loopup

ANNUAL REPORT & ACCOUNTS 2020

At LoopUp, we believe great communications are at the heart of all successful organisations. Our mission is to help multinational organisations speak, meet and present externally in the most secure, reliable and productive way.

STRATEGIC REPORT

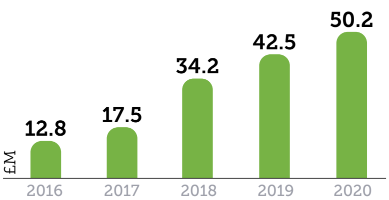
GOVERNANCE

FINANCIAL STATEMENTS

A strong, cash-generative trading year

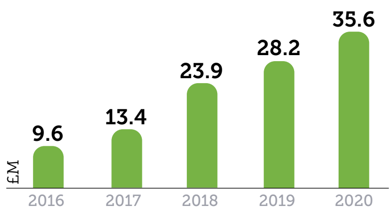
Revenue[1,2]

£50.2m



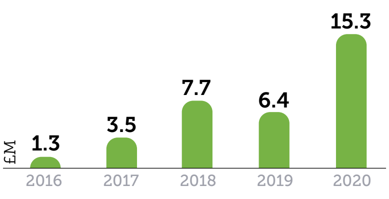
Gross profit[1,2]

£35.6m



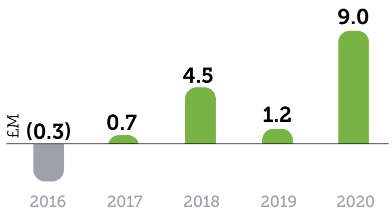
Adjusted EBITDA[1,2,3]

£15.3m



Adjusted operating profit[1,2,3]

£9.0m



Cash at 31 December 2020

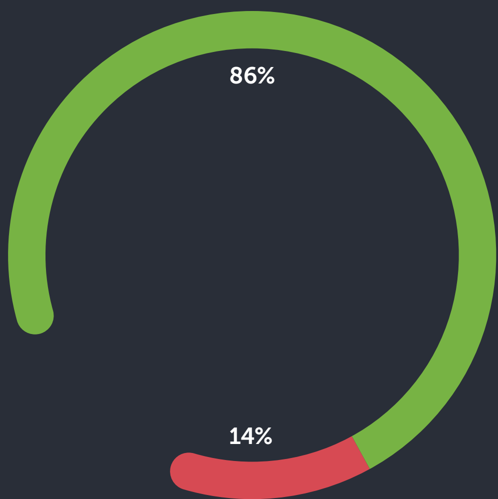
£12.1m

(2019: £3.0m)

Notes:

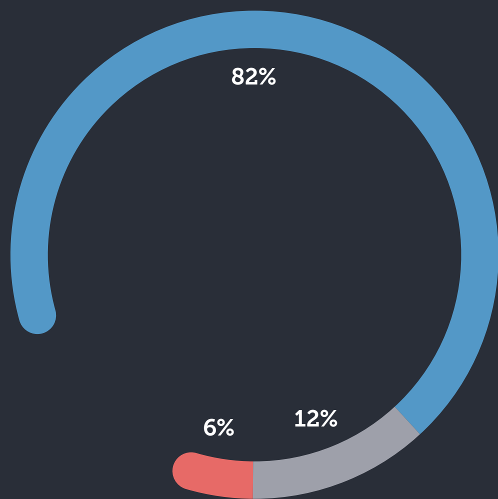
1. Historical financials exclude discontinued BT technology licensing line of business that ended November 2016
2. 2018 includes 7 months of MeetingZone, acquired in June 2018
3. Adjusted EBITDA and operating profit exclude non-recurring transaction costs, exceptional reorganisation costs, non-recurring transaction costs, amortisation of acquired intangibles and share-based payments charges

REVENUE SEGMENTATION (FY2020) (%)



Graph key:
- LoopUp Platform Capabilities (LPC) – £43.0m
- Other – £7.2m

LPC REVENUE SEGMENTATION (FY2020) (%)



Graph key:
- Remote Meetings – £35.3m – 82%
- Managed Events & Webcasts – £5.0m – 12%
- Cloud Telephony – £2.7m – 6%

Global cloud platform for premium external communications

COVID-19 has intensified and accelerated a change in working habits. We expect remote and hybrid working to become a permanent part of business life.

At LoopUp, we believe external communications are business-critical and warrant a best-in-class capability"

Steve Flavell and Michael Hughes

To support this way of working, businesses are increasingly investing in technology that delivers effective communications and collaboration, both internally with colleagues and externally with customers, partners and suppliers.

While many unified communications platforms in the market today focus primarily on the internal collaboration experience, by contrast LoopUp's platform is focused on external communications. At LoopUp, we believe external communications are business-critical and warrant a best-in-class capability.

With external communications, there is little or no tolerance for things going wrong, especially when it comes to audio quality. LoopUp's global voice network was built for the stringent demands of professional services. We leverage the relative strengths of 16 carefully selected regional tier-1 carriers to achieve 'highest quality routing' and resilient quality of service.

Security and compliance are non-negotiable, and LoopUp is ISO 27001 accredited across its global operations. We leverage the extensive experience and expertise of our network operations team and in-house Microsoft voice consultants to ensure a secure and compliant implementation, globally.

Our platform comprises global capabilities for:
- **Cloud Telephony:** primarily focused on relatively international and fully-managed implementations for larger sized enterprises
- **Remote Meetings:** primarily focused on business-critical, external client meetings for Professional Services firms
- **Managed Events and Webcasts:** primarily focused on a premium end-to-end experience for hosts and coordinators of important virtual corporate events

INTERNATIONALLY DIFFERENTIATED CLOUD TELEPHONY

BUSINESS-CRITICAL EXTERNAL REMOTE MEETINGS

PREMIUM MANAGED EVENTS & WEBCASTS

We recognise that the quality of communications tools reflect brands in the outside world, and we embrace that duty of care. More than 5,000 organisations trust LoopUp for their external communications – from major multinationals to fast-growing SMEs, public sector bodies and professional services firms, including 20 of the top 100 global law firms.

Our cloud platform for external and specialist communications includes three core capabilities: internationally-differentiated cloud telephony, external remote meetings, and premium managed events and webcasts.

CLOUD TELEPHONY

Description:

LoopUp Cloud Telephony offers full PSTN replacement integration for Microsoft Teams, delivered over our premium voice network via Direct Routing. We offer a fully-managed service that includes solution design, project planning, migration and ongoing support.

The service is primarily focused on relatively international and fully-managed implementations for larger sized enterprises.

Differentiation:

Regulatory coverage:

- LoopUp has market-leading coverage as a fully-licensed and regulated telecommunications service provider, and is set to be licensed in 60 country jurisdictions by the end of 2021.
- We offer DDI number ranges and porting (where permitted), domestic CLI pass-through, and dynamic E911 routing / emergency services support. Where regulated status is prohibited, we offer local SBC support as part of the single global implementation.

Premium voice network:

- LoopUp's premium PSTN voice network was built originally for the stringent demands of the professional services conference calling market.
- Our network brings together 16 carefully selected tier-1 carriers, all of which are interconnected over our resilient private global IP backbone.

Delivered as a premium fully-managed service:

- Our team of Microsoft voice experts work with the customer on an end-to-end basis from initial consultation, through proof-of-concept and detailed design, to project-managed international rollout and service support.
- Our regulated status, deep Microsoft voice and 'modern workplace' expertise, responsive global account management, customer administration tools, and 24/7 multilingual support combine to facilitate a single global implementation to consistent configurations, processes and standards. LoopUp is a certified Microsoft Gold partner, TAP partner and CSP / SPLA.

Optimised spend, globally:

- The LoopUp PerfectBundle™ enables organisations – particularly international organisations – to optimise spend and eliminate wasted spend across their global billing entities.
- With PerfectBundle, international calls are incorporated as well as domestic calls, and committed spend can be pooled across users globally, not limited to a specific billing entity.

Best-in-class integrations:

- Clearly, LoopUp Meetings can be added as an integrated capability for business-critical, external meetings with a minimalist user experience, no downloads for guests and reliable PSTN audio quality.
- Cloud Telephony ISV partner integrations are also offered for MIFID-compliant recording and Contact Centre implementations.

Revenue Model:

Monthly user subscriptions based on multi-year contracts (typically three year). Additional usage charges outside of contracted bundles billed as incurred.

REMOTE MEETINGS

Description:
LoopUp Meetings is a premium audio, web and video conferencing solution, focused primarily on business-critical, external client meetings for Professional Services firms.

Differentiation:
Audio quality and reliability, first and foremost:
- LoopUp audio is carried over 16 tier-1 PSTN carriers with managed quality of service. All carrier routings are objectively 'PESQ' scored for audio quality and carrier selection is made on a 'highest quality routing' basis.

Intuitive flow and no downloads for guests:
- Our software interface is simple and intuitive to use, even for first-time users. The minimalist design naturally guides meetings guests through a clear, unambiguous flow – no training required and no software downloads.

Video at the host's discretion:
- Uniquely, LoopUp allows the host to retain control over whether to add video to any given meeting. At the host's discretion, guests are invited to turn their cameras on.

Security of platform and experience:
- The LoopUp Meetings software drives visibility, security and control of meetings. The host receives a 'Call Start Alert' when their first guest joins the meeting, can see who has joined, can lock their meetings rooms, and remove guests if necessary.
- LoopUp is ISO 27001 accredited across its global operations and all data is encrypted both in transit and at rest. We have data transfer 'standard model clauses' in place, and legally-compliant data deletion protocols globally.

Revenue Model:
Monthly subscription with committed contracts of one year or more, or per-minute pay-as-you-go (PAYG).

MANAGED EVENTS AND WEBCASTS

Description:
LoopUp Managed Events and Webcasts are typically used by customers for particularly important calls, often with a large number of guests, such as quarterly earnings announcements, product launches and 'town hall' briefings.

Differentiation:
Fully managed end-to-end experience:
- Customers receive a premium level of 'white glove' support throughout the event process – from customised planning and coordination, dress rehearsal, the event itself, and post event debrief.

Experienced multi-lingual event coordinators and operators:
- While using the latest technology, the experience is really differentiated by the quality of the people delivering the service. Our event call operators are put through our own 10-week Training Academy, which equips them to deal with any scenario. Our multi-lingual team operate events in English, Danish, French, German, Italian, Norwegian, Polish, Spanish and Swedish.

Reliable audio quality:
- The service leverages LoopUp's secure, reliable, global audio network which provides the highest levels of call quality. Customers can join events from any country using local or toll-free access numbers, and with 24/7 customer support.

Revenue Model:
Priced per event.

Strong cash generation facilitating strategic transition to a broader technology platform

The COVID-19 pandemic has had a material and almost certainly irreversible impact on the broader market for external communications."

Steve Flavell and Michael Hughes

FY2020 was a strong trading year for the Group, albeit characterised by a material spike in business volumes at the onset of the COVID-19 pandemic.

Group revenue increased 18% to £50.2 million (FY2019: £42.5 million), adjusted EBITDA increased 239% to £15.3 million (FY2019: £6.4 million), and adjusted diluted EPS increased 760% to 15.4 pence (FY2019: 2.2 pence). The Group ended the year with a materially stronger gross cash position of £12.1 million (FY2019: £3.0 million) and improved net debt position of £0.7 million (FY2019: £11.5 million).

The COVID-19 pandemic has had a material and almost certainly irreversible impact on the broader market for external communications. The spotlight is on a changing set of effective and secure communications tools that work equally well in offices, at home, on the road, and in hybrid settings.

In line with this fast-moving market backdrop, the Group has swiftly and proactively reassessed its own product and market strategy given the following considerations:

- While Meetings trading remained robust in our core Professional Services ("PS") target market, conditions became increasingly more challenging and competitive in non-PS sectors, which now account for just 12% of total Group revenue;
- The market spotlight is squarely on the cloud telephony market, which facilitates greater remote and hybrid working flexibility compared with legacy on premise systems. This $15.8 billion market is set to grow rapidly to $26 billion by 2024[1]. LoopUp's existing cloud telephony business, our deep expertise in Microsoft voice technology, and our differentiated voice architecture, create a competitively-advanced foundation to enter the market as a differentiated add-on capability to Microsoft Teams;
- The Group believes the enterprise communications market is set to migrate to a set of more specialist, use-case-specific communications tools, which complement foundational UC suite capabilities and integrate tighter with established business workflows and processes.

Notes:
1 Source: Wainhouse Research, 2020

As such, the Group is very excited to have expanded its strategic scope from a single capability remote meetings business into a broader cloud platform for external and specialist communications.

Launch of Cloud Telephony as a core LoopUp Platform Capability ("LPC")

In July 2020, we launched our internationally-differentiated Cloud Telephony capability, marking the first material step in our expanded strategic scope. This capability essentially gives customers the ability to make and receive external phone calls via Microsoft Teams.

The Group has a strong heritage in Microsoft voice technology, inherited from its acquisition of MeetingZone in 2018. With expertise that stretches back to Microsoft OCS and Lync, their most recent implementation was a multi-tenanted cloud telephony offering for both Microsoft Skype for Business and Teams, with revenue of £2.7 million in FY2020. Our July 2020 launch marked the migration of this capability onto LoopUp's core global technology platform and our group-wide commercial focus to promote it as a primary LPC alongside Meetings and Managed Events.

Cloud telephony for Microsoft Teams brings compelling customer benefits:

- A unified calling experience for end users, rather than using Teams for internal calls and a separate legacy system for external calls;
- For home and hybrid working – and for travelling when it returns to business life – end users can use their Teams app on any internet-connected device to make and receive calls; essentially their work direct dial business number travels with them;
- Enterprise IT departments can eliminate the cost and complexity of disparate legacy PBXs (on premise telephony switches) and work to a consistent set of standards and processes, globally.

LoopUp's Cloud Telephony value proposition is particularly differentiated for relatively international, managed implementations in larger enterprises, who can achieve single global supply driven by our:

- Market-leading coverage as a fully-licensed and regulated telecommunications service provider, where phone number ranges are offered for compliant domestic service, including requirements such as emergency services access and domestic CLI (Caller Line Identification or caller ID) pass-through;
- Premium PSTN voice network, built for the particularly stringent demands of the professional services conference calling market. Our voice network amalgamates 16 carefully selected tier-1 carriers, with whom we interconnect at our six primary global data centres, all of which are interconnected over our resilient private global IP backbone. The quality of all carrier call routings are regularly and proactively assessed with objective 'PESQ scoring', and we leverage their relative strengths on a 'highest quality routing' basis. As an international organisation, why buy cloud telephony from a single carrier when, with LoopUp, you can leverage that carrier where it is strongest but 15 others in geographies where they are stronger;
- Delivery of the capability as a premium, fully-managed service, on an end-to-end basis from initial consultation, through proof-of-concept and detailed design, to international rollout project management and ongoing service delivery. Our deep Microsoft voice and 'modern workplace' expertise, responsive global account management and support, unified customer administration tools, and support of local deployments in difficult regulatory jurisdictions, all combine to facilitate a single global implementation to consistent configurations, processes and standards;
- Complementary capabilities – not just other LoopUp Meetings and Managed Events, but also third party integration for compliant recording and contact centre functionality;
- Unique pricing structure – the LoopUp PerfectBundle™ – which enables international organisations to optimise spend and eliminate wasted spend across their global billing entities.

Strong commercial momentum in Cloud Telephony

Commercial traction of our new Cloud Telephony capability has progressed at a rapid pace since July 2020, above and beyond the Group's pre-existing cloud telephony business (£2.7 million in FY2020).

Our pipeline of live opportunities has grown from a potential Total Contract Value ("TCV")[2] of £50 million at the time of our September 2020 interims statement, to £84 million at our November 2020 trading update, and now to approximately £106 million. This TCV assumes an average minimum contract term of two years, which we consider to be highly conservative given nearly all later stage discussions are for terms of at least three years. The pipeline currently comprises 454 live opportunities at an average of approximately £10,000 of monthly recurring subscription revenue potential.

In the later stages of this pipeline, we now have 6 live Proofs of Concept ("POC") with customers whose intent is to move ahead with LoopUp but first wish to test the capability in their own environment. A POC period is typically 1-3 months. The potential TCV of these live POCs is approximately £5 million.

