration tools

“

LoopUp was an obvious choice for us for a number of reasons, most importantly, we're getting a better product for the price. It's simple to use, and the visual interface is clean and user-friendly.”

**Hilary Grieve**

Corporate Administration Manager,  
Kia Motors America



“

Not only does LoopUp ensure that we deliver the best conference call experience for our users no matter where they are, it also provides a level of security and confidentiality that is critical to our business.”

**Carolyn Lees**

Global IT Director, Permira Advisers





“

LoopUp has changed our organisation's mind on conference calls. It is simple to use yet slick, stable with fantastic customer service.”

**Michael Walsh**

Global Markets COO, Allied World Assurance



“

LoopUp has far exceeded my expectations, a global service that is convenient, quick and intuitive, this has made conferencing a whole lot easier for all users.”

**Ian Stewart**

Telecommunications Specialist, Travelex





**Carianne Gentry**  
VP at Sedona Finance



Lee Felts joined

Show history



**Donelle Booker** (Host)  
General Counsel at Rigant, Smith, and Emery



**Carianne Gentry** #1  
VP at Sedona Finance



**Grant Silva**  
General Counsel at Sedona Finance



**Abel Dixon**  
CEO at Sedona Finance



**Sandra Cardolini**  
CEO at Single Partners Consulting



**Valerie Singh**  
VP at Single Partners Consulting



**Leo Felts**  
CEO at Single Partners Consulting



Add guest

Danielle Booker's Meeting Room

Signed in as Danielle Booker

[Sign out](#)



Share My Screen

Meeting Key  
X1234



## Strategic Report

### Co-CEOs' Statement and Performance Review

## A landmark year



**Steve Flavell**  
Co-CEO



**Michael Hughes**  
Co-CEO

2016 was a landmark year in our mission to make important, day-to-day remote business meetings a fundamentally better experience for business people, as well as a more secure means of collaboration for their companies. The year combined transformational change in our corporate structure with yet another year of consistent and efficient growth in our operations.

#### **An IPO for future growth**

The centrepiece of the year was our August float on the Alternative Investment Market (AIM) of the London Stock Exchange. This was a major milestone for the Group, giving us strong balance sheet foundations for our next phase of business growth. Given the general market uncertainty and summer holiday season, we were delighted by the level of both institutional and retail investor support as the first technology float in the UK following the EU Referendum.

#### **Continued strong, efficient and profitable growth**

In the business, we extended our consistent track record of strong top line growth at healthy gross margins, developed our market reputation as a premium option for discerning conference callers, and continued to invest in our global team.

LoopUp Revenue grew by 39% from £9.2m in FY2015 to £12.8m in FY2016. This followed growth of 36% in FY2015 and 37% in FY2014. During the year, we brought in increasingly large customers across a broad range of industry sectors, with professional services remaining a sweet spot given the valuable visibility and security brought by LoopUp to their daily client interactions.

Our customer base remains well diversified, with the largest single customer representing just 2.4% of total LoopUp Revenue. Our top 100 customers accounted for 58% of LoopUp Revenue, and the top 500 accounted for 90%. The Group generated 41% of LoopUp Revenue from the United Kingdom, 46% from the United States, 11% from Continental Europe and 2% from the Rest of World. Our established revenue base in the United States is an important foundation for future growth as this geographic market accounts for over 59% of global demand.

Furthermore, in our established customer base, we've once again demonstrated 'negative net churn'. Taking into account all losses, shrinkages and growths, LoopUp Revenue from all customers of at least one year old actually net grew in FY2016 by 8.3% (FY2015: 6.7%).

Following our IPO, we also invested in the growth of our global team. Staff totalled 115 by the year end, up from 96 at mid-year. This accelerated investment has been made while continuing to meet the Board's targets for profit growth. Our gross margins improved to 75.9% from 74.5% in FY2015. Volume pricing for the increasingly large customers that we're now serving was more than offset by lower negotiated telecommunications costs and higher revenue per minute served from value-added capabilities that the user is naturally guided to in the product. EBITDA doubled over the prior year and the Group turned a profit at an operating level.

“

We remain focused on helping our customers have a fundamentally better experience on their important, day-to-day remote meetings.

## Strategic Report

### Co-CEOs' Statement and Performance Review

#### Progress against our strategic initiatives

We made good progress against each of our three key strategic initiatives:

#### 1. Continuing to innovate our premium product

At the heart of our corporate strategy is our product. We compete first and foremost on our product and the differentiated and premium experience it provides to customers on their important, day-to-day remote meetings. In the world of remote meetings, adding value has all too often come to mean slashing prices or introducing a laundry list of specialist features. At LoopUp, it means delivering an experience that exceeds our customers' expectations and that they can count on without fail.

During 2016 we launched a major new version of our web user interface, which further enhanced its streamlined and intuitive user experience. We introduced an online fulfilment capability, which enables inbound prospects to self-serve with a free trial account and ongoing payment by credit card. We also opened a new data centre in Sydney, and interconnected all four of our data centres – London, Chicago, Hong Kong and Sydney – into a single global operating architecture to optimise global service quality.

#### 2. Expanding our proven distribution model

Once again, our team-based 'Pods' organisational structure for new business acquisition continued to operate to incredibly efficient

underlying unit economics. During FY2016, each of the 6.2 Pods delivered an average of £509,000 new annual recurring revenue at a fully loaded cost of £490,000. The Group's customer loss rate of just 5% would suggest a 20-year expected lifetime over which this revenue will recur.

The recruitment strategy of exclusively bringing new graduates into Pods, together with a focus on process and team-based incentivisation, combine to make Pods a highly scalable and repeatable template for future growth. We continued that investment during 2016, leading to 7.25 Pods by year end. As indicated at IPO, we plan to increase the number of Pods to an average of at least eight in 2017 and an average of at least 11 in 2018.

#### 3. Introduce inbound marketing into our commercial operations

To date, the Group's growth has been achieved in the absence of inbound marketing activity and spend. New business has been generated through customer referrals, word-of-mouth, and targeted outreach to prospects. Since the IPO, we have hired four marketing professionals experienced in corporate communications, content and digital marketing, and graphic design. They have made fast foundational progress, having already rebranded the Company, refreshed the Group's positioning and messaging, and launched a new version of our corporate website.

#### Positive outlook

We remain focused on helping our customers have a fundamentally better experience on their important, day-to-day remote meetings. That's why LoopUp exists. We continue to see strong demand for our product; we're confident in the experience-led differentiation we've built into that product over the last 11 years and its ability to continue to take share from the large players in this £5bn market. Looking ahead into 2017, we continue to see strong demand for the LoopUp product and are confident in our ability to deliver further growth.

Finally, we would like to thank our wonderful LoopUp team. It is their hard work and passion – day in, day out – that makes all this happen.

**Steve Flavell**  
Co-CEO

**Michael Hughes**  
Co-CEO  
5 May 2017

Strategic Report  
Co-CEOs' Statement and Performance Review

## Our priorities

Priority	Explanation	Achievements	Outlook
Increase number of Pods	More of the proven same in new business acquisition	Grew to 6.2 Pods in 2016	Expect to grow to at least eight Pods in 2017 and at least 11 in 2018
Introduce marketing	Growth to date achieved without inbound lead generation marketing	Experienced four-person team hired in London, with skills in digital marketing, content marketing, corporate communications and design	Experimental campaigns to drive more enterprise and mid-market leads, and invest behind proven success
Continue to innovate our product	We compete on our premium product experience. We aim to solve problems with important day-to-day remote meetings and delight our users	We released a major new version of LoopUp, an online fulfilment capability, and added two new data centres	Extending our focused, best-in-class remote meetings product to play well with other best-in-class enterprise collaboration solutions

## Strategic Report Market and Distribution

### A large, growing market

The enterprise collaboration space is vibrant and growing, as technology delivers new ways for people to share and communicate at work – and away from work – with their peers and colleagues.

Remote meetings – or conference calls – continue to be at the heart of enterprise collaboration with an addressable market size of £4.7bn in 2015. In fact, the number of minutes spent on remote meetings is projected to grow from 173bn in 2015 to 276bn in 2019<sup>(1)</sup>.

Geographically, North America accounts for 62% of the market, Europe 21%, Asia Pacific 16% and the Rest of World 1%. The United States accounts for 95% of the North American market, and thus 59% of the global market.

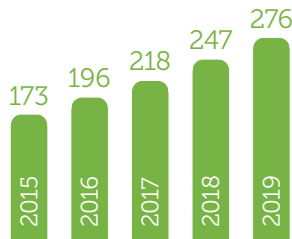
#### Market size (2015)

£4.7bn

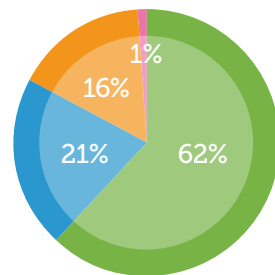
#### Number of minutes spent on remote meetings (2015)

173bn

#### Growth of remote meetings minutes



#### Geographic demand



■ North America  
■ Europe  
■ Asia Pacific  
■ Rest of World

<sup>1</sup> Data from Wainhouse Research.



## Strategic Report Market and Distribution

### People, product, process

LoopUp is a software-as-a-service product offered on both a pay-as-you-go (PAYG) and monthly subscription licence basis, invoiced monthly in arrears.

Our newly released online fulfilment capability also allows prospects to sign up for a free trial and ongoing payment by credit card via our corporate website.

Our customers predominantly favour PAYG, as do we.

#### PAYG

# 98.5%

#### Subscription licences

# 1.5%

LoopUp targets mid-to-large enterprises across a broad variety of industries, as well as SMEs in professional services sectors such as law, banking, private equity, consulting and PR.

Our new business acquisition activities are carried out under our proprietary 'Pods' organisational structure. Each Pod is typically made up of six individuals: three business development associates, two sales executives, and one account management executive.

Pod members are recruited exclusively as new graduates, and are trained and promoted up through the team as they perform. They work to common processes and metrics, and are incentivised solely as a team on the basis of new recurring revenue brought into the business.

Unlike traditional commercial structures, the Pod structure promotes efficiency between business development, sales and account management activities. It drives a collaborative 'best foot forward' culture, and is also relatively self-policing. Pods are highly scalable and, along with our product differentiation, underpin our consistency and predictable growth.



Our Pod structure underpins LoopUp's predictable, scalable growth

## Strategic Report

### CFO's Review

## A strong position



**Simon Healey**  
CFO

I am delighted to present my first financial review since being formally appointed to the Group's Board in August 2016.

2016 was a landmark year for LoopUp. The successful IPO, combined with continued strong growth and improved profitability, have ensured that the business is in a strong position going into 2017. As planned at IPO, the Group has begun investing some of the IPO proceeds in both product development and marketing initiatives.

#### Revenue

Core LoopUp Revenue grew by 39% in 2016 to £12.8m. This compares to 36% growth in 2015.

The Group's non-core licensing contract with BT generated £0.7m of revenue in 2016, compared to £0.9m in 2015. This contract has now been terminated, and hence this revenue stream has been treated as discontinued.

#### Operating results

The Group has continued to leverage its growth and improved buying power to drive down the cost of purchased telephony, which makes up the majority of the cost of sales. As a result, the gross margin percentage improved from 74.5% in 2015 to 75.9% in 2016.

Administrative expenses grew by 26% in the year, significantly lower than the rate of revenue growth. The main areas of spend increases were sales and engineering headcount and early marketing investment.

The resulting EBITDA rose from £1.0m in 2015 to £2.1m in 2016.

