CELLCAST

Cellcast plc Annual Report and Accounts

for the year ended 31 December 2018

Company number: 05342662

Contents

Chairman's statement	page	1
Chief Executive's statement	pages	2 - 3
Strategic report	pages	4 - 5
Directors and Advisors	pages	6 - 7
Corporate governance	pages	8 - 11
Directors' report	pages	12 - 13
Independent Auditor's report to the members of Cellcast plc	pages	14 - 16
Consolidated statement of comprehensive income	page	17
Consolidated statement of financial position	page	18
Company statement of financial position	page	19
Consolidated statement of changes in equity	page	20
Company statement of changes in equity	page	20
Consolidated statement of cash flows	page	21
Notes to the consolidated financial statements	pages	22 – 41

Chairman's statement

Cellcast plc (the "group") continued to experience difficult trading conditions in 2018. This is a pattern that has existed over the last several years, with revenues in the core interactive broadcast business continuing to decline and margins being eroded, resulting in continuing losses to the bottom line and a decline in the Company's cash position.

The sectors for the group's core services are being gradually discontinued and, despite a clear focus by the Board on cost savings and related diversification, these are yet to have a material impact on the group. The Board has looked for suitable partners in order to expand and diversify, however, despite numerous attempts, these have not been forthcoming.

As reported in our trading update in November 2018, the latter half of 2018 was particularly difficult, and this has continued into 2019. There has therefore been increased focus by the Directors on the long term viability of the economic model that the group utilises which has prompted the Directors to undertake a review as to the prospects for the group going forward. The Board is currently exploring all options available to the group.

As part of this review, the carrying value of the company's investment in its 100% owned subsidiary undertaking; Cellcast UK Limited, through which the trade of the group is carried out, was undertaken in the year. As a result, an impairment loss of £461,000 (2017: £nil) was recognised in the company to reduce the carrying value of the investment to its expected recoverable amount of £750,000 and an impairment loss of £2,949,000 was recognised against amounts due from Cellcast UK Limited- refer to notes 13 and 16 for further detail. The recoverable amounts were assessed based on the market capitalisation of the group at 31 December 2018.

Mike Neville

Non-Executive Chairman
13 May 2019

Chief Executive's statement

The second half of 2018 has proven more challenging than the second half of 2017 for both the core UK business and the East African consultancy service and this has continued into the first quarter of 2019. The consultancy services continue to be impacted by increased taxation and increased regulation of the gaming sector in East Africa.

The group has undertaken a full review of the UK business and the resources allocated to international businesses to see where savings can be made. In the UK, the first of these initiatives has been to make savings in operation and production costs.

2018 Results

Cellcast plc's (the "group's") total operating revenues amounted to £11.3 million in 2018, compared to £12.0 million in 2017, a decrease of 6%.

The group's interactive broadcasting activities in the UK generated £10.9 million of revenue (2017: £11.3 million), which represents a decrease of 4%.

The group's income from the provision of management services and consultancy to overseas gaming and lottery operators generated £395,000 of revenue (2017: £660,000), a decrease of 40%. This reduction is due to the adverse effect of a new taxation rate on the business of the group's clients in Kenya. This resulted in the bonus payments due to the group for 2018 of £265,000, forming part of the service remuneration, not being realised. The group is working to collect monies due to it from its clients in Kenya and expects to receive most of these monies in 2019, although the directors estimate that £293,000 will be recovered more than a year after 31 December 2018.

Cost of sales were down 2% on the previous year. In 2018, they amounted to £11.0 million, compared to £11.2 million in 2017. The group's gross profit amounted to £0.3 million in 2018 compared to £0.8 million in 2017. This decrease is mainly due to the loss of the bonus forming part of the overseas consultancy services.

General and administrative costs decreased by 13%, from £565,000 in 2017 to £489,000 in 2018. These costs exclude the foreign exchange loss of £26,000 in 2018 (2017: loss of £30,000). Approximately 53% of these costs were personnel costs (2017: 58%). Amortisation and depreciation expenses for 2018 were £80,000, a £13,000 decrease on those of 2017 (£93,000).

After taking into account the net interest and tax the total loss for 2018 was £250,000 (2017: loss of £647,000). 2018 earnings per share was negative 0.3p (2017: negative earnings per share of 0.8p). The Strategic report, set out on pages 4 and 5 of this Annual Report and Accounts, gives a more extensive description of the group's operations during the year and technological developments.

The group's total assets have reduced from £3,317,000 at 31 December 2017 to £2,517,000 at 31 December 2018.

The company only result for the year is affected by an impairment loss of £461,000 (2017: £nil) recognised against the carrying value of the company's investment in its 100% subsidiary undertaking; Cellcast UK Limited - refer to note 13 for further detail. A further impairment loss of £2,949,000 has been recognised against amounts due from Cellcast UK Limited - refer to note 16 for further detail. These impairment losses have led to a reduction in the total assets of the company from £4,160,000 at 31 December 2017 to £750,000 at 31 December 2018.

Funding

At 31 December 2018, the group had a net cash balance of £0.7 million (2017: £1.1 million). The decrease was mainly due to the losses incurred during the year. The total assets at 31 December 2018 amounted to £2.5 million, a decrease of £0.8m on the previous year.

Outlook

Unfortunately trading in the first quarter of 2019 has continued the pattern of the second half of 2018 and the group hasn't yet seen an upturn since the trading update announced on 27 November 2018.

With respect to the East African consultancy services, the group is looking to diversify away from gaming activities to support other transactional applications that are not subject to the tax and other regulatory restrictions that have damaged the sector over the last 18 months.

In the core UK business the group has undertaken a further review of the staffing costs and made some adjustments in light of the reduced trading. The decline in revenue is driven by the decline in mobile traffic generated by the core TV business which is impacted by global changes in viewing habits. However, the decline in TV driven revenues has been partially offset by continued growth in our online business. Online revenues grew by 15% in 2018 to £4.5m from

£3.9m in 2017. The group is in the process of further optimising its online properties to improve its performance further. This potential is impacted by uncertainty regarding the implementation of the Government's online content verification programmes.

As noted in greater detail in the Chairman’s statement on page 1, in light of the decline in the business and its prospects for the future, the Board is currently exploring all options available to the Company and its subsidiary, Cellcast UK Ltd.

Craig Gardiner

Chief Executive Officer
13 May 2019

Strategic report

Review of business

The group's main core activity from which it derives the majority of its revenue continues in the production and distribution of participatory television formats across multiple digital platforms in the United Kingdom. However, revenues from online and mobile interaction have increased and now provide a significant income stream. These income streams combined are referred to as 'interactive broadcasting'. Additionally, the group has used its expertise in developing mobile applications and services to provide consultancy services specifically in relation to the use of mobile money. This consultancy income is mainly derived from East Africa which leads the world in the penetration of mobile money.

Further details on the financial performance of the company and group during the year, and of the financial position of the company and group at the reporting date, is given in the Chairman's statement on page 1 and the Chief Executive's statement on pages 2 and 3.

Update on technology

2018 saw an increase in Web revenues as the trend of customers moving away from TV and onto Online platforms continued. The Technology Division focused on improving Web related revenues by developing a number of new products to complement and expand upon the Broadcast offerings. The team continued to develop and utilise our Business Intelligence (BI) and Reporting systems to analyse costs, revenue and profit on all products and make improvements across the board. The Technology Division also continued to build the Technical Services platforms and focused on some key areas: Direct Mobile Operator Integrations, Mobile Payment Solutions across multiple markets and App Development. The team now have a strong platform to allow the group, and partners, to launch products and services in multiple markets quickly and cost efficiently which the group hopes to utilise beyond its existing business partnerships going into 2019 and beyond.

Key Performance Indicators

The directors continue to monitor the performance of the business through various key performance indicators ("KPIs"), of which the principal ones are broadcast revenue, consultancy services revenue, and overall group profitability. These KPIs continue to be monitored along with the compliance record with broadcasting regulations, where there have been no material breaches in the year.

	H1 2018 £	H2 2018 £	2018 Full year £	2017 Full year £
Broadcast revenue	5,442,995	5,432,082	10,875,077	11,309,626
Consultancy services	330,000	65,000	395,000	660,000
Operating result	7,813	(308,662)	(300,849)	130,557

The KPIs show a 4% decline in broadcast revenue and a 40% decrease in revenues generated by its consultancy services, both of which are consistent with previous comments relating to the difficulties experienced by the group in the course of the year.

This decline in revenues has had a direct impact at the operating level, incurring losses of £301,000 in 2018 compared to a profit of £131,000 in 2017.

The group has been working on reducing its costs to compensate for the decline in revenue.

Principal risks and uncertainties

The following are the risk factors which need to be considered when assessing the sustainability of the group's current financial performance. The risks are considered and managed by the Board.

Regulatory risks

The group's core activities are governed by relevant Broadcasting and Telecom regulators in each of the segments and markets in which it operates. The sectors the group is involved in are constantly evolving so there remains a risk that regulations may change and that any such changes could impact our current business model. In order to manage these risks the group has engaged the services of a lawyer specialised in the broadcast and media industry who regularly reviews the group's products to make sure that they are fully compliant. The East African consultancy business is also impacted indirectly when its clients' businesses are affected by regulation of both the gambling and media industries.