Most notably of all, however, we have achieved three new Cloud Telephony contract wins since the start of FY2021. They comprise an architectural engineering company, a renewables energy company, and a marketing and communications company, and have a minimum TCV in excess of approximately £620,000. We have also received notification of a further RFP win although this is yet to be formally contracted.

The Group is also making swift progress in its strategic initiative to maximise its international regulatory compliance coverage, a key aspect of differentiation to our international enterprise target market. We are comfortably ahead of our stated target to be a fully-licensed telecommunications service provider in at least 60 country jurisdictions by the end of 2021.

Related to this international regulatory initiative, the Group is also party to a growing number of exciting discussions with potential indirect strategic distribution partners. Microsoft has many global distribution partners, and while very few aspects of Microsoft's portfolio are broadly regulated, cloud telephony is. In nearly all country jurisdictions, suppliers to the end customer market have to be licensed and regulated. Many major global Microsoft partners have end customers that are considering moving to Teams cloud telephony, but few are licensed telecommunications service providers, at least on the multinational level of their end customers. For this and other reasons – our voice network, expertise and managed service platform – LoopUp is very well positioned to add value as a specialist partner, which could become a highly scalable medium term growth path for the Group.

Stark segmental performance contrast in Meetings

In its entirety, FY2020 was a strong trading year for the Group. LPC revenue grew 25% to £43.0 million (FY2019: £34.4m), LPC gross margin improved by one percentage point to 77.8% (FY2019: 76.8%), and LPC business volumes grew 41% to 1.00 billion minutes (FY2019: 0.71 billion minutes). It was also a strong year for new business acquisition. Our New Customer CAC Ratio – the fully-loaded cost to acquire £1 of new ARR – improved to £0.84, from £1.38 in FY2019 and in comparison to the 2020 SaaS benchmark of £1.63[3] .

However, as announced in our 27 November 2020 trading update, while trading spiked broadly at the onset of the pandemic, we subsequently experienced a gradual decline and a stark divergence in performance between our core Professional Services ("PS") sectors and non-core, non-PS sectors:

- Gross revenue retention level was 86% in PS (in line with 2020 SaaS benchmark: 86%), but materially lower at 67% in non-PS;
- Q4 2020 average revenue per day increased by 1% versus pre-pandemic levels in PS, but reduced by 31% in non-PS.

This performance gap highlights an acceleration of the trend that the Group has spoken to over the last several results cycles: that our Meetings capability is focused on business-critical, external meetings and therefore performs materially better in PS sectors, where the use case is dominated by client meetings, both in terms of their volume and importance. By contrast outside of PS, our Meetings capability is less differentiated and competition is more intense. We note, however, that while we expect trading to remain challenging for our Meetings capability outside of PS, that: (i) this performance gap only applies to our Meetings Capability (and not to Cloud Telephony or Managed Events); and (ii) that revenue from non-PS, pay-as-you-go Meetings customers now represents just 12% of total revenue.

Post spike trading has also been impacted by the material migration from rolling monthly pay-as-you-go contracts to committed term subscription and minimum spend contracts. Such committed contracts accounted for 48% of LPC business by the end of the year, compared with just 13% at the start of the year. While these committed term contracts naturally come with more cost-effective pricing for the customer, they benefit from a longer period of locked-in revenue certainty.

The Group also continued to innovate and develop its Meetings capability for its core PS target market, with development projects including:

- Enhancing video to facilitate 20 concurrent cameras;
- Release of ‘LoopUp Rooms’, which leverages off-the-shelf hardware to create high quality, plug-and-play video conferencing suites;
- Access to a promotional ‘freemium’ plan to enable end users and decision-makers to try the capability on demand.

Business priorities

Looking ahead into FY2021, the Group is focused on the following business priorities:

Pipeline development and conversion in Cloud Telephony: Continuing the rapid growth of live opportunities; developing the weighting of live opportunities to more progressed stages in the sales cycle; generating an increasing rate of successful conversions into new customer wins; and reaching a state of material predictable revenue growth at attractive unit customer acquisition economics;

Highly scalable strategic distribution partnerships: Seeking to form strategic partnerships with major global Microsoft partners who sell other related Microsoft technology but are not licensed to sell cloud telephony, particularly on a multi-jurisdictional basis consistent with their enterprise customer bases;

Clear segmental focus on external Remote Meetings: Instilling even greater focus into our Remote Meetings marketing and development roadmap as a targeted capability for business-critical, external meetings, in line with our starkly stronger performance in the Professional Services market;

Continued innovation in new technology capabilities: Exploring a range of potential platform capability enhancements – both organic and inorganic – to advance our strategy as a leading cloud platform for premium external and specialist communications.

Having expanded our strategic scope from a single capability remote meetings business into a broader cloud platform for external and specialist communications, FY2021 is inevitably set to be something of a transitional year for the Group. While we have formed a sizable and engaged pipeline of live commercial opportunities, it will naturally take some time to nurture and develop these opportunities through the pipeline sales cycles stages for what is, after all, a highly visible, business-critical and long-term purchasing decision.

Furthermore, we note the clear residual market uncertainties relating to the COVID-19 pandemic and the associated instability around overall macro conditions, business climate and working practices that may impact our business to some extent. However, these factors notwithstanding, the Group has a strong balance sheet coming out of FY2020, an unprecedented commercial pipeline for our newly-launched Cloud Telephony capability in terms of both size and engagement levels, and many exciting avenues to take our broader communications platform, both organically and inorganically. We have a high quality, committed and incentivised team, and are confident in our ability to manage the transition and provide the platform for strong, profitable growth.

Steve Flavell
Co-CEO

Michael Hughes
Co-CEO

Notes:
2 Conservatively assuming an average contract term of 2 years
3 KBCM Technology Group (formerly Pacific Crest Securities) SaaS survey

Expanding our proven distribution model and continuing to develop our proposition remain top priorities

PRIORITY →	EXPLANATION →
NEW BUSINESS ACQUISITION	Building scalable and efficient routes to market, with increasing focus on our cloud telephony solution.
CONTINUE TO DEVELOP OUR PLATFORM AND SOLUTIONS	Continue to innovate and develop our suite of platform capabilities to complement foundational UC suites, such as Microsoft Teams.

ACHIEVEMENTS	OUTLOOK
• Rapid development of Cloud Telephony pipeline, reaching an estimated potential Total Contract Value of >£80 million by the end of 2020 • Increased volume of target market inbound leads by focusing marketing activity on reaching IT decision makers at international organisations with 1000+ employees across Europe, US and APAC • Expanded range of marketing activities to include third-party publisher lead generation, content syndication campaigns and increased marketing content output • Strengthened our existing Pre-sales, Consulting and Project Delivery teams with senior hires in the UK, and expanded the team's reach with hires in the US and Australia	Invest in content-led digital marketing and social prospecting to generate new business leads Develop our pipeline for progressive Cloud Telephony new customer wins Enter into strategic partnership discussion for indirect distribution of Cloud Telephony Maximize cross-sales from Remote Meetings and Cloud Telephony into our Managed Events and Webcasting capability
• Launched Cloud Telephony for Microsoft Teams on our global technology platform • Integrated remote meetings solution with Microsoft Teams and Slack, enabling users to initiate LoopUp Remote Meetings on demand • Launched LoopUp Rooms, which combines our remote meeting solution with off-the-shelf hardware to create high quality, plug-and-play video conferencing suites • Enhanced our video capability to 20 concurrent cameras • Introduced a new security verification feature for guests who join a meeting by dialling in and then wish to view content	Expand where we are a fully licenced and regulated telecommunications service provider to 60 country jurisdictions Introduction of PerfectBundle™ rating and billing for Cloud Telephony Add computer audio (VoIP) to LoopUp Remote Meetings Add a 'webcasting' capability to our Managed Events solution

How a global liquefied natural gas shipping company migrated to Microsoft Teams and implemented cloud telephony across the business with LoopUp

GasLog is the leading global provider of liquefied natural gas (LNG) shipping services. GasLog's fleet consists of 35 LNG vessels and the company has offices in Greece, London, New York and Singapore and over 1,800 onshore and offshore staff.

GasLog is introduced to LoopUp

Back in 2015, GasLog was using different telephony providers in each of its offices. This was causing operational complexity and driving up costs. GasLog decided to implement a global unified communications solution that would move all staff onto a consistent platform.

The company realised that a project of this scale would require an experienced partner to manage the deployment. LoopUp was recommended by GasLog's UK Microsoft Representatives.

LoopUp advised GasLog on the different UC technologies available and suggested Skype for Business was the most suitable for their needs. Due to the company's strong knowledge and experience of Microsoft voice solutions, GasLog selected LoopUp as their partner. LoopUp deployed on-premises Skype for Business across all of GasLog's worldwide offices and vessels. GasLog was able to replace all their voice providers with a single managed service.

GasLog decides to migrate to Teams in 2020

After five years of using on-premises Skype for Business, GasLog decided they wanted to move their telephony to the cloud. They were also looking for a tool that could offer them more collaboration functionality such as document sharing and group messaging.

LoopUp suggested moving to Microsoft Teams and implementing Teams Calling. It would allow users to make and receive external calls directly from Teams on any compatible and internet-connected device from anywhere in the world. Teams also offers a more diverse feature-set than Skype for Business. This includes group messaging, document sharing, file storage and app integration in addition to voice calling, video conferencing, and IM functionality.

When the COVID-19 pandemic struck and GasLog office employees were forced to work remotely, they decided to accelerate the migration.

The migration process

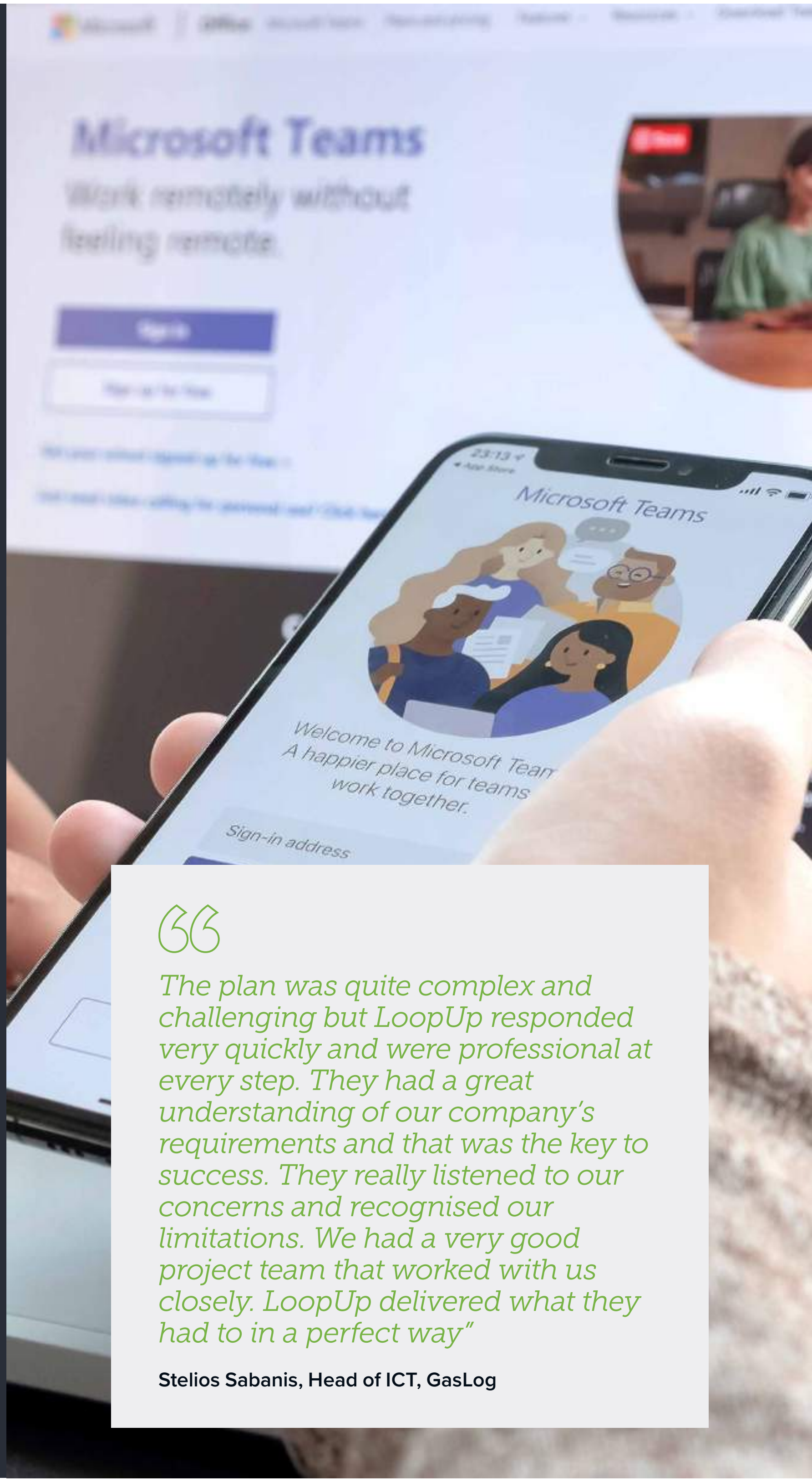
The full migration took three weeks. The first part involved a consultation and design phase where each stage in the migration was mapped out. A phased migration needed to be planned carefully as different groups would be moved over at different stages and communication between the two systems, Teams and Skype for Business, would not be possible. GasLog initially decided to conduct the transition office by office, starting with the Greek headquarters. LoopUp advised against this as the majority of users were based in this office and would be communicating with vessels, vendors and the other offices on a daily basis.

Instead, LoopUp recommended the migration take place on a departmental basis. This would allow the team to focus on a certain subset of users with similar requirements. It would also help overcome challenges with adoption.

Next, GasLog's ICT team tested all the functions of Microsoft Teams – meetings, file sharing, cloud voice and calling groups. LoopUp then proceeded to deploy Microsoft Teams across each department. Microsoft's Phone System was connected to the public switched telephone network (PSTN) using Direct Routing over LoopUp's premium voice network. Call transfer, forwarding and voicemail were set up and all existing telephone numbers were migrated over to the Teams environment.

Results

LoopUp worked closely with GasLog to deploy Teams across their business, onshore and offshore, and to implement cloud telephony, allowing users to make and receive external calls from Teams on any device, anywhere in the world. This proved critical to the function of the vessel staff and to keep communications open with remote workers during COVID-19. The project was a success and adoption of Teams for internal collaboration and voice calls has been widespread across the business.



"The plan was quite complex and challenging but LoopUp responded very quickly and were professional at every step. They had a great understanding of our company's requirements and that was the key to success. They really listened to our concerns and recognised our limitations. We had a very good project team that worked with us closely. LoopUp delivered what they had to in a perfect way"

Stelios Sabanis, Head of ICT, GasLog

At LoopUp, we recognise that our people are our most valuable asset

It is our employees who shape our business, make us who we are and ultimately drive our success.

We strive to foster a culture of respect, and are committed to making our workplace diverse, inclusive and accessible for all our employees. We believe that a workplace that is characterized by openness, trust, and teamwork will lead to higher motivation, more creativity, and innovative solutions for our customers.

A collaborative culture

At LoopUp, we place a clear emphasis on teams and cooperative team-working across our business. We believe this leads to better decision-making, which in turn drives high performance for our business.

Our new business development employees work in small teams or pods. Each pod is incentivised solely as a team on the basis of new recurring revenue brought into the business. It drives a collaborative culture in contrast to self-interested choices inspired by individual commission schemes.

Our engineers work in scrum teams, with each scrum including a mix of engineering, quality assurance and product management resource. Each Scrum team typically consists of five to seven employees, working together to deliver product improvements or new releases. Scrums are self-organised and cross-functional. They choose how best to accomplish their work, rather than being directed by others outside the team and they have all competencies needed to accomplish the work without depending on others not part of the team. This makes our engineers nimbler and more productive, and ultimately leads to faster and higher quality product innovation.