The Group's spend on development costs rose from £1.7m in 2015 to £3.2m in 2016. The increase represents our planned investment in the development team together with an exchange impact of around £0.4m (nearly all this cost is in US Dollars). These costs are allocated to specific development projects, which are then amortised once the project is deemed complete. The impact of this is that the amortisation charge lags behind the level of spend at £1.4m for 2016. This charge is expected to increase and equalise with the level of spend over the next few years.

The Group achieved an operating profit of £0.4m in 2016, compared to a loss of £0.4m in 2015.

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## Strategic Report

### CFO's Review

Finance costs of £0.7m were incurred in 2016, relating to the remaining shareholder loan facility. The loans, being denominated in US Dollars, gave rise to an exchange loss in 2016 of £1.2m. Neither of these costs are expected to recur in 2017.

The Group continues to receive a tax benefit from its research and development activity, and we expect to receive a claim of at least £0.5m of tax cash credit for 2016.

#### Assets and Cash Flows

The successful IPO in August 2016 enabled the Group to significantly improve its balance sheet. Before the IPO, the Group had a significant net liabilities position due to its reliance on a shareholder loan to finance working capital over the prior four years. This loan stood at £10.0m at the time of the IPO.

The IPO raised £8.5m of new equity capital for the business. In addition, the Group was able to capitalise £4.5m of the shareholder loan immediately prior to the IPO. Most of the remaining loan has been repaid from the proceeds of the IPO, however strict 'use of funds' regulations required the Group to ensure that some of the IPO proceeds were earmarked for growth and development activities. As such, £0.3m of the loan remained on the balance sheet at the end of 2016, and has since been repaid in early 2017.

The IPO has therefore significantly improved the Group's balance sheet position, with £7.7m of net assets at the end of 2016. The Group also has £2.2m of net cash available. The Group also has £12.6m of accumulated tax losses at the end of 2016, which it expects to be able to utilise against future profits.

**Simon Healey**  
CFO  
5 May 2017

## Strategic Report

### Principal Risks and Uncertainties

As with any business, the Group is subject to a number of risks and uncertainties, some of which are outside of our control. The Board confirms that there are ongoing processes for identifying, evaluating and mitigating the significant risks facing the Group. The processes are consistent, so far as appropriate given the size and nature of the business, with the guidance issued by the Financial Reporting Council.

Below we have identified the principal risks and uncertainties which could have an adverse material impact on the Group. This list is not exhaustive and it should be noted that additional risks, which the Group does not consider material, or of which it is not aware, could have an adverse impact.

Principal risk	Impact	Mitigation
<p>Competition and technological change</p>	<ul style="list-style-type: none"> <li>The Group's primary competitors are, in many cases, significantly larger enterprises with greater financial and marketing resources. There can be no guarantee that the Group's current competitors or new entrants to the market will not bring new or superior technologies, products or services at similar or lower prices.</li> </ul>	<ul style="list-style-type: none"> <li>We maintain and promote a differentiated value proposition. While other remote meetings vendors claim to deliver value by adding specialist features and capabilities, or by cutting prices, LoopUp delivers value, and competes successfully, by providing a superior user experience for non-specialist users.</li> <li>The Group's senior management team regularly devotes time to reviewing product releases by potential competitors and gaining insight from industry analysts and customers.</li> </ul>
<p>People</p>	<ul style="list-style-type: none"> <li>Difficulties encountered in retaining senior staff and recruiting appropriate employees, and the failure to do so, or a change in market conditions that renders current incentivisation structures lacking, may hinder the Group's ability to grow.</li> </ul>	<ul style="list-style-type: none"> <li>The Group believes it has the appropriate incentivisation structures in place to attract and retain the calibre of employees necessary to ensure the efficient management, operation and growth of the business.</li> </ul>
<p>Key system failure or disruption</p>	<ul style="list-style-type: none"> <li>Any malfunctioning of the Group's technology and systems, or those of key third parties, even for a short period of time, could result in a lack of confidence in the Group's services, with a consequential material adverse effect on operations and results.</li> </ul>	<ul style="list-style-type: none"> <li>The Group regularly reviews the appropriate redundancy and resiliency in its network operations, is ISO 27001 certified across its global operations, and has implemented a sophisticated Service Event Response Team (SERT) with detailed processes and procedures for responding to any size or type of service outage or disruption.</li> <li>Members of the SERT are located around the world, enabling 24x365 coverage.</li> </ul>

## Strategic Report

### Principal Risks and Uncertainties

Principal risk	Impact	Mitigation
Product development	<ul style="list-style-type: none"> <li>New capabilities and enhancements introduced into the Group's product may contain undetected defects that fail to meet customers' performance expectations or satisfy contract specifications, and this may impact the Group's results and reputation.</li> </ul>	<ul style="list-style-type: none"> <li>All product releases are put through rigorous quality assurance cycles, followed by internal user acceptance testing before release to customers in a considered and organised rollout strategy. Care is also taken to be able to 'roll back' to previous versions of the product whenever practically possible.</li> </ul>
Intellectual property	<ul style="list-style-type: none"> <li>Challenges to the Group's intellectual property or alleged infringements of others' intellectual property, by either competitors or other third parties, could result in costs, liabilities and operational uncertainties for the Group and there can be no guarantee as to the outcome of any such challenge or associated litigation.</li> <li>The Group also licenses software from third parties and the Group's continuing rights to do so cannot be guaranteed.</li> </ul>	<ul style="list-style-type: none"> <li>The Group is aware neither of any challenges to its intellectual property, including its three granted patents, nor of any infringements to others' intellectual property. We maintain an active policy regarding patents and trademarks as appropriate.</li> <li>We maintain robust contracts with any key software licensed from third parties, and are aware of and informed about alternative sources of supply as necessary.</li> </ul>
Foreign exchange	<ul style="list-style-type: none"> <li>Given the Group's material US sales and operations, fluctuations in foreign currency exchange rates could have a material effect on the Group's revenue and profitability, and there can be no guarantee that the Group would be able to compensate or hedge against such effects.</li> </ul>	<ul style="list-style-type: none"> <li>Our percentage of revenue denominated in US Dollars is currently broadly aligned with our percentage of costs denominated in US Dollars and we closely monitor both that alignment and foreign exchange movements on an ongoing basis.</li> </ul>

That strategic report was approved by the Board of Directors and authorised for issue on 5 May 2017. It was signed on their behalf by:

**Steve Flavell**  
Director  
5 May 2017

## Governance

### Board of Directors

## Non-Executives

### Lady Barbara Judge CBE

Independent Non-Executive Chairman

Lady Judge is the National Chairman of the UK Institute of Directors. She is also Chairman Emeritus of the UK Atomic Energy Authority (UKAEA), former Chairman of the Pension Protection Fund, and UK Business Ambassador on behalf of UK Trade & Investment.

Lady Judge is best known to UK tech investors for serving on the board of IT company Axon plc prior to its takeover. In 2010, Lady Judge was appointed Commander of the Order of the British Empire.

### Mike Reynolds

Independent Non-Executive Director

Mike most recently held the position of EVP at Syniverse Technologies, before which he served as CEO of 2degrees Mobile. Prior to 2degrees Mobile, Mike spent seven years as President at Singapore-listed network operator, StarHub, where he was responsible for the day-to-day operations of 2,800 employees and US \$1.4bn of revenue.

Previously, Mike spent 24 years at BellSouth, which included appointments as President of BellSouth China and CEO of BellSouth International Wireless Services.



### Barmak Meftah

Independent Non-Executive Director

Barmak is a 20-year technology industry veteran and currently President and CEO of AlienVault. Prior to AlienVault, Barmak served as Vice President of the Enterprise Security Products division at HP, which acquired Fortify Software, an information security provider where Barmak was Chief Products Officer.

Barmak has also served in several senior management roles at Synchron and Oracle Corporation. He also serves on various technical advisory boards and is a limited partner and advisor to a number of venture capital funds.



### Nico Goulet




Non-Executive Director

Nico is a managing partner at Adara Ventures where he has managed venture capital funds for the last 15 years. Nico has been actively involved with more than 25 early-stage ventures and served on the boards of 15 companies.

Prior to Adara, Nico was a partner at Monitor Company. Nico has a BSc degree in Aerospace Engineering from the École Centrale de Paris, an MSc in Aeronautics & Astronautics from MIT, and an MBA from INSEAD.



#### Key to Committees:

-  Audit
-  Nomination
-  Remuneration

## Governance

### Board of Directors

## Executives

---

### Steve Flavell

Co-CEO

Steve co-founded LoopUp alongside co-CEO Michael Hughes. Based in London, Steve oversees global commercial activities and is accountable for setting and delivering the Group's financial plan. Prior to LoopUp, Steve was EVP and main board director at GoIndustry, an online industrial auctioneering platform, where as part of its founding team, Steve was involved in the company's organic growth and several acquisitions.

Previously, Steve spent time at Monitor Company, Mars & Co, and Mobil Oil. Steve has an MBA from Stanford and an MEng from St. John's College, Cambridge.



### Simon Healey

CFO

Based in London, Simon oversees all global financial operations. Prior to LoopUp, Simon was Financial Controller at Streetcar, which sold to Zipcar in 2011. Previously, he was Financial Controller at Research Now and was involved in the company's listing on AIM. Simon is a Chartered Accountant who trained with KPMG, and holds a degree in Accountancy from the University of Birmingham.

### Michael Hughes MBE

Co-CEO

Michael co-founded LoopUp alongside co-CEO Steve Flavell. Based in San Francisco, Michael oversees the Group's product development, engineering and network operations worldwide. Prior to LoopUp, Michael was a founding member and CEO of Pagoo, a pioneering VoIP company, overseeing the company's expansion into Europe and Asia.

Prior to Pagoo, Michael was a strategy consultant with Monitor. Michael has an MEng from Imperial College, an MBA from Stanford as an Arjay Miller Scholar, and was awarded a Sainsbury Management Fellowship by the Royal Academy of Engineering.

Michael was made a Member of the Order of the British Empire (MBE) in Her Majesty's 2017 New Year's Honours List for services to graduate development via the Silicon Valley Internship Programme.

## Governance Chairman's Statement

### Our next phase of growth



**Lady Barbara Judge CBE**  
Chairman

As our co-CEOs discussed in their statement, LoopUp has had a milestone year marked by strong growth, continued product innovation and an initial public offering (IPO) on AIM. I am very pleased and honoured to have been asked to join the Board as its new Chairman at the time of IPO. Accordingly, I would like to thank Mike Reynolds, our former Chairman, who now serves as an independent Non-Executive Director, for his years of leadership and commitment to the Company. I also want to thank Andrew Scott, who retired from the Board at IPO, for his hard work and service over the years. We now welcome Simon Healey, our CFO, to the Board.

LoopUp addresses a real business problem – painful, time-wasting conference calls that frustrate and challenge busy professionals every day. As a regular conference caller myself, LoopUp's innovative approach presents a refreshing alternative, and its business model and growing adoption among demanding enterprises are proof of the value LoopUp delivers to its customers and the market. I am excited to be part of the Company as we enter the next stage of our growth.

As discussed in this report, the Company is well organised and operating efficiently. The Directors and executive team have demonstrated their ability to take the business forward as a public company. I remain confident that the Company is well positioned to grow in line with market expectations and deliver against our priorities in the year to come.

I look forward to meeting you, our shareholders, at our AGM on 15 June 2017.

#### **A note on corporate governance**

LoopUp Group plc, as an AIM company, is not required to comply with the UK Corporate Governance Code ('the Code'). The Board, however, recognises the importance of the principles set out in the Code and remains committed to the maintenance of high standards of corporate governance.

After due consideration, the Board seeks to apply those aspects of the Code as far as it considers appropriate for a business of this size and nature.