Commercial risks

-Broadcasting
The current margins enjoyed by the group are significantly dependant on the competitive advantage it has secured through the electronic programme guide ("EPG") positions it holds on the platforms on which it operates. The directors continue to monitor the impact of next generation satellite boxes that make it harder for viewers to access the group's content. In the event of EPG reorganisations, the group's competitive advantage may be significantly eroded. This risk is managed by the fact that if an adverse EPG reshuffling was to take place, the group would renegotiate its bandwidth requirements.

The group's margins are also dependant on the on-going cost of bandwidth. If these were to increase, the group's margins would diminish. A new bandwidth supplier agreement during 2017 significantly reduced on-going costs and associated risks.

-Telecoms
The group's operations are significantly dependent on premium rate Interactive Voice Response and Short Message Service based income derived from agreements with fixed line and mobile operators and intermediary companies. These agreements are subject to change which, if adverse, could erode group margins. The group manages this risk by having several telecom providers and therefore maintaining a healthy level of competition when it comes to achieving the best rates.

- Overseas operations
The group's international business activities come with an additional set of risks from the core UK business, primarily comprising of heightened regulatory risk, credit risk and foreign exchange risk. Over the last 2 years taxation on gambling in Kenya, Tanzania and Uganda has increased by between 65% and 100%. East African governments are also considering the introduction of restrictions on the advertising of gambling products following those introduced in the UK.

Credit risk

The group has debtor balances that are reviewed on a monthly basis to make sure that cash is recovered at the due time. As described in note 19, the majority of trade receivables have been received since the reporting date and all outstanding balances are expected to be recovered shortly, with the exception of £293,000 of trade receivables due from the group's management and consultancy services clients in Kenya which are expected to be recovered more than a year after 31 December 2018.

Technology risks

The group continues to invest in maintaining and enhancing its broadcast and telecom infrastructure in order to maintain its competitiveness in the market. Despite that, any catastrophic failure that took excessive time to remedy could impact on-going revenues for a period of time. To mitigate this risk, the group has contracted appropriate insurance policies.

Approved by the Board and signed on its behalf by

Craig Gardiner

Chief Executive Officer
13 May 2019

Directors and advisors

Mike Neville
Independent Non-Executive Chairman
Mike Neville has extensive experience in the capital markets and is a director of a number of public and private companies. His background is in the telecoms, technology and media arena, where he has worked for the last 20 years specialising in strategy, mergers and acquisitions and turnaround situations. He has worked for companies such as Cable & Wireless and United Utilities, where he has been involved in large and small scale fundraising as well as numerous merger and acquisition transactions in various parts of the world.

Craig Gardiner
Chief Executive Officer
Craig Gardiner has been with the company since its foundation in 2002, previously as the General Manager of all aspects of Cellcast's operations. Prior to that, Craig was General Manager of international telemedia services provider VISL, supervising its activities across Europe and Asia. Craig has over 25 years' multinational experience in the information service, telecoms and broadcasting sectors and is abreast of all Cellcast's key commercial relationships.

Emmanuelle Guicharnaud
Chief Financial Officer and Company Secretary
Emmanuelle Guicharnaud spent four years as a management consultant for PricewaterhouseCoopers. In 1999 she joined a privately held chain of hotels with the responsibility of evaluating new acquisitions. In 2000 she relocated to the UK and took up a position as the financial controller of m-Quest, a telecoms company providing value added telephony and SMS solutions that was subsequently acquired by Monstermob plc. She joined Cellcast as financial controller in 2002. Emmanuelle holds a DECF (Accountancy and Finance Diploma) from an International Business School (ESC).

Bertrand Folliet
Non-Executive Director
Bertrand Folliet co-founded Cellcast in 2002. He has many years' experience in the telecoms, digital content and multimedia industries, and a successful record of building profitable businesses providing value-added billing and distribution services in the international telecom sector. Before co-founding Cellcast, he served as an executive director of the Tokyo based Jasdaq-listed e-Lux Corporation and was the chief operating officer of e-Lux Corporation's key operating subsidiary in Hong Kong. Prior to this he was president of the publicly listed Hong Kong Company e-New Media. He also served as managing director of e-New Media subsidiary New Media Corporation and was director of operations of the company's predecessor, VISL. Before joining VISL, he was senior vice president of Matra-Hachette Multimedia On-line. Bertrand Folliet holds a PhD in Management.

Samuel Malin
Independent Non-Executive Director
Samuel Malin is a professional engineer with over 30 years' international business experience, particularly in Africa, and strong project management capabilities. Samuel founded Madagascar Oil, holding the position of CEO between 2003 and 2006 and then as Director to 2008, helping to raise $125 million and increasing the valuation of the company to over $1 billion. Between 2013 and 2014, he was CEO of Vanoil Energy Limited, a company with significant oil and gas exploration interests in east Africa. Currently, he is Chairman of Burke's Peerage Limited and Frigate Exploration. Samuel has a strong communications and technology component to his background, having worked also for companies such as Dimension Data (now part of Nippon Telephone and Telegraph), Data Research International (part of McGraw-Hill) and Saladin (now within Fidelity National Information Services). He is also an Honorary Consul for the Republic of Lithuania.

Directors and advisors

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Corporate governance

The role of the Chairman is to manage the affairs of the company having regard to the QCA Corporate Governance Code, published by the Quoted Company Alliance ("the code"). The Chairman supports the principles underlying these requirements. Given the size of the group, the relative simplicity of the systems and the close involvement of senior management, the board considers that there is no current requirement for an internal audit function. This will be kept under review.

Set out below is how the Chairman leads the company in applying the principals in the Code.

Principle 1: Strategy and business model

The company's business model is explained in Directors' report on page 12. During the AGM, the strategy is discussed with the shareholders present or represented. It forms a large part of the dialogue with the shareholders and reflects the company's commitment to good information flows, growth delivery and the promotion of long-term value for shareholders.

Principle 2: Meet shareholders expectations

The company communicates with its shareholders primarily through regulatory announcements. These contain the contact details of the company's CEO, CFO and its Nominated Adviser. In the context of the company's communication with its shareholders, it is important to highlight that twelve shareholders hold 89% of the company's share capital. Of these twelve shareholders, four are directors of the company. Over the years the members of the board have had the opportunity to meet or talk directly to the shareholders that are not involved in the running of the business, including each of its largest shareholders.

The board is keen to understand the needs and expectations of its shareholders. Some of the company's larger shareholders have been investors in Cellcast for a number of years and have regularly attended or sent a representative to the company's AGM. They have the direct contact details of the Chairman, the CEO and the CFO. The AGM is the other way the company uses to talk to the shareholders about their expectations and maintain a good flow of communication.

The members of the board of the company are always available to talk to the shareholders. The board strongly believes in encouraging dialogue with its shareholders. The Chairman and the rest of the board dedicate adequate time to make sure that communication is effective with existing and potential shareholders and other key stakeholders.

Principle 3: Wider stakeholders

The company's main supplier is Arqiva who supplies the bandwidth necessary for Cellcast to broadcast on both the Sky and Freeview platforms. The CEO and CFO meet the representative of Arqiva on a quarterly basis to discuss current trading, new ideas and other input.

The company's main resource is constituted by its staff. Cellcast believes that its strong corporate identity has been responsible for its staff loyalty and retention over the years.

The company main regulators are OFCOM and PSA. A good flow of communication is maintained by the Compliance Officer appointed by Cellcast who works closely with both organisations to ensure that new and existing legislations are correctly enforced.

Cellcast uses an ad-hoc Business Intelligence software based on Microsoft Azure Cloud to obtain a fine-grained analysis of user behaviour leading to a better understanding of their usage pattern. These enables the company to constantly work on improving its product offering.

Social Media is also used to monitor customers' expectations and better respond to them.

Principle 4: Risk Management

The main risks affecting the business are set out in the strategic report on pages 4 to 5.

These risks, whether they are of a regulatory, commercial or technological nature are monitored on a regular basis by the board. The strategic report also explains how the board deals with and mitigates these risks.

The board meets regularly to review both opportunities and threats to the business. Once a risk is identified, the board will assess it and make sure that the related control systems in place are effective.

Principle 5: Dynamic management framework

Cellcast's board comprises five directors, two of which are considered by the rest of the board to be independent for the reasons set out below.

Mike Neville
Non-Executive Chairman and Independent Director

Even though Mike is a shareholder of Cellcast PLC and has a long time of service, having been on the board since the company became public in 2005, the rest of the board considers that he is an independent director. Mike is sufficiently removed from the day to day operations of the company to retain a critical view and as such be in a good position to represent best the interest of all the shareholders.

He dedicates two days a week to the affairs of the company.

Samuel Malin
Independent Non-Executive Director

Sam Malin joined the board of Cellcast in July 2017. His short time of service as well as the fact that he has no prior connection to the board or the company justify his independent status.

He dedicates one day a week to the affairs of the company.

In 2018, the board met nine times in London to discuss the results, communications with shareholders and any other business. All of the directors attended all of these board meetings.