Our customer success department operates as a global team in a ‘follow the sun’ model. Each team member hands off work at the end of their workday, to another team who is starting their day on the other side of the world. This method allows us to provide 24-hour service without putting the burden on one site and requiring employees to work late shifts or overtime.

Strengthening our team

In order to expand our cloud telephony offering, LoopUp made seven new hires that were Director Level and above in 2020. The new hires were made in the UK, the US, Australia and Europe. The roles included SVP of Telecommunications Strategy, Senior Director of Project Delivery, Microsoft Technology Lead, Global Head of Consulting and Associate Director of Commercial Operations.

KEY STATS

Employees (at year end)

245

Female employees

42%

Number of offices

16

Percent of staff promoted in 2020

30%

Championing diversity

At LoopUp, we are committed to building a diverse and inclusive culture. In 2020, we launched Inclusivity, Diversity and Equality at LoopUp (IDEAL), an inclusion group that aims to develop understanding of issues around gender, age, race, nationality, sexual orientation and disability. IDEAL is open to all employees. More than 60 volunteers have donated their time to plan activities and educational sessions for the wider company to drive awareness of diversity and inclusion. The group also share books, articles, films and podcasts on our company intranet which educate on diversity. IDEAL also raise awareness of prominent holidays and events such as Black History Month, Juneteenth and Pride.

IDEAL Speaker Series

In September 2020, IDEAL ran a speaker series which included a live discussion with Erika McCall, Founder of the Go For Yours Foundation on the black experience in America. The conversation covered topics such as diversity in the workplace and how we can discuss racial issues with others whilst ensuring conversations are respectful, informative, and productive.

Safeguarding our employees during the pandemic

We quickly introduced home working for all our offices as lockdown measures were introduced in most countries. We ensured all staff were equipped and able to work efficiently remotely, making the most of the technology available.

Motivation and engagement of employees has been paramount, especially during a time of uncertainty. Regular communications from our co-CEOs, Executive Leadership Team and senior management team have served to reassure, support and connect colleagues while they were distanced from one another. We increased the frequency of all-hands calls to bi-weekly, ensuring all our employees are updated on important initiatives across the business.

To support our employees' wellbeing, we made articles available for coping with stress, anxiety and uncertainty on our company intranet, The Loop. We also hosted virtual social activities such as yoga, cooking classes and quizzes to bring staff together. We have monitored how our people have been feeling through online surveys and equipped our leaders on how to motivate and look after their teams during these uncertain times.

Our values

ACTING WITH PROFESSIONALISM

- Being accountable and reliable
- Displaying professionalism
- Acting with integrity

DEMONSTRATING A 'ONE TEAM' ATTITUDE

- Treating others with trust and respect
- Being collaborative, helpful and supportive
- Making the job fun

DISPLAYING A PASSION FOR RESULTS

- Being industrious, determined and ambitious
- Taking ownership and being a self-starter
- Being innovative, curious and agile
- Focusing on business outcomes and taking a lean approach

Focusing on the environment, our communities and our future

We recognise that we have a responsibility to our employees, to the communities in which we work, and to our planet.

Our Corporate Social Responsibility (CSR) programme is an intrinsic part of our business. At LoopUp, we are committed to reducing the impact of our activities on the environment, promoting equality and social mobility, and supporting entrepreneurial activities. We contribute through a combination of charitable giving, volunteering and mentorship, and we collaborate with charities, not-for-profit organisations and community groups.

Reducing business travel with our products

We recognise we can make positive contributions to the environmental agenda through our products. Our solutions are designed to inspire our customers to meet remotely as much as possible rather than feeling the need to travel.

In light of changing working practices stemming from the COVID-19 pandemic, we are working with our customers to help them use our technology to reduce their own environmental footprints, while continuously improving the product experience to move the needle further.

Green Earth Appeal

Respect for the environment is integral to our CSR commitments. In our partnership with Green Earth Appeal, a global not-for-profit social enterprise supported by the United Nations, we plant a fruit tree for every new, fully set-up LoopUp user. Since the programme's launch, we have now planted over 55,000 new trees.

The fruit trees, which are planted in some of the world's poorest locations across South America, Africa and Asia, serve both to reverse the impact of greenhouse gas emissions and also provide food and revenue for the local communities.

Giving Week

We provide financial support to not-for-profit organisations that align with our CSR goals through our Giving Week initiative. The programme was launched in 2020, after a group of LoopUp employees suggested the idea to our management team.

Each quarter, our Giving Week coordinators select four charities or non-profit groups that advance social causes such as anti-racism, equality, education and the environment. During Giving Week, our employees are educated on these charities and are asked to vote on a relative allocation of donations. In 2020, we donated to charities including Black Girls Code, Equal Justice Initiative, Sutton Trust, NGO Open Arms and Sarah's Circle.

Shine Through Sport

We are committed to giving back to the communities in which we live and work. In the UK, we work with Shine Through Sport, a not-for-profit organisation that provides local schools and communities with access to high-quality, qualified professional coaches.

The programme uses the power of coach-led sport to help inspire and lead children towards healthy lifestyles and a lifelong love of sport. In 2020, Shine Through Sport and its sponsors delivered over 1,500 coaching hours to 1,050 children, across 8 academic institutions.

GBx

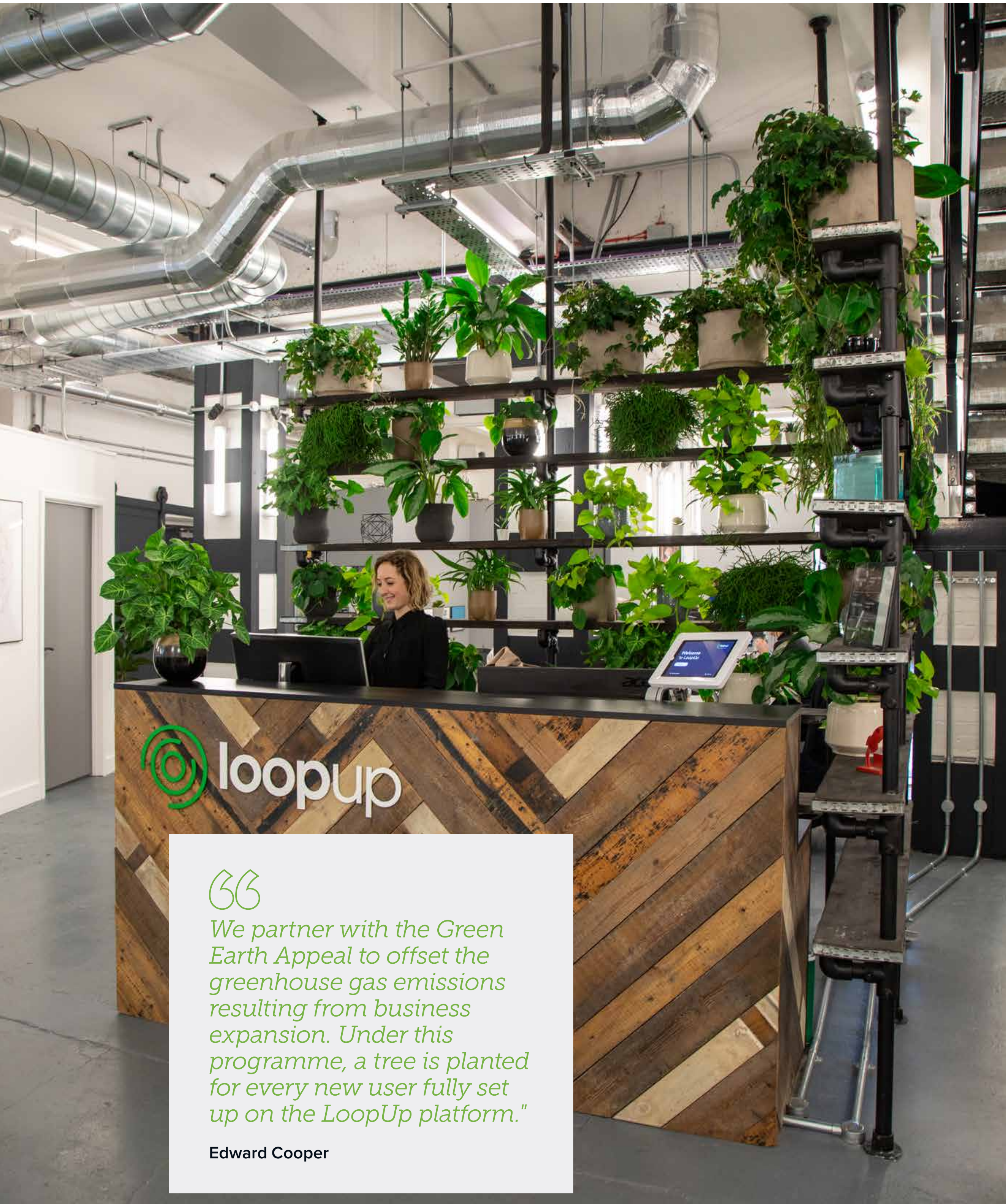
At LoopUp, we believe that entrepreneurship is key to innovation and job creation. We support GBx, a community of British tech entrepreneurs, investors and senior technology executives in the San Francisco Bay Area.

GBx offers help, support and advice to other entrepreneurs looking to establish themselves in the area, and also helps to inform British Government policy thinking on some of the key emerging issues in the tech space. The organisation was founded by eight entrepreneurs including our co-CEO, Michael Hughes.

Silicon Valley Internship Programme

We want to give back to the entrepreneurial community and help spread innovation, diversity, and entrepreneurship around the world. The Silicon Valley Internship Programme (SVIP) was founded by LoopUp's co-CEO Michael Hughes in 2013. The programme aims to expose some of the most talented young people around the world to the tools, experiences and network they need to flourish.

The programme is open to all top-ranking Software Engineering and Computer Science graduates globally. Successful applicants are offered a one-year internship at a high growth tech company in Silicon Valley. In 2020, we hired five engineers through the SVIP.



We partner with the Green Earth Appeal to offset the greenhouse gas emissions resulting from business expansion. Under this programme, a tree is planted for every new user fully set up on the LoopUp platform."

Edward Cooper

In 2020 the Group's employees were located in 16 offices around the world

In some office buildings, energy usage is metered and the Group pays for energy directly consumed. In other office buildings, energy usage is pooled across all building tenants and the Group pays a service charge that includes energy consumed.

Energy consumption across the Group has been estimated by calculating electricity usage per employee in our main London office, where data is available for energy directly consumed. This electricity usage per employee figure has then been applied to all employees in the Group.

The greenhouse gas emissions have been calculated using a conversion factor of 0.233 tCO_2e per MWh. This is the greenhouse gas conversion factor recommended by the UK Government for company reporting purposes.

The Group has no significant energy consumption which falls into scope 1.

LoopUp energy consumption data, 2020

	UK	International	Total
Energy consumption (MWh)	100	62	162
Scope 2: (tCO_2e)	23.4	14.5	37.8
Employees	160	99	259
tCO_2e per employee	0.15	0.15	0.15

In 2020 the Group identified several actions to reduce energy consumption and greenhouse gas emissions. These include increasing the number of employees that work remotely for some or all of the week, rather than being present in the office, and introducing more hotdesks. This will allow the Group to rationalise its office space requirements by closing some offices and reducing the capacity of others, which will reduce total energy consumption.

In addition, the Group partners with the Green Earth Appeal to offset the greenhouse gas emissions resulting from business expansion. Under this programme, a tree is planted for every user fully set up on the LoopUp platform.

A year of continued strong top-line growth

"2020 saw the launch of our enhanced Cloud Telephony capability, and the strategic shift to a broader cloud platform for external and specialist communications."

Simon Healey

During FY2020, the Group benefitted from of a period of materially-increased demand, which significantly strengthened our balance sheet and provided a strong platform to invest in launching our Cloud Telephony capability onto our core global platform.

Operating results

Group revenue increased by 18% in FY2020 to £50.2 million. This was as a result of a significant spike in demand for both our Meetings and Managed Event capabilities during March and April 2020, after which demand gradually declined with starkly-divergent performance between core Professional Services ("PS") sectors and non-core, non-PS sectors, for the reasons outlined in the CEOs' review.

Following the launch of our enhanced Cloud Telephony capability during 2020, and the strategic shift to a broader cloud platform for external and specialist communications, the Group has evolved its segmental reporting analysis accordingly. Revenue from our Cloud Telephony, Remote Meetings and Managed Events capabilities, all delivered on LoopUp's global technology platform, will now be categorised as LoopUp Platform Capabilities ("LPC"). The Group's remaining revenue, from the resale of Cisco WebEx Meetings, will be categorised as 'third party resale services'.

FY2020 revenue from LPC increased by 25% to £43.0 million (FY2019: £34.4 million), and revenue from third party resale services fell by 12% to £7.2 million (FY2019: £8.1 million).

Revenue

£50.2m

FY2019: £42.5m

Adjusted EBITDA

£15.3m

FY2019: £6.4m

The Group's overall gross profit increased by 26% to £35.6 million (FY2019: £28.2 million), and LPC gross profit increased by 27% to £33.5 million (FY2019: £26.4 million). This represents a gross margin of 77.8%, one percentage point higher than FY2019, representing both: (i) improvements in telephony rates, the main cost of sale; and (ii) the slight change in mix, with more high margin Managed Event revenue. Overall gross margins increased by 4.5 percentage points to 70.9%, reflecting the change in mix, with relatively less third party resale revenue at significantly lower gross margins.

The Group was able to deliver this additional revenue with a lower cost base – administrative expenses fell 7.7% to £20.3 million (FY2019: £21.8 million). The majority of these savings were in overheads, with the Group able to reduce expenditure on premises (the majority of our offices are in flexible spaces rather than long term leases), marketing (due to the suspension of trade show activity), and travel.

Staff costs were broadly similar to FY2019. Total headcount fell by approximately 20 during the year, largely due to a reduction in more junior, commercial staff. However, this was offset by: (i) the Group investing materially in specialist expertise for the Cloud Telephony market; and (ii) an increase in staff bonuses as a result of trading performance.

The Group reported no exceptionals in the year (FY2019: £0.5m).

Amortisation costs increased to £4.6 million (FY2019: £3.8 million), and spend on development activities increased from £5.0 million in FY2019 to £6.9 million in FY2020, reflecting both the increased investment in Cloud Telephony and increased bonuses, as above.

The resulting statutory operating profit for the year was £6.3m (2019: loss of £2.1m) and profit before tax was £5.7m (2019:loss of £2.8m).

The Group continues to receive a tax benefit from its development activities, and expects to receive an R&D tax credit of £1.4 million from HMRC for FY2020 (FY2019: £1.3 million), payable during FY2021. This credit was partly offset by £0.7 million of tax charges payable in the Group's non-UK subsidiaries.

Assets and Cash Flow

The Group generated operating cash flow after capital expenditure of £11.4 million (FY2019: £0.1m) and, after debt repayments, increased its cash balance by £9.1 million to £12.1 million. Resulting net debt has fallen to £0.7 million as at 31 December 2020 (FY2019: £11.4 million).

The Group did not take advantage of any Government furlough scheme or international equivalent during FY2020 or since. However, £1.0 million of VAT payments from H1 2020 were automatically deferred and are payable in H1 2021.

Even after the profitability of FY2020, the Group still has accumulated trading tax losses of £8.5 million and non-trade losses of £1.5 million available for offset against future UK profits. These losses, alongside the significant additional relief available for our ongoing development spend, will continue to benefit the Group's tax charge in FY2021 and beyond.

Due to the reduction in revenues later in FY2020 and the continued uncertainties relating to the COVID pandemic, the Group's management and Board have carefully reviewed both near and mid-term forecasts and are comfortable with the Group's going concern status.

While the reduction in revenue is also considered an indicator of potential impairment in relation to the Group's intangible assets balances, following detailed modelling of future cash generation, the Board is comfortable that there is no requirement to impair these assets as at 31 December 2020. However, recent increases in churn, particularly in non-PS Meetings customers, indicates that the useful economic life of the Customer Relationships asset acquired with MeetingZone may be lower than the 15 years originally estimated for accounting purposes. Any impact from this on the Group's amortisation charge is immaterial for FY2020, but the Group will continue to monitor these metrics and make adjustments to the useful economic lives as appropriate.