The composition of the Group's Board was considered carefully prior to AIM admission, and no changes to the Board or its Committees have taken place since admission.

The Board holds its strategic decision-making meetings in various Group offices, taking the opportunity to meet with members of both the Executive team and the wider senior management team, building their knowledge of the business.

In my opinion, LoopUp offers a superior service to clients and customers. It is my honour and pleasure to be its Chairman, and to have the opportunity to work with such an effective and impressive management team and Board.

**Lady Barbara Judge CBE**  
Chairman  
5 May 2017



“

LoopUp's innovative approach presents a refreshing alternative, and its business model and growing adoption among demanding enterprises are proof of the value LoopUp delivers to its customers and the market.

## Governance

### Corporate Governance Report

#### Board meetings and attendance

The Board aims to meet at least quarterly, with at least two meetings held in person (once during the budget-setting process and once mid-year). The remaining meetings are held remotely on LoopUp's platform. Two formal Board meetings were held during 2016. The table below shows the number of and attendance at both Board and Committee meetings during the year.

	Board meetings		Committee meetings					
	Possible	Attended	Audit		Remuneration		Nomination	
			Possible	Attended	Possible	Attended	Possible	Attended
<b>Executive Directors</b>								
Steve Flavell	2	2	2	2	2	2	–	–
Michael Hughes	2	2	–	–	–	–	–	–
Simon Healey	2	2	2	2	–	–	–	–
<b>Non-Executive Directors</b>								
Lady Barbara Judge	2	2	–	–	–	–	–	–
Mike Reynolds	2	2	2	2	2	2	–	–
Nico Goulet	2	2	2	2	–	–	–	–
Barmak Meftah	2	–	2	2	2	2	–	–

#### Board composition

The Board comprises three Executive and four Non-Executive Directors (including the Chairman). The Group appointed Lady Barbara Judge as Chairman and Senior Independent Non-Executive Director at the time of the IPO. At the same time, Andrew Scott resigned from the Board. Mr Scott has been involved with the Group from its inception, and remains a significant shareholder. The Board would like to thank Mr Scott for his support and valuable contribution to the Group.

Mike Reynolds, Barmak Meftah and Nico Goulet remain in place from the previous Ring2 Communications Board, with the former two Directors being considered independent.

Simon Healey, who has served as CFO to the Group since 2011, was formally appointed to the Board at IPO.

#### Board responsibilities

The Board is responsible for the long-term success of the Group. It sets strategic aims and oversees implementation within a framework of prudent and effective controls, ensuring that only acceptable risks are taken. It provides leadership and direction and is also responsible for corporate governance and the overall financial performance of the Group.

The Board has agreed the schedule of matters reserved for its decision, which includes ensuring that the necessary financial and human resources are in place to meet obligations to shareholders and others. It also approves any acquisitions and disposals, major capital expenditure, annual budgets and dividend policy.

Board papers are circulated before Board meetings in sufficient time to enable their review and consideration in advance of meetings.

#### Board effectiveness

The performance of the Board is evaluated on an ongoing basis with reference to all aspects of its operation including, but not limited to: the appropriateness of its skill level; the way its meetings are conducted and administered (including the content of those meetings); the effectiveness of the various Committees; whether corporate governance issues are handled satisfactorily; and whether there is a clear strategy and objectives.

The Co-Chief Executives' and Chief Financial Officer's performance is appraised by the Chairman. The Chairman is appraised by the other Non-Executive Directors, and the other Non-Executive Directors are appraised by the Chairman.

#### Directors' independence

Three of the Non-Executive Directors are considered by the Board to be independent and are free to exercise independence of judgement. They have never been employed by the Group nor do they participate in the Group bonus scheme. They receive no remuneration apart from their fees and, in some cases, limited share options.

#### Board appointments

On appointment, a new Director is briefed on the activities of the Group. Ongoing training is provided as needed. Directors are updated on a regular basis on the Group's business.

## Governance

### Corporate Governance Report

Directors are subject to re-election at the Annual General Meeting following their appointment. In addition, at each Annual General Meeting one-third (or the nearest whole number) of the Directors retire by rotation.

#### Access to independent advice and support

In the furtherance of his or her duties or in relation to acts carried out by the Board or the Group, each Director is aware that he or she is entitled to seek independent professional advice at the expense of the Group. The Group maintains appropriate Directors' and Officers' insurance in the event of legal action being taken against any Director. Each Director has access to the advice and services of the Company Secretary, if required, who is responsible for ensuring that Board procedures are properly followed and that applicable rules and regulations are complied with.

#### Internal controls and risk management

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. Such a system is designed to mitigate against and manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there are ongoing processes for identifying, evaluating and mitigating the significant risks facing the Group. The processes are consistent, so far as appropriate given the size and nature of the business, with the guidance issued by the Financial Reporting Council.

The Group's internal financial control and monitoring procedures include:

- Clear responsibility for the maintenance of good financial controls and the production of accurate and timely financial information.
- The control of key financial risks through appropriate authorisation levels and segregation of accounting duties.
- Detailed monthly reporting of trading results and financial position, including variances against budget.
- Reporting of any non-compliance with internal financial controls.
- Review of reports issued by external auditors.

The Audit Committee, on behalf of the Board, reviews reports from the external auditor together with management's response. In this matter, it has reviewed the effectiveness of the system of internal controls for the period.

#### Shareholder communications

Executive Directors regularly meet with institutional shareholders to foster a mutual understanding of objectives. In particular, an extensive programme of meetings with analysts and institutional shareholders is held following the interim and preliminary results announcements. Feedback from these meetings is presented to the Board. The Chairman and other Non-Executives are available to shareholders to discuss strategy and governance.

All Directors encourage the participation of all shareholders, including private investors, at the Annual General Meeting and as a matter of policy the level of proxy votes lodged on each resolution is declared at the meeting and published by announcement to the London Stock Exchange and on the Group's website.

The Group's Annual Report and Accounts is published on the Group's website and can be accessed by shareholders.

## Governance

### Audit Committee Report

#### Committee composition

The Audit Committee ('the Committee') was established in August 2016, although a similar committee did operate under Ring2 Communications Limited prior to the establishment of the Group as it currently stands. Mike Reynolds is Chair of the Audit Committee and the other members are Barmak Meftah and Nico Goulet. The Board considers the members to have relevant and recent financial experience, given their biographies as set out on pages 20 and 21.

#### Committee responsibilities

The Committee is appointed by and responsible to the Board. It has written terms of reference. Its main responsibilities are:

- Monitoring its satisfaction with the truth and fairness of the Group's financial statements before submission to the Board for approval, ensuring their compliance with appropriate accounting standards, the law and AIM rules.
- Monitoring and reviewing the effectiveness of the Group's systems of internal control.
- Making recommendations to the Board in relation to the appointment and remuneration of the external auditor, and reviewing the auditor's objectivity and independence on an ongoing basis.
- Implementing a policy relating to any non-audit services performed by the external auditor.

The Committee is authorised by the Board to seek and obtain information from any officer or employee of the Group and obtain external advice as it deems necessary.

#### Committee meetings

The Committee aims to meet at least three times per year. These meetings are scheduled to coincide with the review of the interim statement, the scope and planning of the external audit and, finally, the results and observations upon completion of the external audit.

Two meetings were held during the year, with a third held prior to the approval of this Annual Report in March 2017. The external auditor, co-CEO and CFO attended all of these meetings. The Committee also has the opportunity to meet with the external auditor without any Executive Directors present if it wishes to do so.

The Committee carried out a full review of the year-end results and of the audit, using as a basis the reports to the Committee prepared by the CFO and the external auditor. Questions were asked of senior management around any significant or unusual transactions where the accounting treatment could be open to different interpretations.

The Committee received from the external auditor a report of matters arising during the audit which the auditor deemed to be of significance. The statement of internal controls and the management of risk, which is included in the Annual Report, is approved by the Committee.

Significant matters considered by the Committee in relation to the financial statements and areas of judgement routinely considered and challenged were as follows:

- Revenue recognition
- Capitalisation of development costs
- Going concern

The Committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures in relation to key judgements and estimates have been included in the financial statements. In reaching this conclusion the Committee has considered reports and analysis prepared by management and has also constructively challenged assumptions. The Committee has also considered detailed reports prepared by the external auditor.

#### Committee performance

The Committee regularly reviews its own performance and has concluded that it is performing as expected.

#### External auditor

Grant Thornton UK LLP has been the external auditor since 2014.

As required, the external auditor provided the Committee with information for review about policies and processes for maintaining its independence and compliance regarding the rotation of audit partners and staff. The Committee considered all relationships between the external auditor and the Group and was satisfied that they did not compromise the auditor's judgement or independence, particularly around the provision of non-audit services.

Management reviewed the effectiveness of the external audit process and were satisfied with the external auditor's knowledge of the business and that the scope of the audit was appropriate and the audit process effective.

Following these processes, the Committee recommended to the Board that Grant Thornton UK LLP be proposed for re-election at the AGM.

#### Internal audit function

Given the size and nature of the Group, the Board did not consider it necessary to have an internal audit function during the year, though this need will be reviewed regularly.

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## Governance

### Nomination Committee Report

#### Committee composition

The Nomination Committee was established in August 2016. Mike Reynolds is Chair of the Nomination Committee and the other members are Barmak Meftah and Steve Flavell.

#### Committee responsibilities

The primary purpose of the Committee is to lead the process for Board appointments and to make recommendations to the Board to achieve the optimal composition of the Board, having regard to:

- its size and composition;
- the extent to which required skills, experience or attributes are represented;
- the need to maintain the highest appropriate standard of corporate governance; and
- ensuring that it consists of individuals who are best able to discharge the responsibilities of Directors.

It has written terms of reference.

#### Committee meetings

The Nomination Committee did not meet during 2016, due to the timing of the IPO.

The Board has considered diversity in broader terms than gender and believes it is also important to reach the correct balance of skills, experience, independence and knowledge on the Board. All Board appointments will be made on merit and with the aim of achieving a correct balance. The Group has formal policies in place to promote equality of opportunity across the whole organisation and training is provided to assist this.

## Governance

### Remuneration Committee and Remuneration Report

#### The Remuneration Committee

The Remuneration Committee was established in August 2016. It is chaired by Mike Reynolds and the other Committee members are Steve Flavell and Barmak Meftah.

The Committee's primary purpose is to assist the Board in determining the Company's remuneration policies and, in so doing, agree the framework for Executive Directors' remuneration with the Board. It has written terms of reference.

The Committee met twice during the year, with other Board members in attendance as appropriate.

#### Remuneration Committee report

As an AIM-listed company, LoopUp Group plc is not required to comply with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The content of this report is unaudited unless stated otherwise.

#### Membership of the Remuneration Committee

During the year, the Remuneration Committee comprised two Non-Executive Directors (Mike Reynolds as Chair and Barmak Meftah) and one Executive Director (Steve Flavell).

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to remuneration, terms of service, granting of share options and other equity incentives.

#### Remuneration policy

The objectives of the remuneration policy are to ensure that the overall remuneration of Executive Directors is aligned with the performance of the Group and preserves an appropriate balance of income and shareholder value.

#### Non-Executive Directors

Remuneration of Non-Executive Directors is negotiated by the Executive Directors and agreed by the Board. Non-Executive Directors are not permitted to participate in pensions, annual bonuses or employee benefits. They are entitled to participate in share option agreements relating to the Company's shares. Each of the Non-Executive Directors has a letter of appointment stating his or her annual fee and that their appointment is initially for a period of three years, renewable for a further period of three years. Their appointment may be terminated with three months' written notice at any time.

#### Directors' remuneration

The normal remuneration arrangements for Executive Directors consist of basic salary, annual performance-related bonuses and participation in share options schemes. In addition, they receive private healthcare benefits.