The board is supported by various committees, such as the remuneration committee and the audit committee, which have the necessary knowledge to fulfil their responsibilities in an effective way. In the last twelve months the audit committee met twice. Each meeting was attended by both committee members, Mike Neville and Bertrand Folliet. In addition, one meeting was also attended by the CEO and CFO and the second meeting was attended by the CEO and CFO as well as two members of the company's audit firm. In the last twelve months the remuneration committee met once. The attendees were both committee members, Mike Neville and Bertrand Folliet.

Principle 6: Experience and skills of the Board of Directors

The skills of each members of the board are set out on page 6.

The board considers that it has the right balance of sector (Craig Gardiner and Bertrand Folliet), financial (Emmanuelle Guicharnaud and Mike Neville) and public market skills (Mike Neville and Sam Malin). The board has a clear purpose and benefits from a strong leadership by the Chairman. The board understands the business and is able to deliver a clear strategy that is then communicated to the shareholders and other key stakeholders. The directors also benefit from a strong team spirit and a corporate culture they happily relate to.

Principle 7: Evaluation and performance of the Board

The directors consider that the size of the company does not justify the use of third parties to evaluate the performance of the board on an annual basis. Nevertheless, review of the non-independent directors by the independent directors takes place regularly throughout the year.

Should the size of the company increase, the board will consider whether it is appropriate to put in place a more prescribed evaluation process.

In 2017, the board appointed a new CEO, the transition was a success, resulting in an undisrupted succession between Andrew Wilson and Craig Gardiner. The board planned this transition over a 6-month period and made sure that both previous and new CEO worked together during that time to ensure a smooth handover.

Principle 8: Corporate culture

Cellcast has a strong corporate identity which has been instrumental in retaining the talents that are essential to ensure the prosperity of the business.

In 2008, the board appointed a Compliance Officer, his role is to ensure that the entire staff is made aware of the ethical standards that are expected of them. This is done in conjunction with the company's regulator, OFCOM.

Principle 9: Governance structures

The Chairman

Mike Neville's main responsibility is to oversee the implementation and communication of the company's corporate governance model. The rest of the board considers that he has adequate separation from the day-to- day business to make independent decisions.

Mike Neville is focused on the company's strategy, has a clear vision and acts in the manner that brings together the skills, qualities and experience of the other members of the board. He attends all the board meetings as well as the AGM during which he establishes a direct dialogue with the shareholders. Due to the nature of its shareholding structure, Mike Neville has been able to meet or communicate directly with the majority of the company's substantial shareholders over the years. This has ensured that a good flow of communication is maintained between the company and its shareholders. Any shareholder is invited to contact the Chairman.

Mike Neville is also responsible for making sure that the board agenda concentrates on the key issues, both operational and financial. Over the years and thanks to the monitoring system the company has implemented, the CFO has been able to present the board with highly detailed and comprehensive financial statements and forecasts. These are discussed in depth at each board meetings and ensure that the company's strategy is constantly reviewed and updated.

The non-executive directors

Bertrand Folliet and Sam Malin participate in all board level decisions, they possess the critical skills that are essential to positively challenge the rest of the board and to listen in in equal measure. They have both been through an induction process organised by the company's corporate adviser.

Both Bertrand and Sam commit an appropriate amount of time to the company's affairs. Sam used the 2018 AGM to meet the company's shareholders present. Both Bertrand and Sam are available to meet and discuss any issues with the shareholders of the company.

From time to time and if they consider it necessary to discharge their responsibilities as directors, either of them can call upon independent professional advice, at the company's expense.

Bertrand is part of the audit committee, the nomination committee and the remuneration committee.

The executive directors

Craig Gardiner and Emmanuelle Guicharnaud are in charge of implementing and monitoring - within the business model - the strategy set by the board. They maintain a good flow of information with the rest of the board and communicate in an open and transparent way. Regular board meetings ensure that both Craig and Emmanuelle keep the rest of the board up-to-date with the performance of the business and any other matters to ensure that the strategy is effectively followed. If necessary, they can suggest a realignment of the strategy based on any new factor or risk affecting the business. Any such decision would have to be reviewed and approved by the Chairman and the non-executive directors. Cellcast runs its business based on unanimous decisions made by its board.

The following committees deal with the specific aspects of the company's affairs:

Audit committee

The audit committee is represented by Mike Neville as Chairman and Bertrand Folliet. The committee meets not less than twice annually. The committee provides a forum for reporting by the group's external auditor. Meetings are also attended, by invitation, by the chief executive officer and/or the chief financial officer. The audit committee is responsible for reviewing a wide range of matters including the half year and annual accounts before their submission to the board and monitoring the controls which are in force to ensure integrity of the information reported to the shareholders. The audit committee advises the board on the appointment of the external auditor and their remuneration both for audit and non-audit work, and discusses the nature, scope and results of the audit with the external auditor. The audit committee keeps under review the cost effectiveness and the independence and objectivity of the external auditor. A formal statement of independence is received from the external auditor each year.

The role of the audit committee is also to provide confidence to the shareholders on the integrity of the financial reports. The audit committee challenges both the external auditors and the management of the company. It reviews the need for internal audit, if required and the tendering and approval of non-audit services.

The members of the audit committee have always made sure to commit significant time, particularly during the weeks leading up to the publication of results.

The audit committee has risk oversight within its term of reference in order to add to the effectiveness of the risk management and internal control system of the company.

Remuneration committee

The remuneration committee is represented by Mike Neville as Chairman and Bertrand Folliet. The committee is responsible for making recommendations to the board, within agreed terms of reference, on the company's framework of executive directors' remuneration and its cost. The committee determines the contract terms, remuneration and other benefits for each of the executive directors, including share options, pension rights and compensation payments. The board itself determines the remuneration of the non-executive directors.

The members of the committee make sure that the remuneration arrangements are aligned with the company strategy. It can from time to time ask advice from external sources. The members make sure that the policy rewards the right behaviours and values as well as the contribution made to the performance of the business.

Nomination committee

The nomination committee is represented by Bertrand Folliet as Chairman and Mike Neville. The committee is responsible for proposing candidates for appointment to the board, having regard to the balance and structure of the board. In appropriate cases, recruitment consultants may be used to assist the process. The committee kept a close eye on the CEO change that took place in 2017. It was responsible for the internal promotion of Craig Gardiner. It worked closely with the rest of the board to identify the skills, knowledge and experience required by the position.

Principle 10: Building trust

The company makes sure that a good flow of communication exists between the board and all its stakeholders, including shareholders, to enable all interested parties to come to informed decisions.

To further involve the shareholders, the company's Articles of Association include a clause stipulating that each director should step down every two years and be re-elected during the AGM.

The corporate website of the company, www.cellcast.tv, plays an important role in insuring that the shareholders have all the information they should require.

The notice of AGM and the Annual and Interim reports since 2005 are available on the company's website.

The company will make sure that in the future the corporate website also includes the results of the votes cast during the AGM.

Directors' report for the year ended 31 December 2018

The directors present their report and consolidated financial statements for the year ended 31 December 2018.

Directors
The following directors have held office since 1 January 2018:
Craig Gardiner
Bertrand Folliet
Mike Neville
Emmanuelle Guicharnaud
Samuel Malin

Principal activities
The principal activity of the group is the production and broadcast of participation TV formats where revenues are derived from paid audience interaction billed through fixed line or mobile phones.

The principal activity of the company is that of a holding company.

Results and dividends
The consolidated statement of comprehensive income for the year is set out on page 17. No dividend is proposed (2017: £nil).

Group research and development activities
During the year the group concentrated its research and development activities on programme format and platform development.

Financial instruments
The risk exposure for the group and how the group addresses these issues are dealt with in the Strategic report on pages 4 and 5 and in note 19 of the financial statements.

Political and charitable donations
During the year, the group made no political or charitable donations (2017: £nil).

Share capital
Details of share capital are given in note 20 to the financial statements.

Directors' Insurance
Directors' and officers' liability insurance is held by the group.

Credit payment policy
The group's policy is to ensure that suppliers are paid, in the absence of dispute, in line with the terms negotiated with the individual supplier. Trade creditor days based on creditors at 31 December 2018 were 34 days (2017: 49 days).

Future developments
Details of future developments are included in the 'outlook' section of the Chief Executive's Statement on pages 2 and 3.

Going concern
During the year ended 31 December 2018, the group recorded a loss of £250,405. The group had net cash of £698,179 as at 31 December 2018 and it had net current assets of £849,655.

The directors have carefully considered whether or not it is appropriate to adopt the going concern basis in preparing the 2018 financial statements. The directors have reviewed the group's detailed cash forecast to ensure that the group's current working capital and credit facilities in place are sufficient for the foreseeable future. This assessment is based upon forecasts following the reduction in the revenue of the UK television business together with the continued reduction in operational costs implemented over the year; it also assumes the maintenance of existing relationships with key suppliers. During the prior year the group made a 100% provision for the funds invested in Lexinta. The failure to recover these has no impact on the day to day business of the group and company which has sufficient funds for its normal operations.

After making enquiries, the directors have concluded that the group and company have adequate resources to continue trading for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the group and company financial statements.

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

In preparing each of the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRSs adopted by the EU;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Cellcast plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to the auditor
The directors who were in office on the date of approval of these financial statements have each confirmed that, so far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they 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 it has been communicated to the auditor.