Key Performance Indicators (KPIs)

The Group's KPIs, including key financial measures alongside measures such as churn and customer wins, are discussed in detail in the co-CEO's statement.

Simon Healey
CFO

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

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

PRINCIPAL RISK	IMPACT	MITIGATION
COMPETITION AND TECHNOLOGICAL CHANGE	The Group's Meetings business is in a market that has been materially impacted by the COVID-19 pandemic. Certain competitors may benefit more from the pandemic than LoopUp in terms of brand prominence and product network, which may in turn lead to higher churn in LoopUp's customer base. The Group's primary competitors are, in many cases, significantly larger enterprises with greater financial and marketing resources. There can be no guarantee that the Group's current competitors or new entrants to the market will not bring new or superior technologies, products or services at similar or lower prices.	In our Meetings business, we maintain and promote a differentiated value proposition for the Professional Services market. In this market segment, remote meetings are 'mission-critical' and typically involve external guests, in contrast to other providers which target the mainstream where most remote meetings occur internally between colleagues. In 2020 the Group is increasing its investment in product development and is introducing new product capabilities – most notably Cloud Telephony – which benefits from greater growth and different competitor dynamics.
PEOPLE	Difficulties encountered in retaining senior staff and recruiting appropriate employees, and the failure to do so, or a change in market conditions that renders current incentivisation structures lacking, may hinder the Group's ability to grow.	The Group believes it has the appropriate incentivisation structures in place to attract and retain the calibre of employees necessary to ensure the efficient management, operation and growth of the business.
KEY SYSTEM FAILURE OR DISRUPTION	Any malfunctioning of the Group's technology and systems, or those of key third parties, even for a short period of time, could result in a lack of confidence in the Group's services, with a consequential material adverse effect on operations and results.	The Group regularly reviews the appropriate redundancy and resiliency in its network operations, is ISO 27001 certified across its global operations, and has implemented a sophisticated Service Event Response Team (SERT) with detailed processes and procedures for responding to any size or type of service outage or disruption. Members of the SERT are located around the world, enabling 24x365 coverage.

Key

Increased | Decreased | Unchanged

PRINCIPAL RISK	IMPACT	MITIGATION
PRODUCT DEVELOPMENT (Unchanged)	New capabilities and enhancements introduced into the Group's product may contain undetected defects that fail to meet customers' performance expectations or satisfy contract specifications, and this may impact the Group's results and reputation.	All product releases are put through rigorous quality assurance cycles, followed by internal user acceptance testing before release to customers in a considered and organised rollout strategy. Care is also taken to be able to 'roll back' to previous versions of the product whenever practically possible.
INTELLECTUAL PROPERTY (Unchanged)	Challenges to the Group's intellectual property or alleged infringements of others' intellectual property, by either competitors or other third parties, could result in costs, liabilities and operational uncertainties for the Group and there can be no guarantee as to the outcome of any such challenge or associated litigation. The Group also licences software from third parties and the Group's continuing rights to do so cannot be guaranteed.	The Group is aware neither of any challenges to its intellectual property, including its three granted patents, nor of any infringements to others' intellectual property. We maintain an active policy regarding patents and trademarks as appropriate. We maintain robust contracts with any key software licensed from third parties, and are aware of and informed about alternative sources of supply as necessary.
FOREIGN EXCHANGE (Increased)	Given the Group's material US sales and operations, fluctuations in foreign currency exchange rates could have a material effect on the Group's revenue and profitability, and there can be no guarantee that the Group would be able to compensate or hedge against such effects. The UK's exit from the European Union has the potential to increase foreign exchange volatility.	The Group's costs and revenues in US Dollars are broadly aligned, providing a natural hedge. This position is monitored continually by management.

We believe that proactively engaging with, and acting on the needs of, our key stakeholders is critical to a culture and strategy that achieves long-term sustainable success

The Board identifies the following as its key stakeholders, and it is committed to effective engagement with them to promote the success of the company for the benefit of each group:

Shareholders

Our aim is to promote long term value and growth to our shareholders. Through our AGMs, Capital Markets Days (from time to time), investor meetings and other discussions with our shareholders, we are able to communicate effectively with this group to help shape our commercial strategy. Please see our Corporate Governance Report from page 31 for further information.

Employees

We are committed to investing in our people and creating an environment where every employee can reach their full potential. We regularly communicate with our employees via face-to-face meetings, employee surveys as well as team and company-wide meetings. Such communication drives the process on how we can support our employees reaching their potential. Please see the section on Our People and Culture on pages 16 and 17 and our Corporate Governance Report on page 31 for further information.

Customers

We pride ourselves on providing a reliable, secure and productive service to customers for business-critical communications. As well as the day-to-day contact from our Account Managers with customers we also seek feedback at the end of each call via LoopUp and host product advisory sessions. This information shapes how we innovate and develop our services. Please see our Why We Exist section on page 4 and our Corporate Governance Report on page 31 for further information.

Community

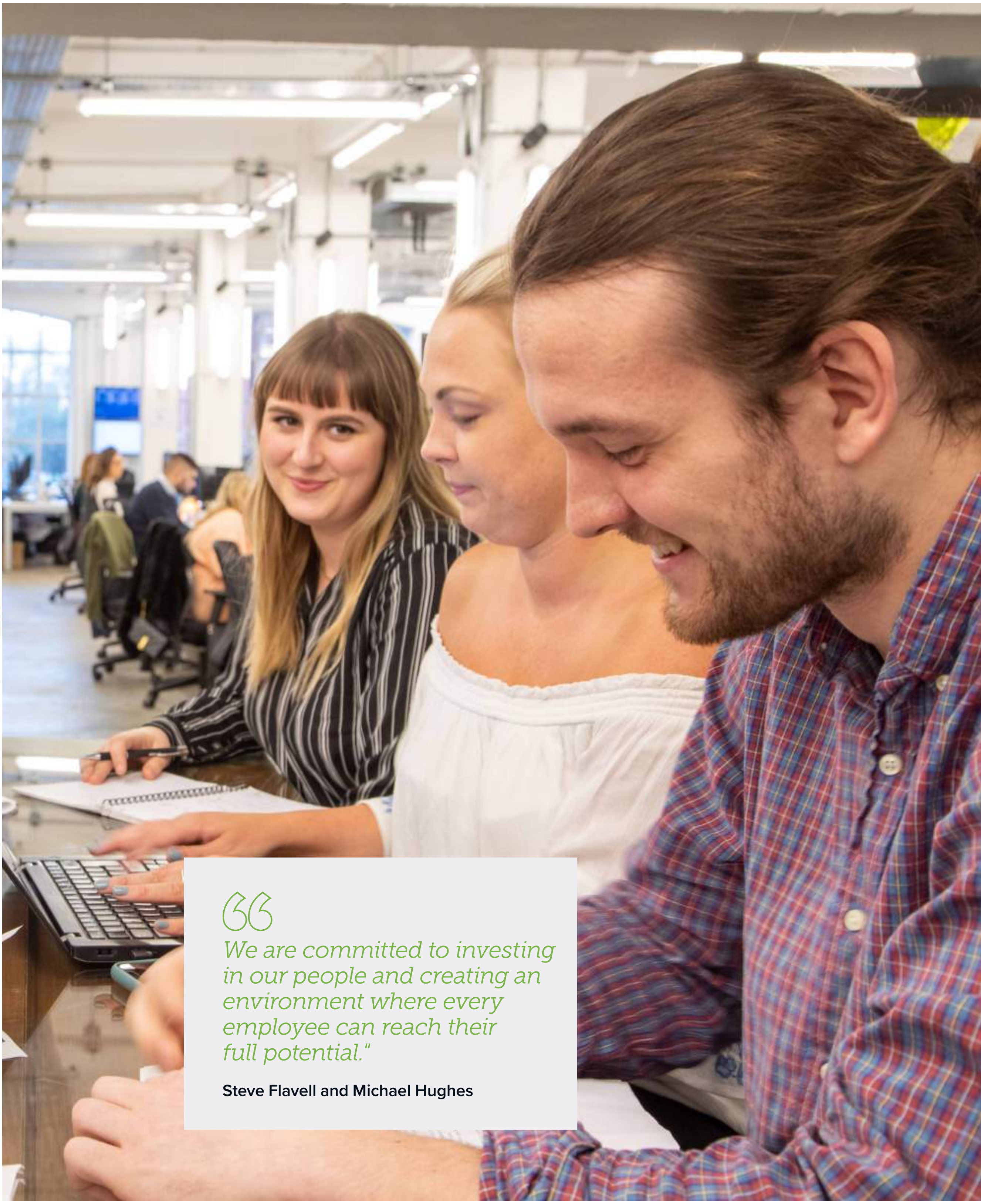
We believe in making a commitment to the communities we live and work in, to our planet and to society more broadly. Please see our Corporate Social Responsibility section on pages 18 and 19 for further information.

Relevant information obtained from our key stakeholders is provided to the Board through reports sent in advance of each Board meeting and through in-person presentations. As a result of these activities, the Board has an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

This strategic report was approved by the Board of Directors and authorised for issue on 17 May 2021.

It was signed on their behalf by:

Steve Flavell
Co-CEO
17 May 2021



"We are committed to investing in our people and creating an environment where every employee can reach their full potential."

Steve Flavell and Michael Hughes

Non-Executives

Mike Reynolds
Independent Non-Executive Director and Non-Executive Chairman

Mike was appointed Acting Non-Executive Chairman following the death of Lady Barbara Judge in August 2020, and was formally appointed Chairman in May 2021.

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

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

Mike has BBA and MBA degrees, both from the University of Georgia.

A R N

Nico Goulet
Non-Executive Director

Nico is a managing partner at Adara Ventures where he has managed venture capital funds for the last 20 years. Nico has been actively involved with more than 40 early-stage ventures and served on the boards of 30 companies.

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

A R

Keith Taylor
Independent Non-Executive Director

Keith has extensive experience in finance having operated in the industry for nearly 30 years. He has worked for Barclays for over 20 years, most recently as a Managing Director within the Corporate & Investment Bank. He has also served as a Vice Chairman and Board Member of the Loan Market Association.

Additional Board experience includes several years as a Trustee Director of the Barclays UK Retirement Fund (one of the largest UK pension funds). Keith has a first class honours degree from Cambridge University and an MBA with distinction from Cass Business School.

A R N

Executives

Steve Flavell
Co-CEO

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

Previously, Steve spent time at Monitor Company, Mars & Co, and Mobil Oil.

Steve has an MBA from Stanford and an MEng/BA Hons from St. John's College, Cambridge.

N

Michael Hughes MBE
Co-CEO

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

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

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

Simon Healey
CFO

Based in London, Simon is responsible for LoopUp's global finance function. He joined the business in 2011 as CFO. Prior to LoopUp, Simon held senior finance positions at Streetcar (which was sold to Zipcar, the global car-sharing service, in 2010) and Research Now, the formerly AIM-listed online market research firm, since acquired by E-Rewards. Simon is a Chartered Accountant who trained with KPMG and holds a degree in Accountancy from the University of Birmingham.

Key to Committees

A Audit

R Remuneration

N Nomination

A strong year of challenges and opportunity

2020 sadly marked the loss of our Chairman, Lady Barbara Judge, who died from pancreatic cancer in August. The Group benefitted hugely from her stewardship, her wealth of experience and the calm guidance she brought to us, and she is missed by us all. I was honoured to be asked to take on the role and was comfortable to do so, having previously chaired the Group prior to our 2016 IPO.

It is not hyperbole to describe 2020 as "a year like no other" given the unique global challenges that were brought on by the COVID-19 pandemic. Group trading and strategy were, of course heavily influenced in 2020 by the pandemic. We are, however, very proud that we were well positioned to help our customers with their business-critical communications in these challenging times, by providing simple, reliable and secure products that are diligently operated and supported. I would like to thank and congratulate our entire team for their tremendous and ongoing efforts under these highly challenging circumstances.

In its entirety, 2020 was a strong and highly cash-generative trading year, and the Group ended the year with a materially stronger balance sheet as a foundation to invest in future growth opportunities. As the year progressed, the COVID-19 pandemic led to both opportunities and challenges for the Group.

In our core remote meetings business, we saw a surge in business volumes at initial lockdown, followed by a gradual decline thereafter as many customers switched from volume-based pricing to monthly subscriptions, and as competition from products such as Teams and Zoom impacted customer churn, particularly outside of our Professional Services market sweet spot.

More broadly, the pandemic has shaken up the enterprise communications landscape and accelerated trends we were already seeing towards cloud communications. The Group has actively driven strategic change into the business to capitalise on these opportunities in a fertile and fast-moving market. In 2020, we transitioned from a single capability remote meetings business into a broader technology platform, combining a suite of external and specialist communications capabilities that complement foundational UC platforms, such as Microsoft Teams.

Most notably, in July 2020, we announced the launch of our cloud telephony capability for Microsoft Teams. The cloud telephony market is forecast to become a $26 billion market by 2024, and we are very encouraged by the strong early commercial traction generated in just nine months since bringing this differentiated capability onto our core global platform.

Looking ahead, 2021 will inevitably be a transitional year as we commercialise our broader technology platform. However, we have a strong balance sheet, and I am very confident in our ability to manage the transition and to continue delivering significant value for our customers through our premium and differentiated, communications capabilities.

I am pleased to count on the support of such a strong and committed management team and Board of Directors, and I look forward to connecting with shareholders at the Group's 2021 AGM.

Mike Reynolds
Chairman
17 May 2021

Committed to high standards of corporate governance

A note on corporate governance
The Board recognises the importance of, and remains committed to, the maintenance of high standards of corporate governance. Through these high standards, it is the Board's aim to deliver growth, maintain a dynamic management framework and build trust – such matters being key ingredients to delivering long-term sustainable performance.

After due consideration, the Board continues to report against the Quoted Companies Alliance Corporate Governance Code ("QCA Code"). The following Statement of Compliance sets out in broad terms how we comply at this point in time against the ten principles set out in the QCA Code. The Board shall review and update this Statement of Compliance periodically as the business progresses.

The composition of the Board was considered carefully prior to the Group's admission to AIM in 2016 to ensure an appropriate mix of skills and experience and again in light of the acquisition of MeetingZone in 2018, the departure of Barmak Meftah from the Board in 2019, and the death of Lady Barbara Judge last year. The Board generally holds its strategic decision-making meetings in various Group offices, taking the opportunity to meet with members of both the Executive Team and wider senior management team, building their knowledge of the business.

We remain of the opinion that LoopUp creates significant value for its customers by delivering a premium cloud platform with differentiated and specialist communications capabilities, which we continue to innovate and improve.

QCA Code Statement of Compliance

Delivering growth

Principle	Application	Compliance
1. Establish a strategy and business model which promote long-term value for shareholders.	The Board must be able to express a shared view of the Group's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the Group intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the Group from unnecessary risk and securing its long term future.	The Group's strategy is focused on commercialising the value created through its cloud platform for specialist enterprise communications. Platform capabilities are carefully selected on the basis of being differentiated from and complementary to those found in foundational unified communications platforms, such as Microsoft Teams. Critical platform capabilities currently comprise: • Cloud Telephony: primarily focused on relatively international and fully-managed implementations for larger sized enterprises • Remote Meetings: primarily focused on business-critical, external client meetings for Professional Services firms • Managed Events and Webcasts: primarily focused on a premium end-to-end experience for hosts and coordinators of important virtual corporate events Details of the Group's strategic priorities are set out on page 12. The principal risks and uncertainties to the Group (including how they are mitigated) are detailed on page 24.
2. Seek to understand and meet shareholder needs and expectations.	Directors must develop a good understanding of the needs and expectations of all elements of the Group's shareholder base. The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.	The Board aims to respond promptly and suitably to shareholder enquiries and comments. The Board regularly meets with the Group's major shareholders and takes on feedback from such meetings. Shareholders are invited to participate at the Group's AGMs (be these in person or remotely) and are encouraged to continue any discussion of the Group's activities following the conclusion of the formal AGM agenda. All queries should be directed to the Company Secretary or the General Counsel.