#### Annual bonuses

The 2016 annual bonus plan comprised a target bonus of 50% of salary for Steve Flavell and Michael Hughes and 25% of salary for Simon Healey. Executive Directors are rewarded based on the performance of the Group versus predefined targets as well as the achievement of personal objectives.

Based on the 2016 performance targets set at the time of IPO, the Group either achieved or exceeded the targets set for revenue, gross margin and EBITDA. As a result of this performance, the Remuneration Committee resolved to pay bonuses as set out in this report.

Similar bonus principles will be adopted for 2017. Performance targets around revenue, gross margin and EBITDA have been set by the Board. Meeting these targets and achieving personal objectives will result in payouts in line with those for 2016. Payouts can exceed these amounts should performance exceed these targets, and are capped.

## Governance

### Remuneration Committee and Remuneration Report

In addition to the annual bonuses discussed above, the Executive Directors were directly incentivised to achieve a successful IPO during the year. This resulted in additional bonus payments as disclosed in the table in this report. The cost of these bonuses was considered to be a cost of the transaction and has been set against share premium during the year.

	Payment currency	Salary/fees £000	Annual bonus £000	Benefits £000	AIM IPO bonus £000	2016 total £000	2015 total £000
<b>Executive</b>							
Steve Flavell	GBP	171	95	2	30	298	182
Michael Hughes	USD	202	106	5	32	345	196
Simon Healey (since appointment)	GBP	40	29	–	20	89	–
<b>Non-Executive</b>							
Lady Barbara Judge	GBP	17	–	–	–	17	–
Mike Reynolds	USD	22	–	–	–	22	22
Nico Goulet	–	–	–	–	–	–	–
Barmak Meftah	–	–	–	–	–	–	–

#### Directors' interests

Details of the Directors' shareholdings are included in the Directors' Report on page 31.

#### Directors' share options

Aggregate emoluments disclosed below do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of options for Directors served during the year are as follows:

	Number of options at 31 December 2016	Exercise price
<b>Executive</b>		
Steve Flavell	880,000	£0.75
Michael Hughes	880,000	£0.75
Simon Healey	100,000	£0.50
<b>Non-Executive</b>		
Lady Barbara Judge	–	–
Mike Reynolds	75,000	£0.75
	75,000	£0.0128
Nico Goulet	–	–
Barmak Meftah	75,000	£0.75
	31,250	£0.0128

By order of the Board

#### Mike Reynolds

Chairman of the Remuneration Committee  
5 May 2017

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Governance  
Directors' Report  
For the year ended 31 December 2016

The Directors present their report and the audited financial statements for the year ended 31 December 2016.

As noted in note 1.01 on page 41, the Company was incorporated during 2016, and became the Parent Company of the Group during the year following a share-for-share exchange. As explained in note 1.01, these financial statements present information as if the Group had been in existence in its current format for the whole of the current and previous years.

**Principal activity**

The principal activity of the Group is the provision of a 'software-as-a-service' (SaaS) platform for remote business meetings.

**Business review and future developments**

A review of the Group's operations and future developments is covered in the Strategic Report section of the Annual Report and Accounts on pages 2 to 19. This report includes sections on strategy and markets and considers key risks and key performance indicators.

**Financial results**

Details of the Group's financial results are set out in the consolidated statement of comprehensive income, other statements and related notes on pages 34 to 62.

**Dividends**

The Directors do not recommend the payment of a dividend.

**Going concern**

After making enquiries, the Directors have confidence that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Annual Report and Accounts. This is described in more detail in note 1.03.

**Annual General Meeting**

Enclosed with this report is the Notice of the Company's first Annual General Meeting, to be held at 9:30am on 15 June 2017 at the offices of Panmure Gordon.

**Directors**

The Directors who served on the Board and on Board Committees during the year are set out on pages 20 to 21. One-third of the Directors are required to retire at the Annual General Meeting and can offer themselves for re-election.

The Directors benefitted from qualifying third party indemnity provisions in place during the financial year and at the date of this Annual Report.

Information on Directors' remuneration and share option rights is given in the Remuneration Committee Report on page 29.

The middle market price of the Company's shares on 31 December 2016 was 120.5 pence and the range during the year (post-IPO) was 100.0 pence to 127.5 pence with an average price of 120.5 pence.



Governance  
**Directors' Report**  
 For the year ended 31 December 2016

### Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company at 31 December 2016 and 2015 were as follows:

	31 December 2016		31 December 2015 <sup>(1)</sup>	
	Number of shares	% of issued ordinary share capital	Number of shares	% of issued ordinary share capital
<b>Executive</b>				
Steve Flavell	2,727,294	6.6%	2,707,294	9.8%
Michael Hughes	2,707,294	6.6%	2,707,294	9.8%
Simon Healey	30,275	0.0%	30,275	0.0%
<b>Non-Executive</b>				
Lady Barbara Judge	15,754	0.0%	–	–
Mike Reynolds	–	–	–	–
Nico Goulet (as Managing Partner of shareholder, Adara Ventures SICAR)	8,039,548	19.7%	8,039,548	29.0%
Barmak Meftah	43,750	0.0%	–	–

<sup>1</sup> Shares in Ring2 Communications Limited.

### Significant shareholders

The Company is informed that, at 25 April 2017, individual registered shareholdings of more than 3% of the Company's issued share capital were as follows:

	Number of shares	% of issued ordinary share capital
Andrew Scott <sup>(1)</sup>	11,801,349	28.8%
Adara Ventures SICAR	6,964,548	17.0%
Stephen Flavell	2,727,294	6.7%
Thomas Michael Hughes	2,707,294	6.6%
Herald Investment Management Limited	2,100,000	5.1%
Octopus Investments Nominees Limited	1,598,783	3.9%

<sup>1</sup> This includes shares registered in the name of his wife, Rhonda Scott, the Zacando Foundation and Jim Nominees Limited.

### Research and development

The Group expended £3,211,000 during the year (2015: £1,742,000) on development, which was all capitalised within intangible assets. An amortisation charge of £1,419,000 (2015: £1,251,000) has been charged against previously capitalised costs. No research costs have been incurred.

### Financial instruments

The Group's policy and exposure to financial instruments is set out in note 20.

### Employee involvement

It is the Group's policy to involve employees in its progress, development and performance. This has been communicated through both formal and informal meetings at all levels throughout the Group. During such meetings, employees are encouraged to provide a free flow of information and ideas.

Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. The Group is a committed equal opportunities employer and has engaged employees with broad backgrounds and skills.

It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not have a disability. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Group continues.

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Governance  
Directors' Report  
For the year ended 31 December 2016

#### Political and charitable donations

The Group does not make political donations. Charitable donations of £1,000 were made during the year (2015: £1,000).

#### Supplier payment policy and practice

The Group does not operate a standard code in respect of payments to suppliers. The Group agrees terms of payment with each supplier at the start of business and makes payments in accordance with these terms.

The number of creditor days outstanding at 31 December 2016 was 62 days (2015: 59 days).

#### Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### Auditor

A resolution for the re-appointment of Grant Thornton UK LLP as auditor of the Group is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

**Lady Barbara Judge**

Chairman  
5 May 2017

Financial Statements  
 Independent Auditor's Report  
 To the members of LoopUp Group plc (formerly Pacific Shelf 1812 Limited)

We have audited the financial statements of LoopUp Group plc (formerly Pacific Shelf 1812 Limited) for the year ended 31 December 2016 which comprise the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, 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 members those matters we are required to state to them in an auditor's 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.

#### Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 32, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

#### Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

#### Jeremy Read

Senior Statutory Auditor  
 for and on behalf of Grant Thornton UK LLP  
 Statutory Auditor, Chartered Accountants  
 Milton Keynes  
 5 May 2017

Financial Statements  
 Consolidated Statement of Comprehensive Income  
 For the year ended 31 December 2016

	Note	2016 £000	2015 £000
LoopUp Revenue <sup>(1)</sup>		12,823	9,204
Discontinued licencing revenue		736	901
<b>Total revenue</b>	6	<b>13,559</b>	10,105
Cost of sales		(3,265)	(2,580)
<b>Gross profit</b>		<b>10,294</b>	7,525
Administrative expenses	7	(9,896)	(7,878)
<b>Operating profit/(loss)</b>	7	<b>398</b>	(353)
<b>EBITDA<sup>(2)</sup></b>		<b>2,063</b>	1,020
Depreciation	7	(246)	(206)
Amortisation of intangible fixed assets	7	(1,419)	(1,251)
Share-based payments charges	21.06	–	–
Other operating income	8	–	84
<b>Operating profit/(loss)</b>	7	<b>398</b>	(353)
Finance costs	11	(684)	(733)
<b>Loss before income tax</b>		<b>(286)</b>	(1,086)
Income tax	12	484	506
<b>Profit/(loss) for the year</b>		<b>198</b>	(580)
<b>Other comprehensive income and loss</b>			
Currency translation loss		(1,209)	(363)
<b>Total comprehensive income for the year attributable to the equity holders of the parent</b>		<b>(1,011)</b>	(943)
<b>Earnings/(loss) per share (pence):</b>	13		
Basic		0.6	(2.4)
Diluted		0.5	(2.4)

1 LoopUp Revenue is revenue from the LoopUp product and associated value-added add-on capabilities; excludes discontinued BT technology licencing revenue.

2 EBITDA is operating profit stated before depreciation, amortisation of intangible fixed assets and share-based payments charges.

The notes on pages 41 to 63 form part of these financial statements.

Financial Statements  
 Consolidated Statement of Financial Position  
 As at 31 December 2016

	Note	2016 £000	2015 £000
<b>Assets</b>			
Property, plant and equipment	14	463	342
Intangible assets	15	4,822	3,030
<b>Total non-current assets</b>		<b>5,285</b>	<b>3,372</b>
Trade and other receivables	16	2,802	2,096
Cash and cash equivalents	17	2,547	402
Current tax	16	500	483
<b>Total current assets</b>		<b>5,849</b>	<b>2,981</b>
<b>Total assets</b>		<b>11,134</b>	<b>6,353</b>
<b>Liabilities</b>			
Trade and other payables	18	(1,744)	(1,177)
Accruals and deferred income	18	(1,378)	(487)
Borrowings	19	(306)	(2,206)
<b>Total current liabilities</b>		<b>(3,428)</b>	<b>(3,870)</b>
<b>Net current assets/(liabilities)</b>		<b>2,421</b>	<b>(889)</b>
Borrowings	19	–	(5,539)
<b>Total non-current liabilities</b>		<b>–</b>	<b>(5,539)</b>
<b>Total liabilities</b>		<b>(3,428)</b>	<b>(9,409)</b>
<b>Net assets/(liabilities)</b>		<b>7,706</b>	<b>(3,056)</b>
<b>Equity</b>			
Share capital	21	204	139
Share premium	21	11,708	–
Other reserve		12,691	12,691
Foreign currency translation reserve		(1,808)	(599)
Retained loss		(15,089)	(15,287)
<b>Shareholders' funds/(deficit) attributable to equity owners of parent</b>		<b>7,706</b>	<b>(3,056)</b>

The financial statements were approved by the Board of Directors and authorised for issue on 5 May 2017. They were signed on its behalf by:

**Steve Flavell**  
 Director

The notes on pages 41 to 63 form part of these financial statements.