Auditor
A resolution to reappoint RSM UK Audit LLP, Chartered Accountants, as auditor will be put to the members at the annual general meeting.

By order of the board

Emmanuelle Guicharnaud
Company Secretary
13 May 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CELLCAST PLC

Opinion

We have audited the financial statements of Cellcast plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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.

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 2018 and of the group's loss 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 IFRS as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

Group key audit matters

Revenue recognition

The group generates revenue from interactive broadcasting activities and from other sources in accordance with the revenue recognition accounting policy on page 27. There is a risk that revenue may be recognised incorrectly.

Our response to the risk included:

- Audit of broadcast revenue based on the number of broadcast hours and telephone/SMS calls received during the year; and
- Corroboration of non-broadcast revenue to supporting documentation.

Laws and regulations
The group's core activities are regulated by Ofcom and non-compliance could result in penalties, fines or cessation of activities.

Our response to the risk included:

- Enquiry of management as to breaches of laws and regulations; and
- Review of correspondence with regulators during the period and review of Ofcom website for references to the group.

Parent company key audit matters

Carrying value of investment in subsidiary and amounts due from subsidiary
The assets in the parent company statement of financial position are solely the investment in subsidiary and amounts due from subsidiary. Given the performance of the group management have recognised an impairment charge in the year as detailed in note 13. The assessment of recoverable amount involves management judgement.

Our response to the risk included:

- Review of the basis of assessment of recoverable amount by management, including discussions with management and consideration of strategic plans; and
- Comparison of management's assessment of recoverable amount against available evidence including the market capitalisation of the group.

Our application of materiality
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning materiality for the group financial statements as a whole was calculated as £60,000, which has not significantly changed during the course of our audit. Materiality for the parent company financial statements as a whole was calculated as £60,000 which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £5,000, as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit
The audit was scoped to support our audit opinion on the company and group financial statements of Cellcast plc and was based on group materiality and an assessment of risk at group level. Our group audit scope included the full scope audit of all components.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Use of our report
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.

GRAHAM RICKETTS (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB

13 May 2019

Consolidated statement of comprehensive income
For the year ended 31 December 2018

	Note	2018 £	2017 £
Revenue:			
Interactive broadcasting		10,875,077	11,309,626
Management and consultancy services		395,000	660,000
Total revenue	1	11,270,077	11,969,626
Cost of sales		(10,976,656)	(11,151,615)
Gross profit		293,421	818,011
Operating costs and expenses:			
General and administrative		(514,649)	(594,636)
Amortisation and depreciation		(79,621)	(92,818)
Total operating costs and expenses		(594,270)	(687,454)
Operating (loss)/profit		(300,849)	130,557
Fair value gains and losses	5	1,787	12,719
Foreign exchange loss on current asset investments		-	(45,315)
Impairment losses	6	-	(754,358)
Finance costs	7	(2,460)	(7,953)
Share of results in associate	14	-	11,913
Loss before tax	4	(301,522)	(652,437)
Taxation	8	51,117	5,794
Loss for the year and total comprehensive income attributable to owners of the parent		(250,405)	(646,643)
Earnings per share attributable to owners of the parent Basic & diluted (pence)	9	(0.3p)	(0.8p)

Consolidated statement of financial position
As at 31 December 2018

	Note	2018	2017
Assets		£	£
Non-current assets:			
Intangible assets	10	78,768	94,149
Property, plant and equipment	11	146,971	122,741
Investments	12	62,421	88,813
Trade and other receivables	16	293,228	-
		581,388	305,703
Current assets:			
Trade and other receivables	16	1,237,915	1,954,053
Cash and cash equivalents		698,179	1,057,301
		1,936,094	3,011,354
Total assets		2,517,482	3,317,057
Capital and reserves			
Called up share capital	20	2,285,398	2,285,398
Share premium account	20	5,533,626	5,533,626
Merger reserve	20	1,300,395	1,300,395
Warrant reserve	20	13,702	13,702
Retained earnings	20	(7,702,078)	(7,423,494)
Equity attributable to owners of the parent		1,431,043	1,709,627
Liabilities			
Non-current liabilities	17	-	37,113
Current liabilities:			
Trade and other payables	18	1,086,439	1,570,317
Total liabilities		1,086,439	1,607,430
Total equity and liabilities		2,517,482	3,317,057

The financial statements on pages 17-41 were approved and authorised for issue by the board on 13 May 2019

Signed on its behalf by:

Craig Gardiner

Chief Executive Officer
13 May 2019

Emmanuelle Guicharnaud

Chief Financial Officer
13 May 2019

Company statement of financial position
As at 31 December 2018

Company number: 05342662

	Note	2018 £	2017 £
Non-current assets			
Investments in subsidiary	13	750,000	1,211,281
Trade and other receivables	16	-	2,949,078
Total assets		750,000	4,160,359
Capital and reserves			
Called up share capital	20	2,285,398	2,285,398
Share premium account	20	5,533,626	5,533,626
Warrant reserve	20	13,702	13,702
Retained earnings	20	(7,082,726)	(3,672,367)
Equity attributable to the owners		750,000	4,160,359

The company's loss and total comprehensive income for the year was £3,410,359 (2017: £nil).

The financial statements on pages 17-41 were approved and authorised for issue by the board on 13 May 2019

Signed of behalf by:

Craig Gardiner

Chief Executive Officer
13 May 2019

Emmanuelle Guicharnaud

Chief Financial Officer
13 May 2019

Consolidated statement of changes in equity
For the year ended 31 December 2018

	Note	Share Capital £	Share Premium £	Merger Reserve £	Warrant Reserve £	Retained Earnings £	Total £
		Attributable to owners of the parent					
Balance at 1 January 2017	20	2,285,398	5,533,626	1,300,395	13,702	(6,776,851)	2,356,270
Loss and total comprehensive income for the year		-	-	-	-	(646,643)	(646,643)
Balance at 31 December 2017	20	2,285,398	5,533,626	1,300,395	13,702	(7,423,494)	1,709,627
Aggregate adjustments on adoption of IFRS 9	12	-	-	-	-	(28,179)	(28,179)
Balance as 1 January 2018 as restated		2,285,398	5,533,626	1,300,395	13,702	(7,451,673)	1,681,448
Loss and total comprehensive income for the year		-	-	-	-	(250,405)	(250,405)
Balance at 31 December 2018	20	2,285,398	5,533,626	1,300,395	13,702	(7,702,078)	1,431,043

Company statement of changes in equity
For the year ended 31 December 2018

	Note	Share Capital £	Share Premium £	Warrant Reserve £	Retained Earnings £	Total £
Balance at 1 January 2017	20	2,285,398	5,533,626	13,702	(3,672,367)	4,160,359
Profit and total comprehensive income for the year		-	-	-	-	-
Balance at 31 December 2017	20	2,285,398	5,533,626	13,702	(3,672,367)	4,160,359
Loss and total comprehensive income for the year	13,16	-	-	-	(3,410,359)	(3,410,359)
Balance at 31 December 2018	20	2,285,398	5,533,626	13,702	(7,082,726)	750,000

Cellcast plc has not presented its own income statement as permitted by Section 408 of the Companies Act 2006.

Consolidated statement of cash flows
For the year ended 31 December 2018

	Note	2018 £	2017 £
Net cash outflow from operations	23a	(268,192)	(154,448)
Net cash (outflow)/inflow from investing activities	23b	(88,470)	118,467
Net cash used in financing activities	23c	(2,460)	(7,953)
Net decrease in cash and cash equivalents		(359,122)	(43,934)
Cash and cash equivalents at beginning of year		1,057,301	1,101,235
Cash and cash equivalents at end of year	23d	698,179	1,057,301

No separate company statement of cash flows is presented as the company holds no cash at 31 December 2018 (2017: £nil).

Notes to the consolidated financial statements

General information
Cellcast plc ('the company') is an England and Wales incorporated public limited company limited by shares registered in England and domiciled in the United Kingdom. The company's shares are publicly traded on the AIM market of the London Stock Exchange under the ticker symbol CLTV. The address of its registered office and business address is disclosed on page 7.

The principal activity of the company and the nature of its operations are disclosed in the Strategic report and the Directors' report.

Accounting policies
The consolidated and company financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value, and in accordance with EU adopted IFRS.

Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

Adoption of new and revised standards and interpretations
For the preparation of these financial statements, the following new or amended standards are mandatory for the first time for the financial year beginning 1 January 2018.

- IFRS 9 Financial instruments (effective 1 January 2018)
- IFRS 15 Revenue from contracts with customers (effective 1 January 2018)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)
- IFRIC 22 Foreign currency transactions and advance consideration (effective 1 January 2018)

IFRS 9
IFRS 9 'Financial instruments' replaces IAS 39 'Financial Instruments: Recognition and measurement', the adoption of IFRS 9 changes the group's accounting policy for un-quoted equity investments. The group's un-quoted equity investment was previously accounted for at cost less impairment, rather than fair value, using a specific exemption available under IAS 39. Under IFRS 9 there is no such exemption and the investment is required to be measured at fair value. In accordance with IFRS 9, the difference between the IAS 39 carrying value of this investment at the date of initial application of IFRS 9 (1 January 2018) and its fair value under IFRS 9 at that date has been recognised in opening retained earnings in the current year. The group's financial assets (previously classified as loans and receivables) and financial liabilities arising from normal operations, such as trade receivables, amounts owed by group undertakings, trade payables and accruals, continue to be recognised under the amortised cost model and there was no adjustment to amounts previously recognised, on transition to IFRS 9.