Principle	Application	Compliance
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	Long-term success relies upon good relations with a range of stakeholder groups both internal (workforce) and external (suppliers, customers, partners, regulators and others). The Board needs to identify the Group's stakeholders and understand their needs, interests and expectations. Where matters that relate to the Group's impact on society, the communities within which it operates or the environment have the potential to affect the Group's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the Group's strategy and business model. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.	The Group endeavours to keep in regular contact with its customers, partners and strategic key suppliers and users. There is an ability to rate every LoopUp call, so that we are able continually to review and improve our services to ensure that we are providing a premium service. Additionally, we have dedicated Customer Success and Account Managers who are on hand to provide clarity and assistance wherever required by our customers. The Group is active, both financially and in terms of participation, in wider areas of corporate responsibilities, such as promoting equality in both its workplace and the communities in which it operates. The Board is well advised by its Nomad and maintains regular contact with other key stakeholders, which enables the Group to evaluate and ultimately mitigate risks or act on opportunities when they arise.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	The Board needs to ensure that the Group's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; the Group needs to consider its extended business, including the Group's supply chain, from key suppliers to end-customer. Setting strategy includes determining the extent of exposure to the identified risks that the Group is able to bear and willing to take (risk tolerance and risk appetite).	The Board considers risk and uncertainties at each Board meeting. The Board meets at least quarterly, with at least two meetings held in person (subject to pandemic restrictions). The remaining meetings are held remotely on LoopUp's platform. The Board, together with the Executive Leadership Team and senior management, is responsible for reviewing and evaluating risks. Additionally, the Information Security Management Team (ISMT) meets quarterly and assesses risks relating to information security. A sub-committee of the ISMT meets every month to review and update the information security risk register. The Group is ISO 27001 accredited. The principal risks and uncertainties to the Group (including how they are mitigated) are detailed on page 24 of this Report.

Maintaining a dynamic management framework

Principle	Application	Compliance
5. Maintain the Board as a well-functioning, balanced team led by the chair.	The Board members have a collective responsibility and legal obligation to promote the interests of the Group, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the Board. The Board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight. The Board should have an appropriate balance between the executive and Non-Executive Directors and should have at least two independent Non-Executive Directors. Independence is a Board judgment. The Board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time necessary to fulfil their roles.	The Board is responsible for the long-term success of the Group. It sets strategic objectives and oversees implementation within a framework of prudent and effective controls, ensuring that only acceptable risks are taken. It provides leadership and direction and is responsible for the corporate governance and the overall financial performance of the Group. The Board comprises three Executive Directors and three Non-Executive Directors (including the Chairman). Two of the Non-Executive Directors are considered by the Board to be independent and are free to exercise independence of judgement. Membership of the Audit Committee and Remuneration Committees each comprises three Non-Executive Directors, of which two are deemed independent. Membership of the Nomination Committee comprises two independent Non-Executive Directors both of whom are deemed independent and one executive director. The Board and each of its committees receive regular and timely reports on the Group's operational and financial performance. Board packs are circulated in advance of each Board meeting and minutes reviewed and approved following each meeting. The Board has direct access to the advice and services of the Company Secretary and General Counsel, and is able to take independent advice as well, if required. The Board considers that each Director has suitable knowledge and experience to guide the Group in its strategic aims. Details of each of these committees and the Board and committee composition, together with recent attendance records, are set out on page 28 onwards.

Principle	Application	Compliance
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	The Board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The Board should understand and challenge its own diversity, including gender balance, as part of its composition. The Board should not be dominated by one person or group of people. Strong personal bonds can be important but also divide a board. As companies evolve, the mix of skills and experience required on the Board will change, and Board composition will need to evolve to reflect this change.	The primary purpose of the Nomination Committee is to lead the process for Board appointments and to make recommendations to the Board to achieve the optimal composition. Following the death of Lady Barbara Judge in 2020, the Committee still considers the Board to have an appropriate mix of skills and experience. The Board has considered diversity in broader terms than gender and believes it is also important to reach the correct balance of skills, experience, independence and knowledge of the Board. All Board appointments will be made on merit and with the aim of achieving a correct balance. The Group has formal policies in place to promote equality of opportunity across the whole organisation, and training is provided to assist with this. The Board operates in a highly collaborative manner, and having two Co-CEOs helps to provide balanced executive input. Further details about each of the directors can be found on the investor page of the LoopUp website, and on page 28 onwards of this report.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	The Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual Directors. The Board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual Directors or the wider senior management team. It is healthy for membership of the Board to be periodically refreshed. Succession planning is a vital task for boards. No member of the Board should become indispensable.	The performance of the Board is evaluated on an ongoing basis with reference to all aspects of its operation including, but not limited to: the appropriateness of its skill level; the way its meetings are conducted and administered (including the content of those meetings); the effectiveness of the various committees; whether corporate governance issues are handled satisfactorily; and whether there is a clear strategy and objectives. The Co-CEOs' and CFO's performance is appraised by the Chairman. The Chairman is appraised by the other Non-Executive Directors, and the other Non-Executive Directors are appraised by the Chairman.

Principle	Application	Compliance
8. Promote a corporate culture that is based on ethical values and behaviours.	The Board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage. The policy set by the Board should be visible in the actions and decisions of the chief executives and the rest of the management team. Corporate values should guide the objectives and strategy of the Group. The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the Group. The corporate culture should be recognizable throughout the disclosures in the annual report, website and any other statements issued by the Group.	The Board reviews the Group's statement that embodies its culture and values, and means of communicating and instilling these values broadly across the organisation. The Group's key cultural values include: • Teamwork and being collaborative, helpful and supportive; • Treating others with respect; • Acting with integrity, honesty and openness; • Displaying professionalism; and • Taking ownership and being reliable and accountable. Further details about our people, and culture and our corporate social responsibility strategy are set out from page 16.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	The Group should maintain governance structures and processes in line with its corporate culture and appropriate to its: (i) size and complexity; and (ii) capacity, appetite and tolerance for risk. The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Group.	Details of the governance structures of the Group are set out from page 28.

Building trust

Principle	Application	Compliance
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	A healthy dialogue should exist between the Board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the Group. In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base. This will assist: (i) the communication of shareholders' views to the Board; and (ii) the shareholders' undertaking of the unique circumstances and constraints faced by the Group. It should be clear where these communications practices are described (annual report or website).	The Board aims to respond promptly and suitably to all shareholder enquiries and comments. The Board regularly meets with the Group's major shareholders and takes on any feedback from such meetings. All shareholders are invited to participate at the Group's AGMs (subject to COVID-19 restrictions) and encouraged to continue any discussion of the Group's activities following the conclusion of the formal AGM agenda. Reports from the Audit Committee, Nominations Committee and Remuneration Committee are set out from page 40.

Board composition

The Board comprises three Executive and three Non-Executive Directors (including the Chairman). The Group appointed Lady Barbara Judge as Chairman and Senior Independent Non-Executive Director at the time of the IPO. Following Lady Barbara's death in August 2020, Mike Reynolds was appointed as acting Non-Executive Chairman and as Chairman in May 2021.

Mike Reynolds and Nico Goulet remained in place from the pre-IPO Ring2 Communications Board, with the former being considered independent. Keith Taylor was appointed as an Independent Non-Executive Director in 2019.

Steve Flavell and Michael Hughes were co-founders of the Group in 2003, and have both served on the Board since that time. Simon Healey, who has served as CFO to the Group since 2011, was formally appointed to the Board at IPO in August 2016.

Board meetings and attendance

The Board meets at least quarterly, with at least two meetings held in person (once during the budget-setting process and once mid-year) if possible. The remaining meetings are generally held remotely using LoopUp's platform. One full in-person Board meeting was held during 2020 with a number of other meetings held remotely due to the pandemic. The table below shows the attendance at Board meetings during the year.

	Board meetings	
	Possible	Attended
Non-Executive Directors		
Lady Barbara Judge	5	5
Mike Reynolds	10	10
Nico Goulet	10	10
Keith Taylor	10	10
Executive Directors		
Steve Flavell	10	10
Michael Hughes	10	9
Simon Healey	10	10

	Committee meetings					
	Audit		Remuneration		Nomination	
	Possible	Attended	Possible	Attended	Possible	Attended
Mike Reynolds	2	2	3	3	1	1
Nico Goulet	2	2	3	3	–	–
Keith Taylor	2	2	3	3	1	1
Steve Flavell	2	2	3	3	1	1
Michael Hughes	–	–	–	–	–	–
Simon Healey	2	2	–	–	–	–

Board responsibilities

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

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

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

Board effectiveness

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

The Co-CEOs' and CFO's performance is appraised by the Chairman. The Chairman is appraised by the other Non-Executive Directors, and the other Non-Executive Directors are appraised by the Chairman.

Directors' independence
Two of the Non-Executive Directors are considered by the Board to be independent and are free to exercise independence of judgement. They have never been employed by the Group nor do they participate in the Group bonus scheme. They receive no remuneration apart from their fees and, in one case, limited options which were issued prior to IPO, all of which are fully vested. During 2020, Mike Reynolds exercised 75,000 options as detailed in the Remuneration Report.

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

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

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

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

The Board confirms that there are ongoing processes for identifying, evaluating and mitigating the significant risks facing the Group. The processes are considered to be appropriate given the size and nature of the business. The Group's internal financial control and monitoring procedures include:
- Clear responsibility for the maintenance of good financial controls and the production of accurate and timely financial information;
- The control of key financial risks through appropriate authorisation levels and senior management oversight;
- Detailed monthly reporting of trading results and financial position, including variances against budget;
- Reporting of any non-compliance with internal financial controls; and
- Review of reports issued by external auditors.

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

Shareholder communications
Executive Directors regularly meet with institutional shareholders to foster a mutual understanding of objectives. In particular, an extensive programme of meetings with analysts and institutional shareholders is held following the interim and preliminary results announcements. Feedback from these meetings is presented to the Board.

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

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

Committee composition
The Audit Committee ('the Committee') was established in August 2016, although a similar committee did operate under Ring2 Communications Limited prior to the establishment of the Group as it currently stands. Mike Reynolds is Chair of the Audit Committee and the other members are Keith Taylor and Nico Goulet. The Board considers the members to have relevant and recent financial experience, given their biographies as set out on pages 28 and 29.

Committee responsibilities
The Committee is appointed by and responsible to the Board. It has written terms of reference. Its main responsibilities are:
- Monitoring its satisfaction with the truth and fairness of the Group's financial statements before submission to the Board for approval, ensuring their compliance with appropriate accounting standards, the law and AIM rules;
- Monitoring and reviewing the effectiveness of the Group's systems of internal control;
- Making recommendations to the Board in relation to the appointment and remuneration of the external auditor, and reviewing the auditor's objectivity and independence on an ongoing basis; and
- Implementing a policy relating to any non-audit services performed by the external auditor.

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

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

Two meetings were held during the year, with the 2020 audit planning meeting delayed to January 2021. These meetings were attended by the external auditor, one Co-CEO and the CFO, as well as the three committee members. The Committee also has the opportunity to meet with the external auditor without any Executive Directors present if it wishes to do so.

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

The Committee received from the external auditor a report of matters arising during the audit which the auditor deemed to be of significance.

Significant matters considered by the Committee in relation to the financial statements and areas of judgement routinely considered and challenged were as follows:
- Revenue recognition;
- Capitalisation of development costs;
- Impairment of intangible fixed assets; and
- Going concern

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

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

External auditor
Grant Thornton UK LLP has been the external auditor since 2014. The Group's audit partner and senior manager were both changed during 2019.

Since 2019 the Group has used KPMG LLP to advise on global tax compliance processes, to ensure independence of the external auditor.

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

The Group will be reassessing the position of the auditor during 2021 and will report on these findings at the AGM.

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

Committee composition

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

Committee responsibilities

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

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

It has written terms of reference.

Committee meetings

The Committee met once during 2020 to confirm the appointment of Mike Reynolds as acting Chairman following the death of Lady Barbara Judge.

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

The Remuneration Committee

The Remuneration Committee was established in August 2016.

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

The Committee met three times during 2020, with other Board members in attendance as appropriate.

Remuneration Committee report

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

Membership of the Remuneration Committee

The Remuneration Committee comprises three Non-Executive Directors, namely Mike Reynolds as Chair, Nico Goulet and Keith Taylor. The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to remuneration, terms of service, granting of share options and other equity incentives.

Directors' remuneration policy

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

Non-Executive Directors

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

Directors' remuneration

The normal remuneration arrangements for Executive Directors consist of basic salary, annual performance-related bonuses, participation in share option and incentive schemes, and private healthcare benefits. UK Executives participate in a company contributory pension scheme, and US executives have access to a corporate 401k plan, which attracted no employer contribution in 2019 or 2020.

Annual bonuses

The 2020 annual bonus plan comprised a target bonus of 50% of salary for Steve Flavell and Michael Hughes and 25% of salary for Simon Healey. Executive Directors are rewarded based on the performance of the Group versus predefined targets as well as the achievement of personal objectives.

The Group's performance in terms of revenue, gross profit and adjusted EBITDA significantly exceeded budgeted expectations for 2020, and as a result a bonus payment of 175% of target has been accrued for the year. Final payment of this bonus is at the discretion of the Remuneration Committee, and will be confirmed or otherwise in May 2021. This contrasts with 2019, where below-target performance resulted in no bonus being payable.

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

Total Directors' Remuneration

The table below sets out the total remuneration payable to the Directors:

	Salary and fees £000	Annual bonus £000	Healthcare and pension £000	2020 total £000	2019 total £000
Executive					
Steve Flavell	230	201	9	440	239
Michael Hughes	272	238	4	514	281
Simon Healey	145	63	6	214	145
Non-Executive					
Lady Barbara Judge	33	–	–	33	50
Mike Reynolds	23	–	–	23	23
Nico Goulet	–	–	–	–	–
Keith Taylor	23	–	–	23	18
Barmak Meftah	–	–	–	6	6

Shares held by Directors

The beneficial interests of the Directors in the share capital of the Company at 31 December 2020 and 2019 were as follows:

	31 December 2020		31 December 2019	
	Number of shares	% of issued ordinary share capital	Number of shares	% of issued ordinary share capital
Executive:				
Steve Flavell	2,625,875	4.8%	2,527,294	4.6%
Michael Hughes	2,616,899	4.7%	2,457,294	4.5%
Simon Healey	64,500	0.1%	20,000	0.0%
Non-Executive:				
Lady Barbara Judge	–	–	52,254	0.1%
Mike Reynolds	75,000	0.1%	–	–
Nico Goulet (as Managing Partner of shareholder, Adara Ventures SICAR)	6,964,548	12.6%	6,964,548	12.6%
Keith Taylor	58,500	0.1%	58,500	0.1%

Directors' share options

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

	Number of options at 31 December 2020	Exercise price
Executive:		
Steve Flavell	199,000	£1.105
Michael Hughes	880,000	£0.75
	199,000	£1.105
Simon Healey	70,000	£0.50
	82,000	£0.75
	27,500	£1.105
Non-Executive:		
Lady Barbara Judge	–	–
Mike Reynolds	75,000	£0.75
Nico Goulet	–	–
Keith Taylor	–	–

During the year, the following options were issued to Executive Directors at an exercise price of £1.105:
- 199,000 to each of Steve Flavell and Michael Hughes; and
- 27,500 to Simon Healey.

During 2020, Steve Flavell and Michael Hughes each waived their rights to 120,000 share options with an exercise price of £4.40 and 60,000 share options with an exercise price of £3.175. These options have been cancelled.

During the year, Mike Reynolds exercised 75,000 options at £0.0128 per share. These shares were not sold as of the balance sheet date.

By order of the Board

Mike Reynolds
Chairman of the Remuneration Committee
17 May 2021

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

Principal activity
The principal activity of the Group is the provision of a premium cloud communications platform for business-critical external and specialist communications.

Business review and future developments
A review of the Group's operations and future developments is covered in the Strategic Report section of the Annual Report and Accounts on pages 2 to 27. This report includes sections on strategy and markets and considers key risks and key performance indicators, and also includes a statement on Streamlined Energy and Carbon Reporting (SECR).

Details of the Group's financial results are set out in the consolidated statement of comprehensive income, other statements and related notes on pages 58 to 89.