Company number 09980752

Financial Statements  
 Company Statement of Financial Position  
 As at 31 December 2016

	Note	2016 £000
<b>Assets</b>		
Investments	23	<b>139</b>
<b>Total non-current assets</b>		<b>139</b>
Trade and other receivables	16	<b>11,773</b>
<b>Total current assets</b>		<b>11,773</b>
<b>Total assets</b>		<b>11,912</b>
<b>Net assets</b>		<b>11,912</b>
<b>Equity</b>		
Share capital	21	<b>204</b>
Share premium	21	<b>11,708</b>
Retained profit		—
<b>Shareholders' funds attributable to equity owners of parent</b>		<b>11,912</b>

The financial statements were approved by the Board of Directors and authorised for issue on 5 May 2017. They were signed on its behalf by:

**Steve Flavell**  
 Director

The notes on pages 41 to 63 form part of these financial statements.

The Company recorded no profit or loss in the period since incorporation on 1 February 2016.

Company number 09980752

Financial Statements  
 Consolidated Statement of Changes in Equity  
 For the year ended 31 December 2016

	Note	Share capital £000	Share premium £000	Other reserve £000	Foreign currency translation reserve £000	Retained loss £000	Shareholders' funds/deficit attributable to equity owners of parent £000
<b>As at 1 January 2015</b>		117	–	12,656	(236)	(14,707)	(2,170)
Loss for the year		–	–	–	–	(580)	(580)
Other comprehensive income		–	–	–	(363)	–	(363)
<b>Total comprehensive loss for the year</b>		–	–	–	(363)	(580)	(943)
<b>Transactions with owners of parent in their capacity as owners:</b>							
Share issues		22	–	35	–	–	57
<b>As at 31 December 2015</b>		139	–	12,691	(599)	(15,287)	(3,056)
<b>As at 1 January 2016</b>							
		139	–	12,691	(599)	(15,287)	(3,056)
Profit for the year		–	–	–	–	198	198
Other comprehensive income		–	–	–	(1,209)	–	(1,209)
<b>Total comprehensive profit/(loss) for the year</b>		–	–	–	(1,209)	198	(1,011)
<b>Transactions with owners of parent in their capacity as owners:</b>							
Share issue on AIM listing	21	65	12,935	–	–	–	13,000
Cost of issue of equity shares		–	(1,227)	–	–	–	(1,227)
<b>As at 31 December 2016</b>		204	11,708	12,691	(1,808)	(15,089)	7,706

The notes on pages 41 to 63 form part of these financial statements.

Financial Statements  
**Company Statement of Changes in Equity**  
 For the year ended 31 December 2016

	Note	Share capital £000	Share premium £000	Retained profit £000	Shareholders' funds attributable to equity owners of parent £000
<b>As at incorporation (1 February 2016)</b>		–	–	–	–
Result for the year		–	–	–	–
<b>Total comprehensive result for the year</b>		–	–	–	–
<b>Transactions with owners of parent in their capacity as owners:</b>					
Share-for-share exchange	21	139	–	–	139
Share issue on AIM listing	21	65	12,935	–	13,000
Cost of issue of equity shares		–	(1,227)	–	(1,227)
<b>As at 31 December 2016</b>		<b>204</b>	<b>11,708</b>	<b>–</b>	<b>11,912</b>

The notes on pages 41 to 63 form part of these financial statements.



Financial Statements  
 Consolidated Statement of Cash Flows  
 For the year ended 31 December 2016

	Note	2016 £000	2015 £000
<b>Net cash flows from operating activities</b>			
Loss before income tax		(286)	(1,086)
<b>Non-cash adjustments</b>			
Depreciation and amortisation	7	1,665	1,457
Interest payable		684	649
<b>Working capital adjustments</b>			
Increase in trade and other receivables		(706)	(510)
Increase in trade and other payables		1,468	120
Tax receivable		468	344
Net cash generated by operations		3,293	974
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	14.01	(304)	(221)
Addition of intangible assets	15.01	(3,211)	(1,742)
Net cash used by investing activities		(3,515)	(1,963)
<b>Cash flows from financing activities</b>			
Proceeds of borrowings		819	1,704
Decrease in bank overdraft		–	(64)
Proceeds from share issue		8,500	57
Issue costs in relation to IPO		(1,227)	–
Repayment of loans		(5,404)	–
Interest and finance fees paid		(21)	(14)
Finance lease paid		(10)	(25)
Net cash generated from financing activities		2,657	1,658
Net increase in cash and equivalents		2,435	669
Cash and cash equivalents brought forward		402	96
Effect of foreign exchange rate changes		(290)	(363)
Cash and cash equivalents carried forward	17	2,547	402

The notes on pages 41 to 63 form part of these financial statements.

Financial Statements  
 Company Statement of Cash Flows  
 For the year ended 31 December 2016

	2016 £000
<b>Net cash flows from operating activities</b>	
Profit before income tax	–
<b>Working capital adjustments</b>	
Increase in debtors	(7,273)
Net cash used by operations	(7,273)
<b>Cash flows from financing activities</b>	
Proceeds from share issue	8,500
Issue costs in relation to IPO	(1,227)
Net cash generated by financing activities	7,273
Net increase in cash and cash equivalents	–
<b>Cash and cash equivalents brought forward</b>	–
<b>Cash and cash equivalents carried forward</b>	–

The notes on pages 41 to 63 form part of these financial statements.

## Financial Statements

### Notes to the Financial Statements

#### 1. Business description and basis of preparation

##### 1.01 Business description

The principal activity of the Group is the provision of a software-as-a-service (SaaS) solution for remote business meetings.

LoopUp Group plc ('the Group') is a limited liability company incorporated and domiciled in England and Wales, with company number 09980752. Its registered office is 78 Kingsland Road, London E2 8DP.

The Parent Company ('the Company') LoopUp Group plc was incorporated on 1 February 2016 as Pacific Shelf 1812 Limited, and its name was changed on 11 March 2016 to LoopUp Limited, and on 8 June 2016 to LoopUp Group Limited. It re-registered as a plc with the name LoopUp Group plc on 18 August 2016.

On 2 August 2016, the Company acquired the entire issued share capital of the former parent company of the Group, Ring2 Communications Limited (now LoopUp Limited), by way of a share for share exchange (see note 21). This share for share exchange qualifies as a common control transaction and therefore falls outside of the scope of IFRS 3 Business Combinations. Consequently an accounting policy has been developed based on the principles of reverse acquisition accounting:

- No goodwill has been recorded
- The assets and liabilities of the legal subsidiary, Ring2 Communications Limited are recognised and measured in the consolidated financial statements at their pre-combination carrying amounts, without restatement to their fair value.
- The retained reserves recognised in the consolidated financial statements reflect the retained reserves of LoopUp Limited to the date of acquisition.
- In applying IFRS 3 by analogy, the equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent LoopUp Group PLC, including the equity instruments issued under the share exchange to effect the business combination.
- An 'Other reserve' has been created to enable the presentation of a consolidated balance sheet which combines the equity structure of the legal parent with the non-statutory reserves of the legal subsidiary.
- Comparative numbers are based upon the consolidated financial statements of the legal subsidiary, LoopUp Limited for the year ended 31 December 2015 apart from the equity structure which reflects that of the parent.

##### 1.02 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) as adopted by the EU together with the International Financial Reporting Standards Interpretations Committee interpretations issued by the International Accounting Standards Boards (IASB) that are currently effective or early adopted (collectively IFRS) and in accordance with those parts of the Companies Act 2006 that are relevant to those companies that report in accordance with IFRSs.

The preparation of financial information requires the Directors to exercise judgements in the process of applying accounting policies.

Financial information is presented in Pounds Sterling (£) and, unless otherwise stated, amounts are expressed in thousands (£000), with rounding accordingly.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own statement of comprehensive income. The loss for the year dealt with in the financial statements of the Company was £nil.

The accounting policies used have been consistently applied from the transition balance sheet and throughout all periods presented in the financial statements.

##### 1.03 Going concern

As part of their going concern review, the Directors have followed the guidelines published by the Financial Reporting Council entitled 'Going Concern and Liquidity Risk Guidance for Directors of UK Companies 2009'.

At the balance sheet date, the Group had net cash of £2.2m and net assets of £7.7m.

The Directors have prepared a detailed budget and forecasts of the Group's expected performance over a period covering at least the next 12 months from the date of these financial statements. These forecasts model the realisation of the current sales pipeline and also cover a number of scenarios and sensitivities in order for the Board to satisfy itself that the Group has sufficient cash resources to continue to trade successfully during this period.

## Financial Statements

### Notes to the Financial Statements

#### 1. Business description and basis of preparation *continued*

As a consequence, the Directors have a reasonable expectation that the Group can continue to operate and to meet its commitments and discharge its liabilities in the normal course of business for a period not less than 12 months from the date of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing these Group financial statements.

#### 1.04 Chief operating decision-maker

The Board of Directors acting together are considered the chief operating decision-maker.

#### 2. Summary of significant accounting policies

The principal accounting policies adopted are set out below:

##### 2.01 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company ('the Subsidiaries') made up to the accounting reference date each year. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. Control is achieved when the Group has power over an entity in which it has invested ('the Investee'); is exposed, or has rights, to variable returns from its involvement with the Investee; and has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an Investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

The consolidated financial statements incorporate the financial statements of the Company and all Group undertakings.

Intragroup transactions, dividends and balances are eliminated, as are unrealised gains and losses on intragroup transactions.

##### 2.02 Currencies

###### (a) Functional and presentational currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Parent Company operates ('the functional currency') which is UK Sterling (£). The consolidated financial statements are presented in UK Sterling, as described in note 1.02 ('the presentational currency').

###### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or at an average rate for a period if the rates do not fluctuate significantly. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

###### (c) Group companies that have a functional currency other than the presentational currency of the Group

The results and financial position of all Group companies that have a functional currency different from the presentational currency of the Group are translated into the presentational currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income as a separate component of equity.

## Financial Statements

### Notes to the Financial Statements

#### 2. Summary of significant accounting policies continued

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were previously recognised in other comprehensive income are reclassified to the income statement as part of the gain or loss on sale.

#### 2.03 Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development costs are capitalised when the related projects meet the recognition criteria of an internally generated intangible asset, the key criteria being as follows:

- (a) technical feasibility of the completed intangible asset has been established;
- (b) it can be demonstrated that the asset will generate probable future economic benefits;
- (c) adequate technical, financial and other resources are available to complete the development;
- (d) the expenditure attributable to the intangible asset can be reliably measured; and
- (e) management has the ability and intention to use or sell the asset.

These projects are designed to bring new capabilities into the LoopUp product. Salaries associated with development time and directly attributable overheads are capitalised within intangible assets.

Development costs recognised as assets are amortised on a straight-line basis over their expected useful life. Development expenditure is only amortised over the period the Group is expected to benefit and is subject to annual impairment testing. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### 2.04 Investments

Investments in subsidiary and associated undertakings are stated at cost less provision for impairment.

#### 2.05 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on a straight-line basis starting from the month they are first used, as follows:

- Office equipment – 20-33% straight line
- Computer equipment – 20-33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

#### 2.06 Impairment of non-current assets

At each reporting date, the Directors review the carrying amounts of all non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in the Statement of Comprehensive Income.

## Financial Statements

### Notes to the Financial Statements

#### 2. Summary of significant accounting policies *continued*

##### 2.07 Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable for the provision of services in the ordinary course of business and is shown net of Value Added Tax.

Revenue arises from the delivery of conferencing services using LoopUp's proprietary products. The majority of revenue arises upon usage by customers of services delivered on a pay as you go model, based on seconds of conference time and the number of participants on the conference. Revenue is recognised in relation to conferencing services as the service is performed.

Additionally, the Group has one material customer whose arrangement is based on a license agreement for use of the service over an agreed time period. Revenue on this agreement is recognised on a straight-line basis over the period of the license.

Any difference between the amount of revenue recognised and the amount invoiced to a customer is included in the statement of financial position as accrued or deferred income.