IFRS 15
IFRS 15 'Revenue from contracts with customers' replaces IAS 18 'Revenue'. The directors have considered the impact of implementing IFRS 15 and considered the performance obligations in the group's contracts with customers and the basis on which the revenue from those performance obligations should be recognised ('at a point in time' or 'over time'). The resulting accounting policy under IFRS 15 (refer to 'Revenue recognition' accounting policy) does not lead to any adjustment to amounts previously recognised for revenue under IAS 18.

Amendments to IFRS 2 and IFRIC 22
The implementation of the amendments to IFRS 2 and IFRIC 22 above did not result in any adjustments to amounts previously recognised.

Standards issued but not yet effective
The following standards, amendments and interpretations to existing standards have been published but are not effective and have not been early adopted by the group or the company.

- IFRIC 23 Uncertainty over income tax treatments (effective 1 January 2019)
- Annual improvements 2015-2017 cycle
- Amendments to IFRS 9: Prepayment features with Negative Compensation

It is not anticipated that the adoption of the above standards, amendments and interpretations of existing standards will have a material impact on the group or company financial statements in the period of initial application. IFRS 16- 'Leases' is also effective for periods commencing 1 January 2019 and will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are

Standards issued but not yet effective (continued)
recognised. The only exceptions are short-term and low-value leases. This is not expected to have any impact because the group doesn't currently hold any leases.

Going concern
During the year ended 31 December 2018, the group recorded a loss of £250,405. The group had net cash of £698,179 as at 31 December 2018 and it had net current assets of £849,655.

The directors have carefully considered whether or not it is appropriate to adopt the going concern basis in preparing the 2018 financial statements. The directors have reviewed the group's detailed cash forecast to ensure that the group's current working capital and credit facilities in place are sufficient for the foreseeable future. This assessment is based upon forecasts following the reduction in the revenue of the UK television business together with the continued reduction in operational costs implemented over the year; it also assumes the maintenance of existing relationships with key suppliers. During the prior year, the group made a 100% provision for the funds invested in Lexinta. The failure to recover these has no impact on the day to day business of the group and company, which has sufficient funds for its normal operations.

After making enquiries, the directors have concluded that the group and company have adequate resources to continue trading for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the group and company financial statements.

Basis of consolidation
Subsidiaries are entities which are controlled by the group. An entity is controlled when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the effective date of acquisition and up to the effective date of disposal, as appropriate. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Prior to the group's transition to IFRS, the group performed a group reconstruction under merger accounting resulting in the creation of a merger reserve which was retained on transition.

Operating profit
The operating profit or loss derives from the group's results from ordinary operations and excludes profits or losses arising from investment activity.

Investments in subsidiaries (parent company only)
Investments in subsidiaries are stated at cost less provision for diminution in value.

Investments in associates
An associate is an entity over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting in the consolidated accounts. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and any impairment of the investee after the date of acquisition.

Impairment of investments
Whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, that asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount. Impairment losses are recognised in profit or loss.

Intangible assets
1) Research and development
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets (continued)
An internally generated intangible asset arising from the group's development process is recognised only if all of the following conditions are met:

- It is probable that the asset created will generate future economic benefits;
- The development cost of the asset can be measured reliably;
- Technical feasibility of completing the intangible asset can be demonstrated;
- There is the ability to use or sell the asset;
- Adequate technical, financial and other resources to complete the development and to use or sell the asset are available; and
- There is intention to complete, use or sell the intangible asset.

Development costs meeting these criteria are capitalised and amortised on a straight-line basis over their useful lives. In the opinion of the directors the useful life of development costs is 5 years once the related product is available for use. Development costs are capitalised for the development of new technologies utilised by Cellcast plc in production and broadcasting.

2) Licences
Licences are purchased separately, capitalised at cost and amortised over their useful economic life of 10 years.

Property, plant and equipment
Property, plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Broadcasting equipment	20% per annum straight line

Financial instruments
Financial assets and financial liabilities are recognised when the group becomes party to the contractual provisions of the instrument.

Classification of financial assets
The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies financial assets when and only when its business model for managing those assets changes.

Measurement of financial assets
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Measurement of financial assets- debt instruments
Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

Measurement of financial assets- debt instruments (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as a separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The group currently only holds debt instruments in the form of trade and other receivables which are measured using the amortised cost model. The company currently holds debt instruments in the form of group receivables which are measured using the amortised cost model.

Measurement of financial assets- equity instruments
The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The group currently holds an un-quoted equity investment which is measured at fair value through profit or loss. Fair value has been calculated based on the group's percentage share of net asset value of the investee. This represents a level 3 valuation in the IFRS 13 hierarchy whereby inputs other than quoted prices that are observable for the asset and observable inputs for the asset have been used.

Impairment of financial assets
The group and parent company assess, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment losses and any subsequent reversals of impairment losses are adjusted against the carrying value of the receivables and are recognised in profit and loss.

Derecognition of financial assets- including write-offs
A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party. When there is no reasonable expectation of recovering a financial asset, it is derecognised ('written off'). The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents includes cash at bank and in hand, and short term deposits with an original maturity period of three months or less.

Financial liabilities
Financial liabilities and equity instruments are classified according to 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 its liabilities.

Trade and other payables
Trade payables and other payables are initially recognised at fair value, which is normally equivalent to transaction price, less transaction costs and are subsequently measured at amortised cost being transaction price less amounts settled.

Derecognition of financial liabilities

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the group reviews the carrying amounts of its property, plant and equipment and intangible 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). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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 it 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, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for their asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Share capital

Equity instruments issued are recorded at fair value on initial recognition net of transaction costs.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged to other comprehensive income, or equity in which case the deferred tax is also dealt with in other comprehensive income or equity.

Share based payments

The group issues equity-settled share-based payment transactions to certain employees. Equity-settled share-based payment transactions are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Pension costs

Payments into defined contribution pension schemes are charged as an expense to profit or loss as they fall due.

Foreign currencies
Transactions in currencies other than the functional currency of entities of the group are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the period.

The most important currency for the group is £ Sterling, the group and company's functional currency. The relevant exchange rates for the foreign currencies to sterling were:

Currency	31 December 2018	31 December 2017
Dollar (US$)	1.2746	1.3494

Revenue recognition
Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The group generates revenue in relation to broadcast related income and the provision of management and consultancy services which is measured at the fair value of the consideration received or receivable net of discounts, VAT and other sales related taxes.

Revenue from broadcast related revenue arises from customers interacting with the group's television shows, the revenue is recognised immediately as the service is provided at the time of the call or SMS/ online interaction.

Revenue generated from the provision of management and consultancy services is recognised on a straight-line basis over the period during which the services are provided.

Accounting judgements and key sources of estimation uncertainty
The directors consider the critical accounting judgements and key sources of estimation uncertainty used in the financial statements and concluded that the main areas are:

- Classification of investments. Management have considered whether the group has significant influence or control in classifying its investments. Details of these judgements are provided in notes 12 and 14.
- The group's equity investment in 2Giraffes LLP (see note 12) is measured at fair value, management have applied judgement in determining that the most appropriate basis for measuring fair value is by using the group's percentage share of net asset value of the investee. Net asset value is considered the most appropriate basis due to the investee's underlying trading performance and perceived value held within the website domain owned by the investee. This fair value basis represents a level 3 valuation methodology in the IFRS 13 hierarchy whereby inputs other than quoted prices that are observable for the asset and observable inputs for the asset have been used.
- Certain of the group's trade receivables due from its Kenyan management and consultancy services' clients are expected to be recovered in more than one year from the reporting date. Management have exercised judgement in estimating this amount at £293,228 based on the current expected payment profile of amounts due. Management have also exercised judgement in determining the full receivable due from these services of £493,228 to be fully recoverable and thus have not recognised any provision for impairment against this receivable. This judgement is based on the on-going relationship with the customer and payment plan in place.
- Management have exercised judgement in determining the recoverable amount of the company's interests in its 100% owned subsidiary undertaking; Cellcast UK Limited. The company's total interests comprising of a fixed asset investment and a group receivable has been calculated using the market capitalisation of the company based on its share price at the reporting date. Management believe this is appropriate because the entire trade of the group is carried out through Cellcast UK Limited. The expected recoverable amount is £750,000 and the company has applied the impairment first to the group receivable (see note 16) with the excess recognised against its investment (see note 13).

These judgements are based on historical experience and various other assumptions that management and the board of directors believe are reasonable under the circumstances and are discussed in more detail in the relevant notes. The group also makes estimates and judgements concerning the future and the resulting estimate may, by definition, vary from the related actual results.

1. Segmental reporting

The group's interactive broadcasting revenues are almost entirely from broadcasting related activities on Sky, Freeview and Freesat channels as well as on webcams and mobile.