Corporate status
LoopUp Group plc (the 'Company' or 'Group') is a public limited company domiciled in the United Kingdom and was incorporated in England and Wales with company number 09980752 on 1 February 2016. The company has its registered office at The Tea Building, 56 Shoreditch High Street, London E1 6JJ. The principal places of business of the Group are its offices in London and San Francisco, and it also operates a number of other offices in the United States, as well as Germany, Spain, Sweden, Australia, Hong Kong and Barbados.

Directors
The current members of the Group's Board and Committees are set out on pages 28 to 29. Mike Reynolds was appointed as acting non-executive Chairman of the Group following the death of Lady Barbara Judge in August 2020 and as Chairman in May 2021. One-third of the Directors are required to retire at the AGM and can offer themselves for re-election.

The Company has agreed to indemnify the Directors against third party claims which may be brought against them and has put in place a Directors' and Officers' insurance policy.

Shares, dividends and significant shareholders
The middle market price of the Company's shares on 31 December 2020 was 84.0 pence and the range during the year was 40.5 pence to 284.0 pence with an average of 134.5 pence.

The Directors do not recommend the payment of a dividend (2019: £nil).

The Company is informed that, at 30 April 2021, individual registered shareholdings of more than 3% of the Company's issued share capital were as follows:

	Number of shares	% of issued ordinary share capital
Adara Ventures SICAR	6,964,548	12.6%
Andrew Scott[1]	6,665,002	12.0%
Hargreaves Lansdown Asset Management	4,024,046	7.3%
Interactive Investor	3,283,669	5.9%
Herald Investment Management	2,800,000	5.1%
Steve Flavell	2,625,875	4.7%
Michael Hughes	2,616,899	4.7%
Schroder Investment Management	2,289,913	4.1%

1. This includes shares registered in the name of his wife, Rhonda Scott and SFT Capital Limited.

Going concern

After making enquiries, the Directors have confidence that the Group has adequate resources to continue in operational existence for the foreseeable future. Management have prepared detailed, stress tested forecasts which indicate the Group's ability to continue to trade with sufficient cash resources and within the covenant tests agreed with Bank of Ireland for the Group's debt facility. For this reason, they continue to adopt the going concern basis in preparing the Annual Report and Accounts. This is described in more detail in note 1.03.

Research and development

Details of the Group's policy for the recognition of expenditure on research and development of its core platform are set out in note 2.03 of the consolidated financial statements.

Risk management objectives and policies

Details of the Group's financial risk management and policies are set out in note 19 of the consolidated financial statements. The key non-financial risks faced by the Group are set out in the Strategic Report on page 24.

Related party transactions

Details of the Group's transactions and balances with related parties are set out in note 21 of the consolidated financial statements.

Employee involvement

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

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

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

Political and charitable donations

The Group does not make political donations. Charitable donations of £5,000 were made during the year (2019: £5,000).

Supplier payment policy and practice

The Group does not operate a standard code in respect of payments to suppliers. The Group agrees terms of payment with each supplier at the start of business and makes payments in accordance with these terms. The number of creditor days outstanding at 31 December 2020 was 60 days (2019: 64 days).

Statement as to disclosure of information to the auditor

The Directors who were in office on the date of the approval of these financial statements have confirmed that

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The consolidated financial statements of the Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost basis.

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

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

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

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

By order of the Board

Mike Reynolds
Chairman
17 May 2021

Our opinion on the financial statements is unmodified

We have audited the financial statements of LoopUp Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements 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 accounting standards in conformity with the requirements of the Companies Act 2006 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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 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 are responsible for concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Overview of our audit approach

Overall materiality:

- Group: £506,000 (2019: 639,000), which represents 1% of the group's total revenue (2019: 1.5% of the group's total revenue);
- Parent company: £293,000, which is based on 1% of Total assets however company materiality was capped at 48% of component materiality (2019: £525,000)

Key audit matters were identified as

- Revenue recognition,
- Capitalisation of development costs, and
- Impairment of the carrying value of goodwill and other intangible assets

Our auditor's report for the year ended 31 December 2019 did not include any key audit matters that have not been reported as a key audit matter in our current year's audit report.

We performed an audit of the financial information of the parent company and three of the components using component materiality (full-scope) and an audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) of seven further components to gain sufficient appropriate audit evidences at the Group level. We performed analytical procedures on the financial information on the remaining seven components in the Group during the year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.

Key Audit Matter – Group	How our scope addressed the matter – Group
Revenue Recognition We identified revenue as one of the most significant assessed risks of material misstatement due to fraud and error. Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. The group has a high volume of revenue transactions, captured on the LoopUp IT platforms and transferred to the billing systems, that it recognises in accordance with IFRS15 'Revenue from Contracts with Customers'. There is a risk around the appropriate capture of call minutes and standing charges, and the effective transfer of recorded data between platforms and accounting systems. Revenue is the most significant financial item in the consolidated statement of comprehensive income and revenue growth is a key performance indicator for the Group. The group has reported revenues of £50.2m (2019: £42.5m). We identified occurrence and completeness of revenue as the relevant assertions for significant risk around revenue recognition applicable to all significant revenue streams i.e. Meetings, Events, Voice/Enablit (Cloud Telephony) and Cisco/WebEx resale. **Relevant disclosures in the Annual Report and Accounts** The group's accounting policy on revenue recognition is shown in note 2.09 to the financial statements and related disclosures are included in note 6.	In responding to the key audit matter, we performed the following audit procedures: - We evaluated the revenue recognition policies to ensure these were in line with the accounting policies, with IFRS 15, and were consistently applied. - We evaluated the internal control environment in respect of revenue recognition and gained an understanding of the processes and key controls in place. Further, we also tested the operating effectiveness of the LoopUp platform. - We engaged our IT specialists team who assessed design and operating effectiveness of the core underlying systems on the LoopUp platform and tested key IT application controls over the revenue recognition process. - In addition to IT systems testing on the LoopUp platform by our IT specialist team, to address the risk of occurrence, the audit team tested the operating effectiveness of manual monthly controls around management's review of reconciliation. - To test completeness of meetings revenue, we performed a test of detail by selecting a sample of meetings/ conferences from the population of meetings/conferences for the year and traced the sample selected to the invoices issued and paid. - To gain assurance over the occurrence of the invoices recognised as revenue, we performed a test of detail by selecting a sample of invoices, traced these back to source data i.e. minutes and rates per customer and traced the receipt of the invoice to the bank. **Our results** Our audit testing did not identify any material deficiencies in relation to the occurrence and completeness of revenue that would have required us to expand the nature or scope of our planned detailed testing work.

Key Audit Matter – Group	How our scope addressed the matter – Group
Capitalisation of development costs We identified the Capitalisation of development costs as one of the most significant assessed risks of material misstatement due to error. The group capitalises development costs within Intangible Assets. The amount capitalised in the year amounted to £6.8m (2019: £5m). The group has been developing and enhancing its remote meetings platform for a number of years and has continued this development in the current year. The development spend mainly includes the payroll cost of the skilled developers who work on the development projects. The capitalisation of development costs under International Accounting Standard ('IAS') 38 'Intangible Assets' involves significant judgement and therefore there is a risk that a material error could occur if items have been incorrectly capitalised. **Relevant disclosures in the Annual Report and Accounts** The group's accounting policy on development costs shown in note 2.03 to the financial statements and related disclosures are included in note 14.	In responding to the key audit matter, we performed the following audit procedures: - We evaluated the development costs capitalised to ensure these capitalised costs meet all the requirements as stated within IAS 38 'Intangible Assets'. - We gained an understanding of relevant development projects and evaluated the design effectiveness of key controls ensuring appropriate capitalisation of costs. - We performed tests of detail over the development costs capitalised. We inspected employment contracts of employees whose salaries were capitalised, inspected evidence of the major developments that took place in 2020 and held discussions with relevant management personnel to ensure development costs capitalised met all the requirements of IAS 38 'Intangible Assets'. - We challenged the management's key assumptions, in particular that the development cost met the technical and commercial feasibility criteria. - We ensured the appropriateness of the disclosures in the accounts in respect of capitalisation of development costs. **Our results** Our audit testing did not identify any material deficiencies in relation to capitalisation of development costs that would have required us to expand the nature or scope of our planned detailed testing work.
Impairment of the carrying value of goodwill and other intangible assets We identified the impairment of the carrying value of goodwill and other intangible assets as one of the most significant assessed risks of material misstatement due to error. The Group has a material amount of goodwill (of £31.5m) and other intangible assets (Customer relationship of £25.8m and Brand & trademarks of £1.6m) held on the balance sheet as at 31 December 2020. Goodwill is required to be tested for annual impairment and the existence of impairment indicators must be considered for other intangible assets. Management has undertaken its annual impairment review based on discounted cash flows. There are significant judgements in the discounted cash flow calculations including forecast operating cashflows, discount rate and growth rate. **Relevant disclosures in the Annual Report and Accounts** The group's accounting policy for goodwill and other intangibles is shown in note 2.08 to the financial statements and related disclosures are included in note 14.	In responding to the key audit matter, we performed the following audit procedures: - We reviewed the design and implementation of controls relevant to the impairment reviews for goodwill and other intangible assets. - We reviewed management's assessment of impairment, including the discounted cash flow model and challenged their assessment of its appropriateness and methodology in line with the requirement of IAS 36 'Impairment of assets'. This includes the consideration that the group has one single cash generating unit (CGU), including all goodwill and other intangibles. - We challenged the key assumptions around cash flow forecast, growth rate and discount rates included within the discounted cash flow model. - We reviewed the judgements and estimates applied in the five year cash flow forecast, and ensured its reasonableness through corroboration with supporting evidence. - We assessed the discount rate used in the model and used the work of our auditor's expert to assess its reasonableness. - We performed downward sensitivity analysis on each assumption, including performing a compounded sensitivity. - We assessed the reasonableness of the remaining useful economic life for other intangible assets being amortised. - We evaluated the disclosures relating to the impairment review. **Our results** Our audit testing did not identify any material deficiencies in relation to impairment for carrying value of goodwill and other intangible assets that would have required us to expand the nature or scope of our planned detailed testing work.

Key Audit Matter – Group	How our scope addressed the matter – Group
Going Concern We identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement. Covid-19 is one of the most significant economic global events, and the market in which Loop Up operates has been significantly impacted. An increased demand for product and services has been matched by an increase in competition and this competition could adversely impact the future trading performance of the group and led the group to reassess its product and market strategy, as set out in the Co-CEOs' statement. These factors contribute to increase the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. In undertaking their assessment of going concern for the Group, the Directors considered the changing market conditions in their forecast future performance of the Group and anticipated cash flows: - Management performed a scenario testing exercise for the period covered by the going concern forecast, including considering a reasonable base case forecast and a downside scenario. - The Board reviewed the results of both scenarios and were satisfied in both cases the Group remains within current facilities; and - The Directors have concluded, based on the scenarios reviewed that the Group has sufficient resources available to meet its liabilities as they fall due and have concluded that there are no material uncertainties that cast significant doubt over the entity's ability to continue as a going concern. **Relevant disclosures in the Annual Report and Accounts** - The group's accounting policy for going concern is shown in note 1.03 to the financial statements.	Our audit work included, but was not restricted to: - obtaining and reviewing management's paper and assessment of going concern and challenging the assumptions used in the cash flow forecasts, which have been approved by the Board; - obtaining management's forecast up to the period of 31 May 2022, together with supporting evidence for all key trading, working capital and cash flow assumptions; - obtaining management's downside scenario, which reflect management's assessment of uncertainties, and which management consider to be unlikely. We evaluated the assumptions regarding the forecast period and reduced trading levels under each of these scenarios; - considering whether assumptions are consistent with our understanding of the business obtained during the course of the audit and the changing external circumstances; - testing the adequacy of the supporting evidence for the cash flow forecast, reviewing and performing arithmetical checks on the forecast; and - obtaining post year end management accounts and comparing against amounts forecasted to assess accuracy of forecasts; - reviewing forecasts for covenant compliance given the lower trading environment which posed a risk of breaching covenant compliance; - reviewing the policies and disclosures in respect of going concern given in the financial statements for appropriateness. In our evaluation of the Directors' conclusions, we considered the inherent risks associated with the Group's and the Company's business model including effects arising from macroeconomic uncertainties such as United Kingdom's withdrawal from the European Union and Covid-19, we assessed and challenged the reasonableness of the forecasts made by the Directors and the related disclosures and analysed how those risks might affect the Group's and the Company's financial resources or ability to continue operations over the going concern period. **Our results** - We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

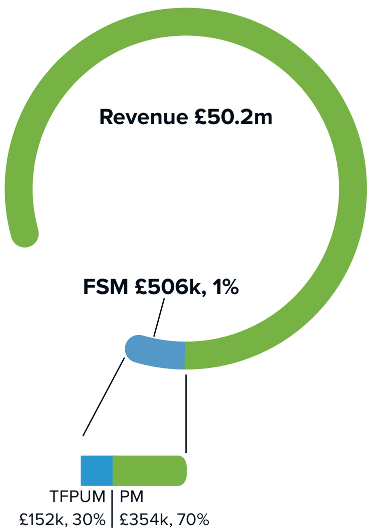
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£506,000 which is 1% of group revenue.	£293,000 which is 1% of parent company total assets but capped at 48% of component materiality.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: This benchmark is considered the most appropriate because there is considerable volatility in profit/loss before tax. Revenue is a key performance indicator for the group. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 due to the decrease in benchmark percentage, reflecting the risk assessment around increase in the volume of revenue transactions. The materiality determined was not revised during the audit.	In determining materiality, we made the following significant judgements. This benchmark is considered the most appropriate because the company is a holding company that does not actively trade. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 due to the capping by component materiality. The materiality determined was not revised during the audit.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Materiality threshold	£354,200 which is 70% of financial statement materiality.	£205,100 which is 70% of financial statement materiality.
Significant judgements made by auditor in determining the materiality	In determining performance materiality, we made the following significant judgements: - Whether there were any significant adjustments made to the financial statements in prior years - Whether there were any significant control deficiencies identified in prior years - Whether there were any changes in senior management during the period - Whether there were any significant changes in business objectives/ strategy	In determining performance materiality, we made the following significant judgements: - Whether there were any significant adjustments made to the financial statements in prior years - Whether there were any significant control deficiencies identified in prior years - Whether there were any changes in senior management during the period - Whether there were any significant changes in business objectives/ strategy

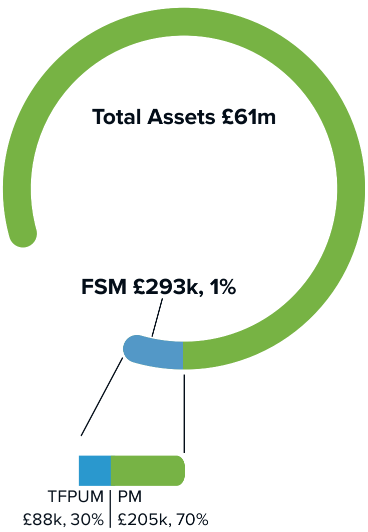
Materiality measure	Group	Parent company
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality threshold	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions, in with our calculated trivial threshold for the group.	
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£25,300 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£14,650 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile. In order to address the risks described above, as identified during our planning procedures, we performed an audit of the financial information of the parent company and three of the components financial statements using component materiality (full-scope) taking into account the structure of the Group, the accounting processes and controls, and the industry in which they operate.

The components of the Group were evaluated by the Group engagement team based on a measure of materiality considered as a percentage of total Group assets, revenues and operating profit before taxes, to assess the significance of the component and to determine the planned audit response. For those components that we determined to be significant components, either a full scope approach or specific procedures in relation to specific balances and transactions were carried out. This approach was determined based on their relative materiality to the Group and our assessment of audit risk.

The Group's components vary significantly in size. Of the Group's eighteen components, we identified four which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. Specific audit procedures over certain balances and transactions were performed on seven further companies to give appropriate coverage of all material balances at reporting and Company level. Together, the components subject to audit procedures, being full scope and specific procedures, were responsible for 98% of the Group's revenues, 98% of the Group's operating profit before tax, and 99% of Group's total assets.