##### 2.08 Cost of sales

Cost of sales consists of fees payable to third parties and other expenses that are directly related to sales.

##### 2.09 Current and deferred tax

The tax expense or credit represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

###### (a) Current tax

Current tax is based on taxable income for the period and any adjustment to tax from previous periods. Taxable income differs from net income in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods or that are never taxable or deductible. The calculation uses the latest tax rates and laws for the period that have been enacted or substantively enacted by the reporting date.

###### (b) Deferred tax

Deferred tax is calculated at the latest tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply when settled. It 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 it is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method. It is not discounted.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the asset can be utilised. Such assets are reduced to the extent that it is no longer probable that the asset can be utilised.

Deferred tax assets are recognised to the extent it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income.

Deferred tax assets and liabilities are offset when there is a right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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## Financial Statements

### Notes to the Financial Statements

## 2. Summary of significant accounting policies *continued*

### 2.10 Leased assets

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

If lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 2.11 Payroll expense and related contributions

Wages, salaries, payroll tax, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered.

### 2.12 Benefits and pension costs

In 2016 LoopUp Limited established a contributory pension scheme under the UK's auto-enrolment rules. Company contributions are recognised as an expense in the statement of comprehensive income as they fall due.

US staff qualify for a non-contributory 401k pension scheme which has been in place since 2013. The Group has no further payment obligations once the contributions have been deducted and paid. The contributions are recognised as an expense in the statement of comprehensive income as they fall due.

### 2.13 Share-based compensation

The Group issues share-based payments to certain employees and Directors. Equity-settled share-based payments are measured at fair value at the date of grant and expensed on a straight-line basis over any vesting period, along with a corresponding increase in equity if they are deemed to be material to the Group.

At each reporting date, the Directors revise their estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of any revision is recognised in the statement of comprehensive income, with a corresponding adjustment to equity reserves.

The fair value of share options is determined using a Black-Scholes model, taking into consideration the best estimate of the expected life of the option and the specific terms of the option grant.

### 2.14 Dividends

Dividends are recognised as a liability and deducted from equity at the time they are approved. Otherwise dividends are disclosed if they have been proposed before the relevant consolidated financial statements are approved.

## Financial Statements

### Notes to the Financial Statements

## 2. Summary of significant accounting policies *continued*

### 2.15 Accounting developments

The Group has adopted the following new standards, or net provisions of amended standards:

- Annual Improvements to IFRSs 2012-2014 Cycle
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) (effective 1 January 2016)
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016)

There has been no material impact on either amounts reported or disclosure in the financial statements arising from first time adoption.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been applied early by the Group. Management anticipates that the following pronouncements relevant to the Group's operation will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement, once adopted by the EU:

- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- Annual Improvements to IFRSs 2014-2016 Cycle (not yet adopted by the EU)
- IFRS 16 Leases (effective 1 January 2019)
- Clarification and Measurement of Share-based Payment Transactions (Amendment to IFRS 2) (not yet adopted by the EU)
- Disclosure Initiative: Amendments to IAS 7 (not yet adopted by the EU)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (not yet adopted by the EU)
- IFRIC Interpretation 22 Foreign currency transactions and advance considerations (not yet adopted by the EU)

IFRS 16 will replace IAS 17 for accounting periods commencing on or after 1 January 2019 and from the perspective of the Group as lessee will require (subject to certain practical expedients) most of the Group's lease obligations to be reflected on the balance sheet with a corresponding asset reflecting the right to use the underlying leased asset.

Management are currently performing a detailed review of the Group's lease arrangements and are deciding on how IFRS 16 will be implemented and are considering which practical expedients might apply and whether or not the standard will be implemented on a full or partial retrospective basis. The full impact of IFRS 16 is therefore not yet known.

The Group's current lease accounting policy and lease disclosures are included note 2.10.

IFRS 15 will replace IAS 18 for accounting periods commencing on or after 1 January 2018. Management are currently performing a review of the Group's revenue recognition policies to determine the full impact of IFRS 15. The full impact of IFRS 15 is currently not yet known.

There are other standards and interpretations in issue but these are not considered to be relevant to the Group.

## 3. Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

### 3.01 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.



## Financial Statements

### Notes to the Financial Statements

### 3. Financial instruments *continued*

#### 3.02 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### 3.03 Financial liabilities

The Group's financial liabilities comprise borrowings, finance leases and trade and other payables.

##### Borrowings and trade and other payables

Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability.

From time to time, borrowings held by the Group are refinanced. The Group reviews whether the refinancing of the debt is accounted for as a modification or an extinguishment of the liability. A substantial modification should be accounted for as an extinguishment of the existing liability and the recognition of a new liability. A non-substantial modification should be accounted for as an adjustment to the existing liability. Both the quantitative and qualitative aspects of the modification are taken into account to ascertain whether the modification is substantial and these can include the change in covenants, repayment dates and the effective interest rate. If modification accounting is adopted, the carrying value of the existing liability is adjusted for fees paid or costs incurred and the effective interest rate is amended at the modification date. If extinguishment accounting is adopted, the existing liability is de-recognised and the new or modified liability is recognised at its fair value, the gain or loss equal to the difference between the carrying value of the old liability and the fair value of the new one is recognised, any incremental costs or fees incurred and any consideration paid or received is recognised in profit or loss and a new effective interest rate for the modified liability is calculated and used in future periods.

#### 3.04 Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all liabilities.

#### 3.05 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognised as the proceeds received, net of direct issue costs. The components of equity are as follows:

##### (a) Share capital

The nominal values of equity shares. The rights attributable to the classes of equity in issue are disclosed in note 21.

##### (b) Share premium

The fair value of consideration received in excess of the nominal value of equity shares, net of expenses of the share issue.

##### (c) Retained earnings

The retained net profits or losses to date less distributions.

##### (d) Foreign currency translation reserve

The net foreign exchange gains or losses to date on consolidation of investments in overseas subsidiaries.

#### 3.06 Research and development (R&D) tax credits

R&D tax credits for applicable research and development expenditure is accounted for as a credit to income tax expense in the year in which it is earned.

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## Financial Statements

### Notes to the Financial Statements

#### 4. Financial risk management

##### 4.01 Financial risk factors

The Group's activities expose it to certain financial risks: market risk, credit risk and liquidity risk, as explained below. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Directors, who identify and evaluate financial risks in close cooperation with key staff.

- (a) Market risk is the risk of loss that may arise from changes in market factors, such as competitor pricing, interest rates, foreign exchange rates.
- (b) Credit risk is the risk of financial loss to the Group if a client or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from the Group's cash and cash equivalents and receivables balances.
- (c) Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash. The Directors monitor rolling forecasts of liquidity, cash and cash equivalents based on expected cash flow.

##### 4.02 Capital risk management

The Group is funded by equity and loans. The components of shareholders' equity are:

- (a) Share capital.
- (b) Retained earnings, reflecting net comprehensive income to date less distributions.

The objective when managing capital is to maintain adequate financial flexibility to preserve the ability to meet financial obligations, both current and long term. The capital structure is managed and adjusted to reflect changes in economic conditions. Expenditures on commitments are funded from existing cash and cash equivalent balances, primarily received from issuances of shareholders' equity.

Financing decisions are made based on forecasts of the expected timing and level of capital and operating expenditure required to meet commitments and development plans.

There are no externally imposed capital requirements.

##### 4.03 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair values because the short-term nature of such assets renders the impact of discounting to be negligible.

## Financial Statements

### Notes to the Financial Statements

#### 5. Critical accounting estimates and judgements

Details of significant accounting judgements and critical accounting estimates include:

##### Judgements

##### 5.01 Functional currency

The functional currency is deemed to be Sterling, as the Directors consider that the primary economic environment.

##### 5.02 Recoverability of deferred tax assets

Deferred tax assets are recognised to the extent that it is considered probable that those assets will be recoverable. This involves an assessment of when those assets are likely to reverse, and a judgement as to whether there will be sufficient taxable income available to offset the assets when they do reverse.

This requires assumptions regarding the future the profitability of the Group for the 12 months from the date of signing of the financial statements and as this is inherently uncertain, no deferred tax asset in relation to tax losses has been recognised in the financial statements. The Group has trading losses of £12,643,000 (2015: £11,483,000) and non-trading losses of £401,000 (2015: £401,000) carried forward.

##### 5.03 Capitalised development costs

Capitalisation of development costs requires the Directors to make judgements in allocating staff time appropriately to relevant projects and in assessing the technical feasibility and economic potential of those projects.

These judgements have resulted in the intangible assets as set out in note 15.

##### 5.04 Extinguishment of liability

During 2015, the shareholder loans were refinanced with a reduction in the interest rate from 20% to 10.75% and the loan being repayable over a four-year period commencing May 2015.

The accounting for the shareholder loan was deemed to be a substantial modification under IAS 39 and, as such, would have been accounted for as an extinguishment of the existing liability and the recognition of a new liability at its fair value. The gain or loss equal to the difference between the carrying value of the old liability would have been recognised. Management estimated the gain on extinguishment to be £55,000 and hence this was not adopted as the Directors have determined that the value is immaterial.

##### 5.05 Basis of preparation

On 2 August 2016, the Company acquired the entire issued share capital of the former parent company of the Group, Ring2 Communications Limited (now LoopUp Limited), by way of a share for share exchange (see note 21). This share for share exchange qualifies as a common control transaction and therefore falls outside of the scope of IFRS 3 Business Combinations. Consequently an accounting policy has been developed based on the principles of reverse acquisition accounting:

- No goodwill has been recorded.
- The assets and liabilities of the legal subsidiary, Ring2 Communications Limited are recognised and measured in the consolidated financial statements at their pre-combination carrying amounts, without restatement to their fair value.
- The retained reserves recognised in the consolidated financial statements reflect the retained reserves of LoopUp Limited to the date of acquisition.
- In applying IFRS 3 by analogy, the equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent LoopUp Group PLC, including the equity instruments issued under the share exchange to effect the business combination.
- An 'Other Reserve' has been created to enable the presentation of a consolidated balance sheet which combines the equity structure of the legal parent with the non-statutory reserves of the legal subsidiary.
- Comparative numbers are based upon the consolidated financial statements of the legal subsidiary, LoopUp Limited for the year ended 31 December 2015 apart from the equity structure which reflects that of the parent.

The Directors conclude that reverse acquisition accounting is the most appropriate due to the fact that when the acquiring entity's shareholders became majority shareholders, the legal parent was a 'shell' company with no inputs, processes and outputs. The legal subsidiary is the accounting acquirer which results in the fairest presentation of the substance of the transaction.

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### Notes to the Financial Statements

#### 5. Critical accounting estimates and judgements continued

##### Estimates

##### 5.06 Intangible asset life

Intangible assets are amortised over their estimated useful lives.

##### 5.07 Impairment of assets

The impairment review process involves the Directors making judgements about, inter alia, future cash flows and the discount rate to be applied to those cash flows. Details of key assumptions made are given in note 15.

#### 6. Revenue and segmental reporting

The Directors have identified the segments by reference to the principal groups of services offered and the geographical organisation of the business as reported to the chief operating decision-maker (CODM).

Segmental revenues are external and there are no material transactions between segments.

The main segment is LoopUp Revenue which consists of ongoing contracts to provide customers with access to the LoopUp conferencing platform.

The discontinued licensing revenue represented a contract with a single customer in the UK which completed in 2016. This was the only customer which represented more than 10% of revenues in either year.

No segmental balance sheet was presented to the CODM.