The financial information is presented to the executive management team who are responsible for making financial decisions, as one operating unit which operates in one geographical unit. The executive management team make their decisions based upon this information. The executive management team comprises the chief executive officer and the chief financial officer. All non-current assets are in the UK.

The group has three significant telecom aggregators, generating 67% of the group's broadcasting related revenue. The three telecom aggregators contribute £3,449,806, £2,002,032 and £1,829,474 of the group's total revenue (2017: 66% representing £4,239,574, £1,655,082, and £1,577,385).

Revenue is further split below between revenue generated by:

	2018	2017
	£	£
Interactive broadcasting	10,875,077	11,309,626
Management and consultancy services	395,000	660,000
	11,270,077	11,969,626

An analysis of the geographical location of the group's revenue is as follows:

	2018	2017
	£	£
UK	10,875,077	11,309,626
Rest of the world	395,000	660,000
	11,270,077	11,969,626

Revenue relates to broadcast related income and the provision of management and consultancy services (refer to revenue recognition accounting policy). The broadcast related income arises from customers interacting with the group's television shows, the cash is received at, or shortly after, the point when the service is provided at the time of the call or SMS/ online interaction. Fees for the provision of management and consultancy services are billed monthly on a straight-line basis over the period during which the services are provided. The timing of the satisfaction of the groups' performance obligations is therefore in line with the typical timing of invoicing and payment from customers. As a result, the only balances recognised in respect of the application of IFRS 15 to the group's contracts with customers, as at 31 December 2017 and as at 31 December 2018 were trade receivables and accrued income. There were no impairment provisions or impairment losses recognised on these debtor balances in the current or prior year. As there are no differences in how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors within each of the above revenue streams, no further disaggregation applies.

2. Staff costs

	2018	2017
	£	£
Wages and salaries (including directors)	817,567	868,757
Social security costs	163,942	164,411
Other pension costs	70,240	74,620
	1,051,749	1,107,788

Staff costs of £283,291 (2017: £328,996) are included in general and administrative expenses and £768,458 (2017: £778,792) are included in cost of sales. The parent company staff costs were £nil (2017: £nil).

Average monthly number of employees by activity (including directors):

	2018	2017
Production	10	10
Technical	7	8
Management	3	4
Administration	2	2
	22	24

All employees are employed by the subsidiary.

2. Staff costs (continued)

Key management compensation:	2018 £	2017 £
Salaries, other short-term employee benefits and employer's NI costs	356,330	393,336
Post-employment benefits	69,250	93,630
	425,580	486,966

Key management personnel comprise the statutory directors.

3. Directors' emoluments

2018	Salary & Fees £	Pension Contribution £	Sub total £
Craig Gardiner	91,150	36,000	127,150
Emmanuelle Guicharnaud	88,700	33,250	121,950
Bertrand Folliet	51,000	-	51,000
Michael Neville	42,721	-	42,721
Samuel Malin	24,000	-	24,000
Total	297,571	69,250	366,821

In addition to the amounts above, £11,500 was paid to Andrew Wilson during the year in respect of his termination package.

2017	Salary & Fees £	Pension Contribution £	Sub total £
Andrew Wilson – resigned 4 July 2017	70,000	30,000	100,000
Craig Gardiner – appointed 4 July 2017	72,000	38,630	110,630
Emmanuelle Guicharnaud	90,000	25,000	115,000
Bertrand Folliet	60,000	-	60,000
Michael Neville	42,000	-	42,000
Samuel Malin – appointed 1 August 2017	10,000	-	10,000
Total	344,000	93,630	437,630

See Note 21 for details of share options granted to the directors.

4. Loss before tax

Loss before tax is stated after charging/(crediting):	2018 £	2017 £
Depreciation – owned assets	64,240	67,746
Amortisation of intangible assets	15,381	25,072
Auditor's remuneration – statutory audit of parent and consolidated accounts	30,000	33,000
Auditor's remuneration- accounting services- statutory accounts	10,000	7,000
Auditor's remuneration- accounting services- interim accounts	7,000	7,300
Foreign exchange (gains)/losses	(32,207)	29,672

5. Fair value gains and losses

	2018 £	2017 £
Fair value gains on financial assets	1,787	12,719

6. Impairment losses - Group

The impairment loss shown separately on the face of the statement of comprehensive arose in the prior year from a 100% provision against the following assets:

	2018	2017
	£	£
Other receivables - being cash due from redemption of Lexinta fund investment (see note 15 and below)	-	309,973
Amounts due from associate - other receivables (Global Gaming)	-	369,427
Interest in associate (Global Gaming - see note 14)	-	74,958
	-	754,358

In its prior year interim results to 30 June 2017, announced on 25 September 2017, the group stated it had elected to redeem its investments in the Lexinta Fund. This followed the decision of the fund manager of the Lexinta Fund to liquidate the fund's entire portfolio.

After these interim results were published, the group had not received the balances due at the reporting date and, in light of the ongoing investigation by the Swiss authorities into Lexinta AG (the manager of the Lexinta fund) and Mr Bismark Badilla (the individual fund manager), the Board of Cellcast concluded that it was appropriate to make a provision for 100% of the company's interest in the Lexinta fund in the prior year.

These investments comprised a current asset investment held directly and the group's interest in Global Gaming Limited, a company whose sole activity was to invest in the Lexinta fund. Therefore, in the prior year, an impairment charge of £309,973 was recognised in respect of Other Receivables, being the cash due from the redemption of the investment held directly, £369,427 in respect of amounts due from Global Gaming Limited and £74,958 in respect of the carrying value of the group's investment interest in Global Gaming Limited.

These investments and receivables continue to be provided for in full at 31 December 2018.

7. Finance costs

	2018	2017
	£	£
Interest expense on financial liabilities measured at amortised cost	2,460	7,953

8. Taxation

	2018	2017
	£	£
Current tax		
In respect of the current year	(51,117)	(5,794)
	(51,117)	(5,794)

Factors affecting the tax credit for the year

	2018	2017
	£	£
Loss before taxation	(301,522)	(652,437)
Group loss on ordinary activities before taxation multiplied by the effective standard rate of UK corporation tax of 19% (2017: 19.25%)	(57,289)	(125,594)
Effects of:		
Non-deductible expenses	(11,272)	118,098
Tax credit	-	(5,794)
Research and development tax credit	(51,117)	-
Unutilised tax losses carried forward	68,561	7,496
	(51,117)	(5,794)

At the reporting date, the group had estimated tax trading losses of £1.9 million (2017: £1.5 million) which subject to the agreement of the HM Revenue & Customs and overseas tax authorities, are available to carry forward against future profits of the same trade. No deferred tax asset has been recognised on these losses as timings of future profits are uncertain.

8. Taxation (continued)

A reduction in the UK corporation tax rate from 20% to 19% and subsequently to 17% was substantively enacted in September 2016 and will take effect from 1 April 2017 and 1 April 2020 respectively.

9. Earnings per share

The calculations of basic and diluted earnings per ordinary share are based on the following results:

	2018	2017
	£	£
Loss for the financial year	(250,405)	(646,643)
Weighted average number of ordinary shares	77,513,224	77,513,224
Basic and diluted earnings per share (pence)	(0.3p)	(0.8p)

There was no dilutive effect from the issued share options because the exercise prices are above market price. The number of share options outstanding at the year-end was 1,050,000 (2017: 2,650,000).

10. Intangible assets

	Licences	Development costs	Total
	£	£	£
Cost			
At 1 January 2017	781,761	2,692,716	3,474,477
At 31 December 2017	781,761	2,692,716	3,474,477
At 31 December 2018	781,761	2,692,716	3,474,477
Amortisation			
At 1 January 2017	675,460	2,679,796	3,355,256
Charge for the year	13,767	11,305	25,072
At 31 December 2017	689,227	2,691,101	3,380,328
Charge for the year	13,766	1,615	15,381
At 31 December 2018	702,993	2,692,716	3,395,709
Net book value at 31 December 2018	78,768	-	78,768
Net book value at 31 December 2017	92,534	1,615	94,149
Net book value at 1 January 2017	106,301	12,920	119,221

Included within Licences is an individual channel licence with a carrying value of £78,000 (2017: £91,000). The asset will be fully amortised in 6 years (2017: 7 years).

11. Property, plant and equipment

	Broadcasting equipment £
Cost	
At 1 January 2017	2,014,557
Additions	49,884
At 31 December 2017	2,064,441
Additions	88,470
At 31 December 2018	2,152,911
Depreciation	
At 1 January 2017	1,873,954
Charge for the year	67,746
At 31 December 2017	1,941,700
Charge for the year	64,240
At 31 December 2018	2,005,940
Net book value at 31 December 2018	146,971
Net book value at 31 December 2017	122,741
Net book value at 1 January 2017	140,603

12. Non-current investments – Group

At 31 December 2018, the group had a 35% holding in 2Giraffes LLP. 2Giraffes LLP is a global provider of mobile internet content. This holding is treated as an investment as the group does not have any significant influence on the operations of 2Giraffes LLP.