We sought wherever possible, to rely on the effectiveness of the Group's internal controls. We assessed the design and operating effectiveness of the IT general controls within the LoopUp meetings platform. We then undertook substantive testing on significant transactions and material account balances, including the procedures outlined above in relation to the key risks. For the components where specific procedures were carried out a similar testing strategy was applied, focused on the significant transactions and material account balances. There were no significant changes to the scope of the current year audit from the scope of the prior year audit.

Audit approach	No. of components	% coverage Total assets	% coverage Revenue	% coverage PBT
Full-scope audit	4	63%	83%	78%
Specific-scope audit	7	36%	15%	21%
Analytical procedures	7	1%	2%	2%

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.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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.

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

In the light of the knowledge and understanding of the group and 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.

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the directors' responsibilities statement, 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the Group and sector in which they operate. We determined that the following laws and regulations were most significant: International accounting standards, Companies Act 2006, QCA Corporate governance code and taxation laws including the application of local sales and use taxes and overseas permanent establishments.
- We understood how the Company and the Group is complying with those legal and regulatory frameworks by making inquiries to the management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Company's and Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
  - challenging assumptions and judgments made by management in its significant accounting estimates;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item; and
  - held discussions with those outside the finance team including, human resources, key management (CEO, CFO and Directors), project and development team (CPO).

- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations through the following:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
  - knowledge of the industry in which the client operates.
- The engagement team also engaged with tax specialists in the UK to address the risk of non-compliance relating to tax legislation.

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.

Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
17 May 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Revenue	6	50,230	42,541
Cost of sales		(14,632)	(14,304)
Gross profit		35,598	28,237
Adjusted operating expenses[i]	7	(20,270)	(21,825)
Adjusted EBITDA[ii]		15,328	6,412
Depreciation	7	(1,698)	(1,475)
Amortisation of development costs	7	(4,581)	(3,777)
Adjusted operating profit[iii]		9,049	1,160
Exceptional reorganisation costs	7	–	(509)
Amortisation of acquired intangibles	7	(2,210)	(2,210)
Share-based payment charges	20.06	(575)	(588)
Total administrative expenses	7	(29,334)	(30,384)
Operating profit/(loss)		6,264	(2,147)
Finance costs	10	(568)	(647)
Profit/(loss) before income tax		5,696	(2,794)
Income tax	11	826	789
Profit/(loss) for the year		6,522	(2,005)
Other comprehensive income			
Currency translation loss		(140)	(397)
Total comprehensive income/(loss) for the year attributable to the equity holders of the parent		6,382	(2,402)
Earnings/(loss) per share (pence):	12		
Basic		11.8	(3.6)
Diluted		10.8	(3.6)

(i) Total administrative expenses excluding depreciation, amortisation of development costs and acquired intangibles, exceptional reorganisation costs and share-based payment charges.

(ii) Adjusted EBITDA is operating profit stated before depreciation, amortisation of development costs and acquired intangibles, exceptional reorganisation costs and share-based payment charges.

(iii) Before amortisation of acquired intangibles, exceptional reorganisation costs and share-based payment charges.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000 Restated (note 24)	1 January 2019 £000 Restated (note 24)
Assets				
Property, plant and equipment	13	2,663	2.737	2,168
Right of use assets	13	2,347	3,228	–
Development costs	14	11,389	9,104	7,880
Other intangible assets	14	27,446	29,656	31,866
Goodwill	14	31,511	31,511	31,511
Total non-current assets		75,356	76,236	73,425
Trade and other receivables	15	6,744	8,652	8,657
Cash and cash equivalents	16	12,086	3,000	5,581
Current tax	15	1,647	1,631	1,153
Total current assets		20,477	13,283	15,391
Total assets		95,833	89,519	88,816
Liabilities				
Trade and other payables	17	(6,363)	(5,415)	(4,487)
Accruals and deferred income	17	(3,605)	(2,578)	(2,601)
Lease liabilities	13	(747)	(862)	–
Borrowings	18	(1,700)	(1,700)	(1,700)
Total current liabilities		(12,416)	(10,555)	(8,788)
Net current assets		8,061	2,728	6,603
Non-current liabilities				
Borrowings	18	(11,050)	(12,750)	(14,450)
Lease liabilities	13	(1,600)	(2,366)	–
Deferred tax liability	27	(5,581)	(5,709)	(5,709)
Total non-current liabilities		(18,231)	(20,825)	(20,159)
Total liabilities		(30,647)	(31,380)	(28,947)
Net assets		65,186	58,139	59,869
Equity				
Share capital	20	277	276	276
Share premium	20	60,677	60,588	60,504
Other reserve		12,691	12,691	12,691
Foreign currency translation reserve		(2,472)	(2,332)	(1,935)
Share-based payment reserve		1,354	779	191
Retained loss		(7,341)	(13,863)	(11,858)
Shareholders' funds attributable to equity owners of parent		65,186	58,139	59,869

The financial statements were approved by the Board of Directors and authorised for issue on 17 May 2021. They were signed on its behalf by:

Steve Flavell
Director

The notes on pages 65 to 89 form part of these financial statements.

Company number 09980752

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Assets			
Investments	22	139	139
Total non-current assets		139	139
Trade and other receivables	15	60,815	60,725
Total current assets		60,815	60,725
Total assets		60,954	60,864
Net assets		60,954	60,864
Equity			
Share capital	20	277	276
Share premium	20	60,677	60,588
Retained profit		–	–
Shareholders' funds attributable to equity owners of parent		60,954	60,864

The financial statements were approved by the Board of Directors and authorised for issue on 17 May 2021. They were signed on its behalf by:

Steve Flavell
Director

The notes on pages 65 to 89 form part of these financial statements.

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

Company number 09980752

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Share capital £000	Share premium £000	Other reserve £000	Foreign currency translation reserve £000	Share-based payment reserve £000	Retained loss £000	Shareholders' funds/deficit attributable to equity owners of parent £000
As at 1 January 2019		276	60,504	12,691	(1,935)	191	(11,858)	59,869
Loss for the year		–	–	–	–	–	(2,005)	(2,005)
Other comprehensive income		–	–	–	(397)	–	–	(397)
Total comprehensive profit for the year		–	–	–	(397)	–	(2,005)	(2,402)
Transactions with owners of parent in their capacity as owners:								
Equity share-based payment compensation	20	–	–	–	–	588	–	588
Shares issued net of transaction costs	20	–	84	–	–	–	–	84
As at 31 December 2019		276	60,588	12,691	(2,332)	779	(13,863)	58,139
As at 1 January 2020		276	60,588	12,691	(2,332)	779	(13,863)	58,139
Loss for the year		–	–	–	–	–	6,522	6,522
Other comprehensive loss		–	–	–	(140)	–	–	(140)
Total comprehensive loss for the year		–	–	–	(140)	–	6,522	6,382
Transactions with owners of parent in their capacity as owners:								
Equity share-based payment compensation	20	–	–	–	–	575	–	575
Shares issued net of transaction costs	20	1	89	–	–	–	–	90
As at 31 December 2020		277	60,677	12,691	(2,472)	1,354	(7,341)	65,186

The notes on pages 65 to 89 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Share capital £000	Share premium £000	Retained profit £000	Shareholders' funds attributable to equity owners of parent £000
As at 1 January 2019		276	60,504	–	60,780
Result for the year		–	–	–	–
Total comprehensive result for the year		–	–	–	–
Transactions with owners of parent in their capacity as owners:					
Shares issued net of transaction costs	20	–	84	–	84
As at 31 December 2019		276	60,588	–	60,588
As at 1 January 2020		**276**	**60,588**	**–**	**60,588**
Result for the year		**–**	**–**	**–**	**–**
Total comprehensive result for the year		**–**	**–**	**–**	**–**
Transactions with owners of parent in their capacity as owners:					
Shares issued net of transaction costs	20	**1**	**89**	**–**	**90**
As at 31 December 2020		**277**	**60,677**	**–**	**60,954**

The notes on pages 65 to 89 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 restated (Note 24) £000
Operating activities			
Profit/(loss) before income tax		5,696	(2,794)
Non-cash adjustments			
Depreciation and amortisation	7	8,490	7,466
Share based payments charge		575	588
Interest payable		568	647
Net tax received		1,200	401
Working capital adjustments			
Decrease in trade and other receivables		1,997	80
Increase in trade and other payables		1,370	737
Net cash from operating activities		19,896	7,125
Cash flows from investing activities			
Purchase of property, plant and equipment	13.01	(757)	(1,257)
Addition of intangible assets	14.01	(6,866)	(5,001)
Net cash used in investing activities		(7,623)	(6,258)
Cash flows from financing activities			
Proceeds from share issue net of issue costs	20	90	84
Repayment of loans	18	(1,700)	(1,700)
Payments for leased assets		(881)	(795)
Interest and finance fees paid		(568)	(647)
Net cash used in financing activities		(3,059)	(3,058)
Net change in cash and cash equivalents		9,214	(2,191)
Cash and cash equivalents, beginning of year		3,000	5,581
Exchange differences on cash and cash equivalents		(128)	(390)
Cash and cash equivalents, end of year	16	12,086	3,000

The notes on pages 65 to 89 from part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £000	2019 £000
Operating activities		
Profit before income tax	–	–
Working capital adjustments		
Increase in debtors	(90)	(84)
Net cash used by operations	(90)	(84)
Net cash from financing activities		
Proceeds from share issue net of issue costs	90	84
Net cash generated by financing activities	90	84
Net change in cash and cash equivalents	–	–
Cash and cash equivalents, beginning of year	–	–
Cash and cash equivalents, end of year	–	–

The notes on pages 65 to 89 form part of these financial statements.

1. Business description and basis of preparation

1.01 Business description

The principal activity of the Group is the cloud communications platform for external and specialist communications.

LoopUp Group plc ('the Group') is a limited liability company incorporated and domiciled in England and Wales, with company number 09980752. Its registered office is The Tea Building, 56 Shoreditch High Street, London, E1 6JJ.

1.02 Basis of preparation

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

The preparation of financial information requires the Directors to exercise judgements in the process of applying accounting policies as outlined in note 5.

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

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own statement of comprehensive income. The result for the year dealt with in the financial statements of the Company was £nil (2019: £nil).

The accounting policies used have been consistently applied throughout all periods presented in the financial statements.

1.03 Going concern

At the balance sheet date, the Group had cash of £12.1m, net debt of £0.7m and net assets of £65.2m.

At the balance sheet date, the Group had total outstanding borrowing facilities of £12.8m. These facilities were issued with debt covenants which are measured on a quarterly basis. Management have reviewed forecasted cash flows and revenues for at least the next 12 months following the date of these financial statements and are confident of remaining within agreed covenant levels.

As set out in the Group's Strategic Report, the COVID-19 pandemic has had a material and almost certainly irreversible impact on the broader market for external communications. The Group has swiftly and proactively reassessed its own product and market strategy, however there are clear residual market uncertainties which may impact the Group's operations to some extent. These uncertainties have been taken into account in the Group's forecasting and budgeting processes.

The Directors prepared a detailed budget covering the Group's expected performance over a period covering at least the next 12 months from the date of these financial statements. This reasonable base case modelled the expected activity of the existing customer base and the current sales pipeline. The Directors also produced a number of scenarios and sensitivities, including a worse case, downside model, in order for the board to satisfy that the Group has sufficient cash resources to continue to trade successfully during this period.

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

1.04 Chief operating decision-maker

The Executive Leadership Team are considered the chief operating decision-maker.

2. Summary of significant accounting policies

The principal accounting policies adopted are set out below:

2.01 Basis of consolidation

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

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

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

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

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

2.02 Currencies

(a) Functional and presentational currency

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

(b) Transactions and balances

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

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

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

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

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

2.03 Development costs

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

Development costs are capitalised when the related projects meet the recognition criteria of an internally generated intangible asset, the key criteria being as follows:
(a) technical feasibility of the completed intangible asset has been established;
(b) it can be demonstrated that the asset will generate probable future economic benefits;
(c) adequate technical, financial and other resources are available to complete the development;
(d) the expenditure attributable to the intangible asset can be reliably measured; and
(e) management has the ability and intention to use or sell the asset.

2. Summary of significant accounting policies continued

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

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

Intangible assets still in development and not available for use are reviewed annually for impairment. Intangible assets in use are reviewed for impairment where an indicator has been identified.

2.04 Goodwill

Goodwill arising on business combinations represents the difference between the consideration for a business acquisition and the fair value of the net identifiable assets acquired, less any accumulated impairment losses. The consideration for a business acquisition represents the fair value of the assets given and equity instruments issued in return for the assets acquired. Goodwill is not amortised but is subject to an impairment review performed at least annually.

2.05 Acquired intangible assets

Acquired intangible assets include customer relationships and brands. Intangible assets acquired in material business combinations are capitalised at their fair value as determined by reference to the methodologies, judgements and policies disclosed on page 80. Intangible assets are amortised on a straight-line basis over their useful economic life of 15 years. Amortisation charges are charged to the income statement as other administrative expenses. The table in note 7 separates out the amortisation of each asset category.

2.06 Investments

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

2.07 Property, plant and equipment

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

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

- Office equipment – 20-33% straight line
- Computer equipment – 20-33% straight line
- Certain assets in acquired subsidiaries are depreciated on a reducing balance basis, resulting in an immaterial difference in depreciation charges.

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

2.08 Impairment of non-current assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or charges in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's (or cash-generating units) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

2. Summary of significant accounting policies continued

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.09 Revenue recognition

Revenue comprises the transaction price, being the amount of consideration the Group expects to be entitled to in exchange for transferring promised goods or services to a customer in the ordinary course of the Group's activities.

Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

LoopUp Platform Capabilities revenue arises from the delivery of conferencing services using LoopUp's proprietary products, namely remote meetings, managed events and webcasting and cloud telephony, alongside resale of Cisco WebEx Meetings (categorised as "third party resale services").

The significant majority of revenue arises upon usage by customers of services delivered on a pay as you go model, based on seconds of conference time, the number of participants on the conference, and usage of other value-added services. An increasing proportion of customers are subject to contracted levels of minimum usage, however this is still invoiced on a monthly basis. Revenue is recognised in relation to conferencing services as the service is performed, is invoiced to the customer monthly in arrears, and is recognised at a point in time.

Subscription revenues are recognised over the life of the subscription term.

Revenue from equipment sales is recognised when delivery is made and the control of the equipment has passed to the customer, with support costs recognised over the period of time to which the charges relate.

Revenue from the sale of third party services (Cisco WebEx Meetings) comprises a combination of re-sold seat subscriptions sold on a 'per host per month' basis, typically on 12 month or more committed terms, and minutes and overage charges for usage of these products. Revenue from these services is recognised evenly over the period of time to which the charges relate. Revenue from usage is recognised at the time the service is performed.

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

2.10 Cost of sales

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

2.11 Current and deferred tax

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

(a) Current tax

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

(b) Research and development tax credits

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

(c) Deferred tax

Deferred tax is calculated at the latest tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply when settled. It is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case it is also dealt with in equity.

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

2. Summary of significant accounting policies continued

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

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

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

2.12 Leases

The Group is not party to any material leases where it acts as a lessor, but the Group does have certain material property and equipment leases, under which it is a lessee.

Following the adoption of IFRS 16, for any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been disclosed separately within non-current assets and lease liabilities are disclosed separately within current and non-current liabilities.

2.13 Payroll expense and related contributions

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

2. Summary of significant accounting policies continued

2.14 Benefits and pension costs

LoopUp Limited and MeetingZone Limited operate contributory pension schemes under the UK's auto-enrolment rules. Company contributions (3% in FY2019 and FY2020) are recognised as an expense in the statement of comprehensive income as they fall due.

US staff qualify for a non-contributory 401k pension scheme. The Group has no further payment obligations once the contributions have been deducted and paid. The costs of administering this scheme are charged as an expense to the statement of comprehensive income in the period to which they relate.

2.15 Share-based compensation

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

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

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

2.16 Alternative performance measures

The Board assesses the performance of the Group using alternative performance measures (namely Adjusted operating expenses, Adjusted EBITDA, Adjusted operating profit and Adjusted basic/diluted earnings per share) as in the Board's view, these reflect the underlying performance of the business and provides a more meaningful comparison of how the business is managed and measured on a day-to-day basis and is used as a basis for incentive compensation arrangements for employees.