	2016 £000	2015 £000
<b>Analysis of revenue by segment:</b>		
LoopUp Revenue	12,823	9,204
Discontinued licensing revenue	736	901
	<b>13,559</b>	<b>10,105</b>
<b>Analysis of gross profit before tax by segment:</b>		
LoopUp Revenue	9,558	6,624
Discontinued licensing revenue	736	901
	<b>10,294</b>	<b>7,525</b>
<b>Geographical analysis of total revenue:</b>		
EU <sup>(1)</sup>	7,356	5,662
US	5,952	4,170
Rest of World	251	273
	<b>13,559</b>	<b>10,105</b>
<b>Geographical analysis of LoopUp Revenue:</b>		
EU <sup>(2)</sup>	6,620	4,761
US	5,952	4,170
Rest of World	251	273
	<b>12,823</b>	<b>9,204</b>
<b>Geographical analysis of non-current assets:</b>		
EU	4,897	3,069
US	351	262
Rest of World	37	41
	<b>5,285</b>	<b>3,372</b>

All EU non-current assets reside in the UK.

<sup>1</sup> Includes revenue earned in the UK of £5,903,000 (2015: £4,661,000).

<sup>2</sup> Includes revenue earned in the UK of £5,167,000 (2015: £3,760,000).

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### Notes to the Financial Statements

#### 7. Administrative expenses

The profit/loss from operations is stated after charging/(crediting) amounts as follows:

	2016 £000	2015 £000
Staff costs (note 10)	5,156	4,397
<b>Establishment and general:</b>		
Auditor's remuneration (note 9)	63	67
Operating lease costs – land and buildings	420	351
Depreciation of owned property, plant and equipment (note 14)	246	206
Amortisation and impairment of intangible assets (note 15)	1,419	1,251
Other administrative expenses	2,592	1,690
<b>Total administrative expenses</b>	<b>9,896</b>	<b>7,962</b>

#### 8. Other operating income

	2016 £000	2015 £000
<b>Release of old loan (note 19)</b>	–	84

#### 9. Auditor's remuneration

The Group obtained the following services from the auditors and their associates:

	2016 £000	2015 £000
Fees payable to the Group's auditor for the audit of the consolidated and Parent Company's financial statements	48	35
Audit-related assurance services	7	–
Tax compliance services	8	20
Tax advisory services <sup>(1)</sup>	40	12
Corporate finance services <sup>(1)</sup>	115	–
<b>Total auditor's remuneration</b>	<b>218</b>	<b>67</b>

<sup>1</sup> Fees of £155,000 (2015: £nil) were charged in relation to the Group's listing. These were set against share premium (note 21) and not charged to the profit and loss account.

#### 10. Staff and remuneration

##### 10.01 Number of staff

	2016 Number	2015 Number
<b>Average number of employees (including Directors):</b>		
Executive Directors	2	2
Commercial	50	49
Engineering and development	24	19
Other	23	21
	<b>99</b>	<b>91</b>

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### Notes to the Financial Statements

#### 10. Staff and remuneration continued

##### 10.02 Remuneration

	2016 £000	2015 £000
<b>Aggregate remuneration of staff (including Directors):</b>		
Short-term remuneration	7,274	5,164
Compensation for loss of office	15	30
Social security costs	663	509
Benefits in kind	445	274
	<b>8,397</b>	<b>5,977</b>
Capitalisation as development costs (note 15)	<b>(2,881)</b>	<b>(1,580)</b>
<b>Included in operating expenses</b>	<b>5,156</b>	<b>4,397</b>

In addition to the staff costs above, £330,000 (2015: £162,00) of outsourced contractor costs were incurred and capitalised as development costs.

##### 10.03 Directors' remuneration

Remuneration of the Directors who are key members of management included within the statement of comprehensive income:

	2016 £000	2015 £000
Short-term remuneration	724	373
Social security	40	37
Benefits in kind	7	6
Non-Executive Director fees	39	20
	<b>810</b>	<b>436</b>
Short-term remuneration of highest paid Director	<b>340</b>	<b>192</b>

#### 11. Finance income and expense

	2016 £000	2015 £000
Overdraft interest payments	–	2
Finance lease payments	–	3
Interest payable on shareholder loan (note 19)	684	770
Other loan interest	–	(42)
	<b>684</b>	<b>733</b>

#### 12. Taxation

##### 12.01 Income tax credit

	2016 £000	2015 £000
<b>Current tax</b>		
Current period UK income tax	(500)	(483)
Current period foreign income tax	13	(1)
Adjustment for prior periods	3	(22)
<b>Net income tax credit</b>	<b>(484)</b>	<b>(506)</b>

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### Notes to the Financial Statements

#### 12. Taxation *continued*

##### 12.02 Factors affecting the tax charge

The income tax charge differs from the theoretical charge arising from applying UK corporate tax rates to the profits for the reasons below:

	2016 £000	2015 £000
UK corporate tax average rate	20%	20.5%
<b>Loss before income tax</b>	<b>(286)</b>	<b>(1,086)</b>
Tax at the UK corporate tax rate	(57)	(222)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	3	2
Additional reduction for R&D expenditure	(437)	(374)
Losses surrendered for R&D tax credit	–	183
Effect of foreign tax rates	13	(1)
Adjustment for prior periods	(3)	(22)
Tax losses not recognised	–	(72)
Other differences	(3)	–
<b>Net income tax credit</b>	<b>(484)</b>	<b>(506)</b>

##### 12.03 Factors that may affect future tax charges

The effective rate of UK corporate tax at the period end was 20%. Reductions in the UK corporation tax rate from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted on 26 October 2015. In the Budget on 16 March 2016, the Chancellor announced a further planned reduction to 17% from 1 April 2020 which has been substantively enacted at the balance sheet date.

#### 13. Earnings/(loss) per share

The basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Profit/(loss) attributable to equity holders (£000)	198	(580)
Weighted average number of ordinary shares in issue (000)	32,352	23,855
Basic earnings/(loss) per share (pence)	0.6	(2.4)

The diluted earnings per share has been calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of shares in issue during the year, adjusted for potentially dilutive shares that are not anti-dilutive.

For the year to 31 December 2015, the number of shares used is identical to the basic loss per share calculation. This is because the outstanding share options would have the effect of reducing the loss per share and would not be dilutive under IAS 33.

	2016 000	2015 000
Weighted average number of ordinary shares in issue	32,352	23,855
Adjustment for share options	4,413	–
<b>Weighted average number of potential ordinary shares in issue</b>	<b>36,765</b>	<b>23,855</b>
Diluted earnings/(loss) per share (pence)	0.5	(2.4)

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### Notes to the Financial Statements

#### 14. Property, plant and equipment

##### 14.01 Property, plant and equipment (Group)

	Computer equipment £000	Office equipment £000	Total £000
<b>Cost:</b>			
As at 1 January 2015	1,097	287	1,384
Additions	203	18	221
Net exchange difference	51	4	55
As at 31 December 2015	1,351	309	1,660
Additions	258	46	304
Net exchange difference	241	13	254
<b>As at 31 December 2016</b>	<b>1,850</b>	<b>368</b>	<b>2,218</b>
<b>Accumulated depreciation:</b>			
As at 1 January 2015	856	220	1,076
Charge for the year	176	30	206
Net exchange difference	36	–	36
As at 31 December 2015	1,068	250	1,318
Charge for the year	215	31	246
Net exchange difference	183	8	191
<b>As at 31 December 2016</b>	<b>1,466</b>	<b>289</b>	<b>1,755</b>
<b>Carrying amount:</b>			
As at 1 January 2015	241	67	308
As at 31 December 2015	283	59	342
<b>As at 31 December 2016</b>	<b>384</b>	<b>79</b>	<b>463</b>

##### 14.02 Property, plant and equipment (Company)

The Company held no property, plant and equipment during the period.

##### 14.03 Finance leases (Group)

	Computer equipment £000	Office equipment £000	Total £000
<b>Assets under finance leases within above carrying amount:</b>			
As at 1 January 2015	33	–	33
As at 31 December 2015	9	–	9
As at 31 December 2016	–	–	–

The depreciation charges on these assets have been included in administrative expenses in the statement of comprehensive income.

	As at 31 December 2016			As at 31 December 2015		
	Minimum payments £000	Interest £000	Principal value £000	Minimum payments £000	Interest £000	Principal value £000
Less than 1 year	–	–	–	10	–	10
	–	–	–	10	–	10



## Financial Statements

### Notes to the Financial Statements

#### 15. Intangible assets

##### 15.01 Intangible assets (Group)

	Development costs £000
<b>Cost:</b>	
As at 1 January 2015	5,241
Additions	1,742
As at 31 December 2015	6,983
Additions	3,211
<b>As at 31 December 2016</b>	<b>10,194</b>
<b>Accumulated amortisation and impairment:</b>	
As at 1 January 2015	2,702
Charge for the year	1,251
As at 31 December 2015	3,953
Charge for the year	1,419
<b>As at 31 December 2016</b>	<b>5,372</b>
<b>Carrying amount:</b>	
As at 1 January 2015	2,539
As at 31 December 2015	3,030
<b>As at 31 December 2016</b>	<b>4,822</b>

The intangible assets have been tested for impairment, with no charges resulting.

An impairment test is a comparison of the carrying value of assets to their recoverable amount. Where it is higher than the recoverable amount, an impairment results. Amortisation and any impairment charges are included in operating expenses in the statement of comprehensive income.

Recoverable amounts have been measured based on value in use. Forecasts for the remaining life of each asset have been used (maximum three years), based on approved annual budgets and strategic projections representing the best estimate of future performance.

##### 15.02 Intangible assets (Company)

The Company held no intangible assets during the period.

#### 16. Trade and other receivables

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade receivables	2,380	1,733	–	–
Amounts owed by subsidiary undertakings	–	–	11,773	–
Other receivables	39	16	–	–
Deposits and prepayments	383	347	–	–
	<b>2,802</b>	<b>2,096</b>	<b>11,773</b>	<b>–</b>
Current corporate tax	500	483	–	–

The Directors believe that the carrying value of receivables represents their fair value. In determining the recoverability of a receivable, the Directors consider any change in its credit quality from the date credit was granted up to the reporting date.

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### Notes to the Financial Statements

#### 16. Trade and other receivables *continued*

The largest single receivable at any time would typically constitute no more than 10% of total receivables and would relate to a blue-chip customer. As such, the concentrated credit risk is considered minimal.

Details of the credit risk management policies are shown in note 20.05. No collateral is held as security for trade or other receivables.

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
<b>Receivables past due but not impaired:</b>				
30-60 days	748	597	–	–
60-90 days	518	340	–	–
	<b>1,266</b>	<b>937</b>	<b>–</b>	<b>–</b>
<b>Receivables impaired:</b>				
Over 90 days	89	67	–	–

#### 17. Cash and cash equivalents

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Cash and cash equivalents	2,547	402	–	–
	<b>2,547</b>	<b>402</b>	<b>–</b>	<b>–</b>

The cash and cash equivalents do not currently earn interest. The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

#### 18. Trade and other payables

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
<b>Current:</b>				
Trade payables	1,062	783	–	–
Other tax and social security	661	372	–	–
Finance lease	–	10	–	–
Other payables	21	12	–	–
	<b>1,744</b>	<b>1,177</b>	<b>–</b>	<b>–</b>
Accruals	1,275	433	–	–
Deferred income	103	54	–	–
	<b>1,378</b>	<b>487</b>	<b>–</b>	<b>–</b>
Borrowings (note 19)	306	2,206	–	–
	<b>3,428</b>	<b>3,870</b>	<b>–</b>	<b>–</b>
<b>Non-current:</b>				
Borrowings (note 19)	–	5,539	–	–
	<b>–</b>	<b>5,539</b>	<b>–</b>	<b>–</b>

The liabilities relating to finance leases are secured on the assets which the leases were used to purchase.