The un-quoted equity investment held in 2Giraffes LLP is measured at fair value. Fair value has been calculated based on the group's percentage share of the net asset value of the investee. This represents a level 3 valuation in the IFRS 13 hierarchy whereby inputs other than quoted prices that are observable for the asset and observable inputs for the asset have been used.

The directors do not consider that 'significant influence' is exercised by the company over the LLP and therefore, despite the holding of 35%, the investment is not accounted for as an associate undertaking. This is on the basis that a sole member has the remaining 65% holding and the company does not have voting rights.

	2018 £	2017 £
Fair value		
At 1 January	88,813	88,813
Aggregate adjustment on adoption of IFRS 9	(28,179)	-
Net gain from fair value adjustment	1,787	-
At 31 December	62,421	88,813

This investment was previously recognised at cost in accordance with IAS 39 and £88,813 was the IAS 39 carrying value, rather than fair value, as at 31 December 2017. In accordance with the transitional provisions in IFRS 9, the difference between this carrying value and the fair value of £60,634 under IFRS 9 at the date of initial application (1 January 2018) has been recognised in opening retained earnings in the current year. This opening adjustment is shown above as 'aggregate adjustment on adoption of IFRS 9' in the table above.

13. Non-current investments - Company

	Subsidiary undertakings
Cost	£
At 1 January 2017, 31 December 2017 and 31 December 2018	1,211,281
Allowances for impairment	
Impairment charge	461,281
At 31 December 2018	461,281
Net book value at 31 December 2018	750,000
Net book value at 1 January 2017 and 31 December 2017	1,211,281

At 31 December 2018 Cellcast plc directly owned 100% of the issued ordinary share capital in Cellcast UK Limited, a company incorporated in the UK whose principal business was television and broadcasting. The registered office of Cellcast UK Limited is 184 The Terrace, The Dell, Southampton, England, SO15 2BU and the principal place of business is Unit 22, Cochran Close, Crownhill Industrial Estate, Milton Keynes, MK8 0AJ.

During the year, an impairment loss of £461,281 (2017: £nil) was recognised in the company in respect of the shares held in Cellcast UK Limited to reduce the carrying value of the investment to its expected recoverable amount of £750,000.

The impairment review was triggered following a particularly difficult trading period as reported in the group's half yearly November 2018 trading update which has continued in the latter half of 2018 and in to 2019. The accounting judgements and key sources of estimation uncertainty note in accounting policies explains the basis on which the recoverable amount was calculated. This represents a level 1 valuation in the IFRS 13 hierarchy whereby quoted prices that are observable for the asset have been used.

14. Associate

On 26 November 2015 the group acquired 49% of the issued share capital of Global Gaming Limited for a total cost of £4. The directors have assessed that the group has significant influence, but not control over Global Gaming Limited and have accounted for the investment as an associate. Details of the associate undertaking and the movements in the investment in the year are as follows:

Company	Country of incorporation	Class	Shares and voting rights held %	Type of holding	Principal business
Global Gaming Limited	China	Ordinary	49	Associate	Investment management

The registered office of Global Gaming Limited is 13/F, Times Tower, 391-407 Jaffe Road, Wanchai, Hong Kong.

	2018	2017
	£	£
At 1 January	-	63,045
Share of associate result	-	11,913
Impairment	-	(74,958)
At 31 December	-	-

In the prior year, at the reporting date the directors considered the group's interest in the associate to be irrecoverable. Therefore, an impairment was recognised in the prior year (see note 6). At the reporting date, the directors continue to consider the group's interest in the associate to be irrecoverable.

At the reporting date, the carrying value of the amount due from the associate stood at £nil (2017: £nil).

15. Current asset investments

In May 2015, the group invested US$ 260,000 (£165,000) in a treasury product managed by the Lexinta Fund. This investment was classified in current assets as the capital and interest generated could only be withdrawn on a yearly basis at the anniversary date of the investment. In the prior year, the group redeemed the investment and re-classified the disposal proceeds due from the Lexinta fund to other receivables, subsequent to this the amount due was provided for in full (refer to note 6 for further details).

In September 2016, the group invested US$ 250,000 (£168,350) in the 'Ventury Fund Inc'. This investment was classified in current assets as the capital and interest generated could only be withdrawn on a yearly basis at the anniversary date of the investment. In the prior year, the group redeemed the investment for £197,103.

	2018	2017
	£	£
At 1 January	-	510,920
Fair value gain	-	12,719
Foreign exchange loss	-	(45,315)
Redemption	-	(168,351)
Reclassified to other receivables on redemption	-	(309,973)
At 31 December	-	-

16. Trade and other receivables

Group	2018	2017
	£	£
Non-current assets		
Trade receivables	293,228	-
Current assets		
Trade receivables	691,109	1,349,103
Other receivables	127,675	150,639
Prepayments and accrued income	419,131	454,311
	1,237,915	1,954,053
Total trade and other receivables	1,531,143	1,954,053

Company	2018	2017
	£	£
Amounts owed by group undertaking (loans and receivables)	-	2,949,078

Following a review of the amounts due by the group undertaking, the directors have considered the projected performance of Cellcast UK Limited and concluded that the full amount was irrecoverable. As a result, an impairment loss of £2,949,078 (2017: £nil) was recognised in the Company only profit or loss account. In the prior year, the directors deemed that it was appropriate to classify the amounts due after more than one year as this reflected the timescale on which recovery was expected to occur. No interest was charged on this balance in the current or prior year.

In calculating the impairment, the company assessed that the group receivable was 'underperforming' and as such the risk of default occurring, and the subsequent impairment calculated, took into consideration all possible default events over the expected life of the receivable ('the lifetime expected credit losses').

17. Non-current liabilities

	2018	2017
	£	£
Trade payables	-	37,113
	-	37,113

18. Trade and other payables

	2018	2017
	£	£
Trade payables	311,509	498,425
Other taxes & social security	170,899	170,260
Other payables	75,107	361,911
Accruals	528,924	539,721
	1,086,439	1,570,317
Credit payment profile in days	35 days	49 days

The credit payment profile in days calculation excluded the long-term trade payable in the prior year, which was contractually due in over one year from the reporting date, as including this long term element would have skewed the trade payable days.

19. Financial instruments and financial risk management

The group's financial instruments as at 31 December 2018 and 2017 mainly comprise cash and various items arising directly from its operations, such as trade and other receivables and trade and other payables. The main purpose of these financial instruments is to provide working capital for the group. The group's policy is to obtain the highest rate of return on its cash balances and current asset investments, subject to having sufficient resources to manage the business on a day to day basis and not exposing the group to unnecessary risk of default.

(a) Risk management policies
The group's finance function is responsible for procuring the group's capital resources and maintaining an efficient capital structure, together with managing the group's market, liquidity, foreign exchange, interest and credit risk exposures.

All treasury operations are conducted within strict policies and guidelines that have been approved by the directors.

19. Financial instruments and financial risk management (continued)

(b) Financial assets and liabilities

The totals for each category of financial instrument, measured in accordance with IFRS 9 as detailed in the accounting policies, are as follows:

As at 31 December 2018	Currency	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying value
		£'000	£'000	£'000
Financial assets				
Trade receivables and accrued income	Sterling	1,265	-	1,265
Other receivables	Sterling	128	-	128
Cash and cash equivalents	Sterling	698	-	698
Financial liabilities				
Trade payables	Sterling	-	(312)	(312)
Other payables	Sterling	-	(75)	(75)
Accruals	Sterling	-	(529)	(529)
		2,091	(916)	1,175

As at 31 December 2017	Currency	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying value
		£'000	£'000	£'000
Financial assets				
Trade receivables and accrued income	Sterling	1,653	-	1,653
Other receivables	Sterling	151	-	151
Cash and cash equivalents	Sterling	1,057	-	1,057
Financial liabilities				
Trade payables	Sterling	-	(498)	(498)
Other payables	Sterling	-	(362)	(362)
Accruals	Sterling	-	(540)	(540)
Trade payables > 1 year	Sterling	-	(37)	(37)
		2,861	(1,437)	1,424

In addition to the above, the group also held an un-quoted equity investment which is recognised at fair value under IFRS 9, the fair value at the reporting date was £62k. The carrying value of this investment at 31 December 2017 was £89k measured at cost in accordance with IAS 39 - refer to note 12 for further details.

The carrying value of all financial instruments is not materially different from their fair value. It is, and has been throughout the year, the group's policy that no trading in financial instruments shall be undertaken. Cash and cash equivalents attract floating interest rates. Accordingly, their carrying amounts are considered to approximate to fair value.

19. Financial instruments and financial risk management (continued)

(c) Credit risk

Credit risk is the risk that the counterparty will default on its contractual obligations resulting in financial loss to the group. Maximum credit risk at 31 December was as follows:

	2018 £'000	2017 £'000
Trade receivables and accrued income	1,265	1,653
Other receivables	128	151
Non-current investments	62	89
Cash and cash equivalents	698	1,057
	2,153	2,950

Before accepting a new customer, the group assesses both the potential customer's credit quality and risk. Customer contracts are drafted to reduce any potential credit risk to the group. Where appropriate the customer's recent financial statements are reviewed. The average credit period given on trade receivables was 45 days (2017: 54 days).

Trade receivables are regularly reviewed for impairment loss. The group did not write off any trade receivables or accrued income during the current or prior year. There were no impairment provisions or impairment losses recognised on trade receivables or accrued income in the current or prior year.

In the prior year, an impairment of £309,973 was recognised in respect of other receivables and an impairment of £369,427 was recognised in respect of amounts due from associates. For more details see note 6.

Ageing of the trade receivables and accrued income is as follows:

	2018	2017
	£'000	£'000
Current	749	954
Up to 3 months	228	571
Over 3 months	288	128
	1,265	1,653

The total of the trade receivables which were past due at the reporting date but not impaired was £nil (2017: £nil). Of the total trade receivables and accrued income balance amounting to £1,265,000, £835,000 was collected by 2 May 2019. The directors are confident as to the recoverability of the remaining balance and thus no impairment of the amount has been recognised in the financial statements at 31 December 2018.

All cash balances are held in established UK financial institutions.

The Group does not hold any collateral as security or any other credit enhancements, nor does it hold any derivatives which mitigate credit risk.

Receivables are considered to be in default when the principal is more than 90 days past due, based on an assessment of past payment practices and the likelihood of such overdue amounts being recovered. Receivables are written off by the Group when there is no reasonable expectation of recovery, such as when the counterparty is known to be going bankrupt, or into liquidation or administration.

The Group calculates lifetime expected credit losses for trade receivables using a portfolio approach. Receivables are grouped based on the credit terms offered and the type of product sold. The probability of default is determined at the year-end based on the aging of the receivables and historical data about default rates on the same basis. That data is adjusted if the Group determines that historical data is not reflective of expected future conditions due to changes in the nature of its customers and how they are affected by external factors such as economic and market conditions.

19. Financial instruments and financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Contractual cash flows relating to the group's financial liabilities are as follows:

	2018	2017
	£'000	£'000
Trade payables (<6months)	(312)	(498)
Other payables (<6months)	(75)	(362)
Accruals (<6months)	(529)	(540)
Greater than 12 months	-	(37)
Cash flows on financial liabilities	(916)	(1,437)

The average credit period received on trade payables was 34 days (2017: 49 days).

(e) Interest rate risk

Interest rate risk is the risk that the future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. The interest rates on cash and cash equivalents are low, such that interest rate risk is minimal.

The only interest-bearing loan was fully repaid in the year. At the reporting date, £nil (2017: £300,000) was included within other payables. The interest rate on this loan was 2% per annum. The impact of a 1% interest rate increase would represent an annual sum of £nil (2017: £3,000).

(f) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises on financial assets and liabilities and investments in associates that are denominated in a currency other than the functional currency of the entity by which they are held.

In the current and prior year, the risk relates to cash balances held of US$165,000 (2017: US$476,000).

	2018	2017
	£'000	£'000
Impact of 10% increase US$ foreign exchange rate against pound sterling	13	32
Impact of 10% decrease US$ foreign exchange rate against pound sterling	(13)	(32)

At the reporting date the group has no financial assets or liabilities (except bank balances) denominated in a currency other than the functional currency.

(g) Capital management

The group's main objective when managing capital is to protect returns to shareholders by ensuring the group will continue to trade for the foreseeable future.

The group considers its capital to include cash, share capital, share premium, retained earnings, and other equity reserves.

	2018	2017
	£'000	£'000
Net cash	698	1,057
Total equity	1,431	1,710

The group has an undrawn overdraft facility with Barclays of up to £150,000 (2017: £150,000).

20. Share capital and reserves

	Group and Company			
	2018		2017	
Authorised	£	No of shares	£	No of shares
Ordinary shares of 1p each	1,489,736	148,973,552	1,489,736	148,973,552
Deferred shares of 2p each	1,510,264	75,513,224	1,510,264	75,513,224
	3,000,000	224,486,776	3,000,000	224,486,776
Issued				
Ordinary shares of 1p each	775,134	77,513,224	775,134	77,513,224
Deferred shares of 2p each	1,510,264	75,513,224	1,510,264	75,513,224
	2,285,398	153,026,448	2,285,398	153,026,448

Ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

The deferred shares of 2p have no voting rights, no rights to dividends and negligible rights on return of capital. They are not listed on any stock exchange.

The share options granted over the shares of the company are set out in note 21.

The nature and the purpose of each reserve in equity is described as follows:

Retained earnings
Cumulative profit and loss net of distribution to owners.

Share premium account
The share premium account represents the premium paid on issue of ordinary shares in excess of their nominal value.

Merger reserve
The merger reserve arises as a result of a group reorganisation where the company acquired Cellcast UK Limited which was accounted for in accordance with merger accounting principles.

Warrant reserve
Warrants represent subscription rights for ordinary shares in Cellcast plc and the warrant reserve represents the fair value of the warrants at the date of issue. All warrants are expired.

21. Share options

The group operates two different share option schemes, an Enterprise Management Incentive (EMI) share option plan and a General share option plan. Options are available to be granted to directors, staff, consultants and independent contractors as part of their remuneration package and they act as an incentive to assist with the future performance of the group.

During the year ended 31 December 2018 the company had share-based payment arrangements, all of which have vested, and expire 10 years after grant as follows:

EMI share option plan		
Date of grant	25/07/08	27/10/10
Number granted	1,200,000	450,000
Exercise price	£0.03	£0.04

General share option plan		
Date of grant	25/07/08	27/10/10
Number granted	400,000	600,000
Exercise price	£0.03	£0.04

Options are forfeited if the employee leaves the group before the options are exercised.

21. Share options (continued)

Further details of share options in issue during the year are as follows:

Share options	2018		2017	
	Number of options	Weighted average exercise price (£)	Number of options	Weighted average exercise price (£)
Outstanding at 1 January	2,650,000	0.03	3,684,510	0.04
Expired during the year	(1,600,000)	(0.03)	(584,510)	(0.05)
Forfeited during the year	-	-	(450,000)	(0.04)
Outstanding at 31 December	1,050,000	0.04	2,650,000	0.03

All of the above share options outstanding at the end of the year are exercisable and have an exercise price of £0.04, with a weighted average remaining contractual life of 1.83 years (2017: 1.40 years).

The following EMI options, save those granted to Mike Neville and Bertrand Folliet which are Unapproved Options, over the ordinary shares of 1 pence each have been granted to the directors and were in place at the reporting date:

2018:

	Option price £	Number granted	Date of grant
Bertrand Folliet	0.04	450,000	27/10/10
Emmanuelle Guicharnaud	0.04	50,000	27/10/10
Mike Neville	0.04	50,000	27/10/10

2017:

	Option price £	Number granted	Date of grant
Craig Gardiner	0.03	400,000	25/07/08
Bertrand Folliet	0.04	450,000	27/10/10
Emmanuelle Guicharnaud	0.03	400,000	25/07/08
	0.04	50,000	27/10/10
Mike Neville	0.03	400,000	25/07/08
	0.04	50,000	27/10/10

22. Related party transactions

Group
SMS Media Limited
SMS Media Limited has a common director and beneficial shareholder in Bertrand Folliet. In 2018 management charges totalled £nil (2017: £114,000). The management charges levied by SMS Media in 2017 related to the running cost of the company's office in Hong Kong. It was made up of rent and the employment of local staff. Its purpose was undertaking business development in the Greater China, South East Asia and African regions. This resource had constituted a part of the company since November 2001.

Global Gaming Limited
In 2017 an impairment charge of £369,427 was recognised in respect of amounts owed by Global Gaming Limited, an associate of the company. After provision for impairment no amounts were due from Global Gaming Limited at the reporting date in the current or prior year.

Company
Cellcast UK Limited
At the reporting date £nil (2017: £2,949,078) was due from Cellcast UK Limited, a subsidiary of the company, this amount is net of accumulated impairment charges of £6,749,079 (2017: £3,800,001). During the current year an impairment charge of £2,949,078 (2017: nil) was recognised on amounts due from Cellcast UK Limited- refer to note 16.

23. Cash flows

a Reconciliation of loss after tax to net cash outflow from operating activities

	Note	2018	2017
		£	£
Loss for the year		(250,405)	(646,643)
Income tax recognised in profit or loss		(51,117)	(5,794)
Fair value gains		(1,787)	(12,719)
Finance costs		2,460	7,953
Amortisation and depreciation		79,621	92,818
Impairment losses		-	754,358
Share of results in associate		-	(11,913)
Foreign currency loss on current asset investment	15	-	45,315
Decrease in trade and other receivables		474,027	20,497
Decrease in trade and other payables		(520,991)	(398,338)
Income taxes received		-	18
Net cash outflow from operating activities		(268,192)	(154,448)

b Cash flow (used in) / from investing activities

	2018	2017
	£	£
Purchase of property, plant and equipment	(88,470)	(49,884)
Proceeds received from current investment	-	168,351
Net cash (outflow) / inflow from investing activities	(88,470)	118,467

c Cash flow from financing activities

	2018	2017
	£	£
Interest paid	(2,460)	(7,953)
Net cash used in financing activities	(2,460)	(7,953)

d Cash and cash equivalents

	2018	2017
	£	£
Cash at bank	698,179	1,057,301
Cash and cash equivalents at end of year	698,179	1,057,301