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### Notes to the Financial Statements

#### 19. Borrowings

##### Borrowings held at amortised cost

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
<b>Current:</b>				
Shareholder loan	306	2,206	–	–
	<b>306</b>	<b>2,206</b>	<b>–</b>	<b>–</b>
<b>Non-current:</b>				
Shareholder loan	–	5,539	–	–
	<b>–</b>	<b>5,539</b>	<b>–</b>	<b>–</b>
<b>Total borrowings</b>	<b>306</b>	<b>7,745</b>	<b>–</b>	<b>–</b>

The earliest that the lenders of the above non-current borrowings require repayment is as follows:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
<b>Between one and five years:</b>				
Shareholder loan	–	5,539	–	–
<b>Total borrowings</b>	<b>–</b>	<b>5,539</b>	<b>–</b>	<b>–</b>

##### Maturity analysis showing the contractual undiscounted cash flows

The Group's non-derivative financial liabilities have contractual maturities (including interest payments) as summarised below:

	Within six months £000	Six to 12 months £000	One to five years £000	Non-current later than five years £000
<b>31 December 2016:</b>				
Trade payables	1,062	–	–	–
Shareholder loan	306	–	–	–
	<b>1,368</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>31 December 2015:</b>				
Trade payables	783	–	–	–
Finance lease obligations	10	–	–	–
Shareholder loan	1,124	2,179	8,673	–
Other loan	–	–	–	–
	<b>1,917</b>	<b>2,179</b>	<b>8,673</b>	<b>–</b>

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

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### Notes to the Financial Statements

#### 19. Borrowings continued

##### Shareholder loan

The shareholder loan started in September 2012 to finance working capital requirements. This loan was repayable over three years with interest set at 20% per annum. Interest has not been paid but accumulated within the figures above. In May 2015, the shareholder loan was renewed for a four-year period with an improved interest rate of 10.75%.

The accounting for the shareholder loan was deemed to be a substantial modification under IAS 39 and, as such, would have been accounted for as an extinguishment of the existing liability and the recognition of a new liability at its fair value. The gain or loss equal to the difference between the carrying value of the old liability would have been recognised. Extinguishment accounting has not been adopted as the Directors have determined that the value is immaterial.

#### 20. Financial instruments

There is an exposure to the risks that arise from the financial instruments. The policies for managing those risks and the methods to measure them are described in note 4.

##### 20.01 Capital risk management

Funding to date has been by equity and loans. Loans were outstanding as shown in note 19.

##### 20.02 Financial assets

The following financial assets were held, all classified as loans or receivables:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Cash and cash equivalents	2,547	402	–	–
Trade receivables	2,393	1,733	–	–
Other receivables	39	16	–	–
Deposits	180	117	–	–
	<b>5,159</b>	<b>2,268</b>	<b>–</b>	<b>–</b>

##### 20.03 Financial liabilities

The following financial liabilities were held, all classified as other financial liabilities:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade payables	1,062	783	–	–
Loans	306	7,745	–	–
Other payables	21	12	–	–
Finance leases	–	10	–	–
	<b>1,389</b>	<b>8,550</b>	<b>–</b>	<b>–</b>

##### 20.04 Market risk

There is an exposure to the financial risk of changes in exchange rates impacting overseas revenues and costs. The Directors do not consider it appropriate to engage in hedging activities at this point in time. The Group also held significant US Dollar-denominated shareholder loans during the period, as shown in note 19. Exchange rate movements on these loan balances resulted in currency translation losses in both 2015 and 2016 as shown in the statement of comprehensive income. As these loans have now been largely paid off, these losses are not expected to recur and as such it is not appropriate to consider hedging the remaining balances.

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## 20. Financial instruments *continued*

### 20.05 Credit risk

Careful consideration is given to the choice of bank in order to minimise credit risk. Cash is held with four institutions. The amounts of cash held with those banks at the reporting date can be seen in the financial assets table above. All of the cash and equivalents were denominated in UK Sterling.

There was no significant concentration of credit risk at the reporting date other than as described at note 15.

The carrying amount of financial assets, net of any allowances for losses, represents the maximum exposure to credit risk without taking account of the value of any collateral obtained.

A provision of £89,000 (2015: £67,000) has been made for impairment losses in relation to trade receivables. In the Directors' opinion, there has been no other impairment of financial assets. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Directors consider the above measures to be sufficient to control the credit risk exposure. No collateral is held as security in relation to its financial assets.

### 20.06 Liquidity risk management

The Directors manage liquidity risk by regularly reviewing cash requirements by reference to short-term cash flow forecasts and medium-term working capital projections.

### 20.07 Maturity of financial assets and liabilities

All the non-derivative financial liabilities and assets at the reporting date are either payable or receivable within one year, except for borrowings as disclosed in note 19.

## 21. Share capital and share premium

### 21.01 Number of shares in issue

	2016 Number	2015 Number
Ordinary shares of 0.5p each	40,784,176	22,415,536
A ordinary shares of 0.5p each	–	5,000,044
EIS A ordinary shares of 0.5p each	–	324,846
	<b>40,784,176</b>	<b>27,740,426</b>

### 21.02 Share capital at par, fully paid

	2016 £000	2015 £000
<b>Carried forward:</b>		
Ordinary shares of 0.5p each	204	112
A ordinary shares of 0.5p each	–	25
EIS A ordinary shares of 0.5p each	–	2
	<b>204</b>	<b>139</b>
<b>Movement in year:</b>		
<b>Shares issued:</b>		
– Ordinary shares of 0.5p each	65	22
<b>Shares converted:</b>		
– Ordinary shares of 0.5p each	27	
– A ordinary shares of 0.5p each	(25)	–
– EIS A ordinary shares of 0.5p each	(2)	–
	<b>65</b>	<b>22</b>

The classes of ordinary shares ranked pari-passu in respect of voting and dividends.

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### Notes to the Financial Statements

#### 21. Share capital and share premium continued

##### 21.03 Changes in shares issued

	2016 Number	2015 Number
Ordinary shares issued at £0.0125	–	4,258,314
Ordinary shares issued at £0.0128	43,750	40,383
Ordinary shares issued at £0.5000	–	2,638
Ordinary shares issued at £1.0000	13,000,000	–
	<b>13,043,750</b>	<b>4,301,335</b>

As part of the Group's preparation for admission to AIM, a share-for-share exchange took place on 2 August 2016, whereby the entire share capital of Ring2 Communications Limited was exchanged for identical shares in LoopUp Group plc. On 17 August 2016, under a deed of capitalisation, £4,500,000 of funds borrowed under the shareholder loan facility were capitalised by the allotment and issue of 4,500,000 ordinary shares to the debt holder. Upon admission to AIM on 24 August 2016, the following events occurred:

- All shares in LoopUp Group plc converted into ordinary shares of £0.05 each.
- 8,500,000 new shares of £0.005 each were issued for a rated consideration of £8,500,000.

##### 21.04 Share premium account

	2016 £000	2015 £000
Brought forward	–	–
Arising during the year on issue of shares	12,935	–
Costs of share issue	(1,227)	–
<b>Carried forward</b>	<b>11,708</b>	<b>–</b>

##### 21.05 Share options

Outstanding share options were as follows:

	2016 Number	2015 Number
Outstanding at 1 January	4,438,400	8,670,792
Granted at £0.750 and £0.0128	309,000	245,000
Lapsed at £0.125	(315,535)	(176,057)
Exercised (note 21.03)	(43,750)	(4,301,335)
<b>Outstanding at 31 December</b>	<b>4,388,115</b>	<b>4,438,400</b>
	£	£
Weighted average exercise price of outstanding options carried forward	0.6955	0.6762

The Directors have assessed the charge arising from the issue of share options as immaterial based on the assumptions below in note 21.06.

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**21. Share capital and share premium** continued

**21.06 Share-based payments**

The fair values of the options granted have been calculated using a Black-Scholes model. Assumptions used were an option life of five years, a risk-free rate of 1%, a volatility of 60% and no dividend yield. Other inputs were as follows:

	2016 Number	2015 Number
Number granted in period	309,000	245,000
	£	£
Assumed share price at grant date	0.0125	0.0125
Exercise price	0.75	0.75

**22. Related party transactions**

**22.01 Remuneration of key personnel**

Key management of the Group are the members of the executive team. Key management personnel remuneration includes the following expenses:

	2016 £000	2015 £000
Short-term remuneration	1,275	1,030
Benefits in kind	23	18
<b>Total remuneration</b>	<b>1,298</b>	<b>1,048</b>

**22.02 Transactions and balances with key management personnel**

	2016 £000	2015 £000
<b>Amounts owed by/(to) key personnel:</b>		
Steve Flavell	–	(46)
Michael Hughes	(2)	–
Mike Reynolds	(4)	–
Simon Healey	(5)	–
	<b>(11)</b>	<b>(46)</b>

This amount represents expense claims submitted but unpaid at the year end.

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### Notes to the Financial Statements

#### 22. Related party transactions *continued*

##### 22.03 Transactions with related companies and businesses

The Group has purchased services in the normal course of business from certain companies related to individuals who are or were Directors of the Group:

The purchases from these parties and the balances owed at year end are as set out below:

	2016 £000	2015 £000
<b>Purchases from (sales to) related parties:</b>		
Silicon Valley Internship Program LLC	45	24
Silicon Valley Internship Program LLC	(45)	(23)
	–	1
<b>Amounts owed to (by) related parties:</b>		
The Zacando Foundation	–	7,274
Silicon Valley Internship Program LLC	16	16
ScottFin ECE Limited	306	204
	322	7,494
<b>Interest charged during the year on shareholder loan</b>	<b>684</b>	<b>758</b>

#### 23. Subsidiary undertakings

The Company owns 100% of the issued shares of the following telephony and conferencing services subsidiaries which make up the addition of £139,000 in the period:

LoopUp Limited (formerly Ring2 Communications Limited)  
 LoopUp LLC (formerly Ring2 Communications LLC) (incorporated in the USA)  
 LoopUp (HK) Limited (formerly Ring2 (HK) Limited) (incorporated in Hong Kong)  
 LoopUp (Barbados) Limited (formerly Ring2 (Barbados) Limited) (incorporated in Barbados)  
 PIMCO 2711 Limited

All subsidiary undertakings have been included in the consolidation.



## Financial Statements

### Notes to the Financial Statements

#### 24. Operating lease arrangements

Outstanding commitments for future minimum lease payments under non-cancellable operating leases were:

	2016 £000	2015 £000
<b>Land and buildings:</b>		
Within one year	535	372
In the first to second years inclusive	535	318
In the second to fifth years inclusive	–	–
	<b>1,070</b>	<b>690</b>

The Group's sole UK office was leased on a five-year term expiring in November 2016, at an annual rental of £98,000. This was renewed for a further five-year term (with a three year break option) from December 2016 at an annual rental of £200,000.

The San Francisco office was leased at an annual rental equivalent to £244,000, payable monthly. The lease expires in June 2018.

Smaller offices were also leased during the period in London, Hong Kong and the US with a total annual cost of approximately £75,000. They expire on various dates and the longest term has been three years.

#### 25. Subsequent events

There have been no substantial events since the period end that require disclosure.

Financial Statements  
Notes

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## Company Information and Corporate Advisers

### Advisers

#### Legal Counsel

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#### Financial Public Relations

##### **FTI Consulting**

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#### Financial Adviser, NOMAD, Broker

##### **Panmure Gordon**

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#### Reporting Accountant and Auditor

##### **Grant Thornton**

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#### Registrars

##### **Neville Registrars Limited**

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