Adjusted operating expenses represents total administrative expenses excluding depreciation, amortisation and impairment of development costs and acquired intangibles exceptional reorganisation costs and share-based payments charges.

Adjusted EBITDA is defined as operating profit stated before depreciation, amortisation and impairment of development costs and acquired intangibles, exceptional reorganisation costs and share-based payments charges.

Adjusted operating profit is defined as operating profit stated before amortisation of acquired intangibles, exceptional reorganisation costs and share-based payments charges.

Adjusted earnings per share numbers are calculated using profit attributable to shareholders, adjusted for exceptional reorganisation costs, amortization of acquired intangibles, share-based payment charges and deferred tax releases.

Exceptional reorganisation costs are considered to be one-off in nature and are of such significance to the performance of the Group due to their size, nature or incidence that the board considers it necessary to show them separately on the face of the statement of comprehensive income.

It is important to note that alternative performance measures are not defined under IFRS and therefore are defined as 'Non-GAAP' measures. The alternative performance measures used by the Group may not be directly comparable to similarly titled measures reported by other companies. They are not intended to be a substitute for, or be superior to, GAAP measures of performance.

2.17 Dividends

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

2. Summary of significant accounting policies continued

2.18 Accounting developments

This report has been prepared based on the accounting policies detailed in the Group's financial statements for the year ended 31 December 2020 and is consistent with the policies applied in the previous financial year.

There are no other new standards, amendments and interpretations which are effective for periods beginning on or after 1 January 2020, which had any impact on the Group's accounting policies and disclosures in these financial statements.

None of the new standards, amendments and interpretations, which are effective for periods beginning after 1 January 2020 and which have not been adopted early, are expected to have a significant effect on the consolidated financial statements of the Group.

3. Financial instruments

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

3.01 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at transaction price.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due.

3.02 Cash and cash equivalents

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

3.03 Financial liabilities

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

Borrowings and trade and other payables

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

3.04 Classification as debt or equity

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

3.05 Equity instruments

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

(a) Share capital

The nominal values of equity shares. The rights attributable to the classes of equity in issue are disclosed in note 20.

(b) Share premium

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

(c) Retained earnings

The retained net profits or losses to date less distributions.

3. Financial instruments continued

(d) Foreign currency translation reserve

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

(e) Other Reserve

A reserve has been created to enable the reservation of a consolidated balance sheet which combines the equity structure of the legal parent with the non-stationary reserves of the legal subsidiary.

(f) Share-based payments reserve

A reserve used to recognise the value of equity-settled share-based payments provided to employees, including Key Management Personnel as part of their remuneration.

4. Financial risk management

4.01 Financial risk factors

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

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

4.02 Capital risk management

The Group is funded by equity and loans.

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

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

There are no externally imposed capital requirements.

4.03 Fair value estimation

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

5. Critical accounting estimates and judgements

Details of significant accounting judgements and critical accounting estimates include:

Judgements

5.01 Recoverability of deferred tax assets

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

This requires assumptions regarding the future profitability of the Group for the foreseeable future. The Group has recognised deferred tax assets in the year as detailed in note 25, The Group has trading losses of £8.5m (2019: £12.5m) and non-trading losses of £1.4m (2019: £1.5m) carried forward, for which there is no deferred tax asset recognised as it is not probable that future taxable profit will be available against which the unused tax losses can be utilised.

5.02 Capitalised development costs

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

These judgements have resulted in the intangible assets as set out in note 14.

5. Critical accounting estimates and judgements continued

Estimates

5.03 Valuation of acquired intangibles

Management identified and valued acquired intangible assets on acquisitions that were made during the periods disclosed in the financial statements. Management has applied judgements in identifying and valuing intangible assets separate from goodwill that consist of assessing the value of brands and customer relationships. The Board have a policy of engaging professional advisors on acquisitions with a purchase price greater than £5 million to advise and assist in calculating intangible asset values. The Group consistently applies the following methodologies for each class of identified intangible:

- Customer relationships – Net present value of future cash flows
- Intellectual Property – Cost to recreate the asset
- Brands – Royalty relief method

Assumptions are made on the useful life of an intangible and if shortened, would increase the amortisation charge recognised in the income statement. The identified intangibles are set out in note 14. There are a number of assumptions in estimating the present value of future cash flows including management's expectation of future revenue, renewal rates for subscription customers, costs, timing and quantum of future capital expenditure, long-term growth rates and discount rates.

5.04 Carrying value of goodwill and other intangibles

The carrying value of goodwill and other intangibles is assessed at least annually to ensure that there is no need for impairment. Performing this assessment requires management to estimate future cash flows to be generated by the related cash generating unit, which entails making judgements including the expected rate of growth of sales, margins expected to be achieved, the level of future capital expenditure required to support these outcomes and the appropriate discount rate to apply when valuing future cash flows.

The Group now considers that it has one single cash generating unit of the Group as a whole. In the period since acquisition, the vast majority of MeetingZone's audio revenue customer base have been transitioned onto the LoopUp platform. Staff and overhead costs have also been amalgamated such that it is becoming increasingly difficult to separately identify the acquired MeetingZone business. This is entirely in line with the intention at the time of the acquisition. Impairment testing has therefore been carried out on this basis.

5.05 Intangible asset life

Intangible assets are amortised over their estimated useful lives.

5.06 Share based payments

The Group operates a share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options and awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options and awards that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all the specified existing conditions are to be satisfied. At each reporting date, the entity revises its estimates of the number of options and awards that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The significant judgements involved in calculating the share based payments charge are the fair value at the date of grant which is determined by using the Black-Scholes model, the staff retention rate which is determined with reference to historical churn and the estimated vesting periods which are determined with reference to the Group's forecasts. Additional disclosures on the calculation of share-based payments are provided in note 20.

6. Revenue and segmental reporting

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

In July 2020 the Group announced a major extension to the LoopUp proposition to include global cloud voice services via Direct Routing integration with Microsoft Teams. This capability will be marketed to customers alongside the existing premium remote meetings and events solutions as part of a combined, core, LoopUp proposition. The Group therefore considers that it has one key operating segment, referred to as LoopUp Platform Capabilities, which comprises revenue from remote meetings, managed events and webcasts and cloud telephony, as well as revenues from the resale of third-party services. Revenues within this segment are broken out below, both by geography and platform capability.

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

The Group's largest customer represented less than 5% of total revenue in both years.

No segmental balance sheet was presented to the CODM.

The Group's revenue disaggregated by primary geographical markets is as follows:

	2020 £000	2019 £000
UK	25,591	22,544
EU	7,790	5,774
North America	15,909	13,653
Rest of World	940	570
Total	50,230	42,541

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	2020 £000	2019 £000
For the year ended 31 December 2020:		
Services transferred at a point in time	41,373	32,823
Services transferred over time	8,857	9,718
Total	50,230	42,541

The Group's revenue disaggregated by platform capability is as follows:

	2020 £000	2019 £000
Remote meetings	35,340	29,483
Managed events and webcasts	4,985	2,166
Cloud telephony	2,725	2,774
Third party resale services	7,180	8,118
Total	50,230	42,541

The Group's non-current assets disaggregated by primary geographical markets are as follows:

	2020 £000	2019 Restated £000
Geographical analysis of non-current assets:		
UK	74,230	74,753
EU	24	62
North America	1,097	1,410
Rest of World	5	11
	75,356	76,236

See note 24 for details of the prior year restatement.

7. Administrative expenses

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

	2020 £000	2019 £000
Staff costs (note 9)	13,773	14,427
Auditor's remuneration (note 8)	135	131
Other administrative expenses	6,362	7,267
Total adjusted operating expenses	20,270	21,825
Depreciation of owned property, plant and equipment (note 13)	818	680
Depreciation of right of use assets (note 13)	880	795
Amortisation of development costs (note 14)	4581	3,777
Amortisation of acquired intangibles (note 14)	2,210	2,210
Exceptional reorganisation costs	–	509
Share-based payment charge (note 20)	575	588
Total administrative expenses	29,334	30,384

Exceptional re-organisation costs are legal and professional fees, provisions for onerous leases and staff termination costs incurred in relation to the restructuring of the MeetingZone organisation following acquisition. These are not expected to recur.

8. Auditor's remuneration

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

	2020 £000	2019 £000
Fees payable to the Group's auditor for the audit of the consolidated financial statements	115	95
Fees payable to the Group's auditor for the audit of the Parent Company's financial statements	10	10
Audit-related assurance services	10	10
Tax compliance services	–	16
Total auditor's remuneration (included within adjusted operating expenses)	135	131

9. Staff and remuneration

9.01 Number of staff

	2020 Number	2019 Number
Average number of employees (including Directors):		
Executive Directors	3	3
Non-executive Directors	3	4
Commercial	104	136
Engineering and development	53	44
Other	78	86
	241	273

9. Staff and remuneration continued

9.02 Remuneration

	2020 £000	2019 £000
Aggregate remuneration of staff (including Directors):		
Short-term remuneration	16,952	15,508
Social security costs	1,532	1,551
Benefits in kind	1,265	1,424
	19,749	18,483
Capitalisation as development costs (note 14)	(5,976)	(4,056)
Included in adjusted operating expenses	13,773	14,427

In addition to the staff costs above, £844,000 (2019: £806,000) of outsourced contractor costs and £46,000 (2019: £139,000) of other, non-salary costs were incurred and capitalised as development costs.

9.03 Directors' remuneration

Remuneration of the Directors included within the statement of comprehensive income is as follows:

	2020 £000	2019 £000
Short-term remuneration	1,150	644
Social security	100	63
Benefits in kind	19	21
Non-Executive Director fees	80	97
	1,349	825
Short-term remuneration of highest paid Director	514	274

The remuneration of key management personnel is shown in note 21.01.

10. Finance expense

	2020 £000	2019 £000
Interest on loans	424	524
Loan facility fees	49	49
Interest charges on right of use assets	95	74
	568	647

11. Taxation

11.01 Income tax credit

	2020 £000	2019 £000
Current and deferred tax:		
Current period UK income tax	(1,450)	(1,429)
Current period foreign income tax	530	283
Adjustment for prior periods	222	357
	(698)	(789)
Deferred tax adjustments (note 25)	(128)	–
Net income tax credit	(826)	(789)

11. Taxation continued

11.02 Factors affecting the tax charge

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

	2020 £000	2019 £000
UK corporate tax average rate	19%	19%
Profit/(loss) before income tax	**5,696**	(2,794)
Tax at the UK corporate tax rate	1,082	(531)
Effects of:		
Expenses not deductible for tax purposes	13	386
Additional reduction for R&D expenditure	(1,451)	(706)
Set against brought forward losses	(713)	(333)
Effect of foreign tax rates	22	(19)
Adjustment for prior periods	(156)	357
Deferred tax adjustments	131	–
Other differences	246	57
Net income tax credit	**(826)**	(789)

11.03 Factors that may affect future tax charges

The effective rate of UK corporate tax at the period end was 19%. The government has announced an intention to increase this to 25%, but this has not been enacted at the date of this report.

12. Earnings per share

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

	2020 000	2019 000
Profit/(loss) attributable to equity holders (£000)	6,522	(2,005)
Adjusted profit attributable to equity holders (£000)(i)	9,307	1,302
Weighted average number of ordinary shares in issue (000)	55,330	55,208
Basic adjusted earnings per share (pence)(ii)	16.8	2.4
Basic earnings per share (pence)	11.8	(3.6)

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

	2020 000	2019 000
Weighted average number of ordinary shares in issue	55,330	55,208
Adjustment for share options	5,065	5,058
Weighted average number of potential ordinary shares in issue	60,395	60,266
Diluted adjusted earnings per share (pence)(ii)	15.4	2.2
Diluted earnings per share (pence)	10.8	(3.6)

(i) Calculated as profit attributable to equity holders adjusted for exceptional reorganisation costs, amortisation of acquired intangibles and share based payments charges.

(ii) Basic adjusted and diluted adjusted earnings per share are calculated using the profit above and adjusting for exceptional reorganisation costs, amortisation of acquired intangibles and share based payments charges.

13. Property, plant and equipment

13.01 Property, plant and equipment (Group)

	Computer equipment £000	Office equipment £000	Total £000
Cost:			
As at 1 January 2019	7,981	880	8,861
Additions	652	606	1,258
Net exchange difference	(74)	(4)	(78)
As at 31 December 2019	8,559	1,482	10,041
Additions	753	4	757
Disposals	(575)	(551)	(1,126)
Net exchange difference	(83)	(6)	(89)
As at 31 December 2020	**8,654**	**929**	**9,583**
Accumulated depreciation:			
As at 1 January 2019	6,012	681	6,693
Charge for the year	579	103	682
Net exchange difference	(66)	(5)	(71)
As at 31 December 2019	6,525	779	7,304
Charge for the year	600	218	818
Disposals	(575)	(551)	(1,126)
Net exchange difference	(73)	(3)	(76)
As at 31 December 2020	**6,477**	**443**	**6,920**
Carrying amount:			
As at 1 January 2019	1,969	199	2,168
As at 31 December 2019	2,034	703	2,737
As at 31 December 2020	**2,177**	**486**	**2,663**

13.02 Property, plant and equipment (Company)

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

13.03 Right of use assets

The balance sheet shows the following amounts in relation to leases:

	2020 £000	2019 £000
Right-of-use assets:		
Buildings	2,347	3,228
Lease liabilities:		
Current	747	862
Non-current	1,600	2,366
	2,347	3,228

Additions to the right-of-use assets during 2020 were £nil (2019: £2,082,000).

13. Property, plant and equipment continued

The income statement shows the following amounts relating to leases:

	2020 £000	2019 £000
Depreciation charge of right-of-use assets Buildings	880	795
	880	795
Interest expense	95	74

The Group's leases include various office premises, typically on rental contracts from three to ten years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants other than the security interests in the leased assets held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the future expected lease payments. The lease payments are discounted using the Group's incremental borrowing rate, estimated at 3.5%.

Lease payments are allocated between principal and finance costs. The latter is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. Payments associated with short-term or low value leases are recognized on a straight line basis as an expense on the income statement.

14. Intangible assets

14.01 Intangible assets (Group)

	Customer relationships £000	Brand and trademarks £000	Acquired goodwill £000	Development costs £000	Total £000
Cost:					
As at 1 January 2019 as previously stated	31,178	1,977	30,950	18,252	82,355
Balance sheet restatement (note 24)	–	–	561	–	561
As at 1 January 2019 (restated)	31,178	1,977	31,511	18,252	82,916
Additions	–	–	–	5,001	5,001
As at 31 December 2019 (restated)	31,178	1,977	31,511	23,251	87,917
Additions	–	–	–	6,866	6,866
As at 31 December 2020	**31,178**	**1,977**	**31,511**	**30,117**	**94,783**
Accumulated amortisation:					
As at 1 January 2019	1,212	77	–	10,370	11,659
Charge for the year	2,078	132	–	3,777	5,987
As at 31 December 2019	3,290	209	–	14,147	17,646
Charge for the year	2,078	132	–	4,581	6,791
As at 31 December 2020	**5,368**	**341**	**–**	**18,728**	**24,437**
Carrying amount:					
As at 1 January 2019	29,966	1,900	30,950	7,880	70,696
As at 31 December 2019	27,888	1,768	31,511	9,104	70,271
As at 31 December 2020	**25,810**	**1,636**	**31,511**	**11,389**	**70,346**

14. Intangible assets continued

14.02 Development costs

Amortisation and any impairment charges are included in operating expenses in the statement of comprehensive income. Intangible assets still in development and not available for use are reviewed annually for impairment. Intangible assets in use are reviewed for impairment where an indicator has been identified.. Amortisation of each asset begins from the date the asset becomes available for use.

The net book value of development cost assets which are incomplete at the balance sheet date was £1,149,000 (2019: £513,000).

14.03 Goodwill, customer relationships and brands and trademarks

There were no additions to these assets during 2019 or 2020. These assets all relate to the acquisition of MeetingZone in 2018. The acquisition consisted of a single identifiable cash generating unit. The Group used specialist external advisors to value the separately identifiable assets acquired using an income approach to identify the present value of the future economic value of these assets and the resulting goodwill. Detailed three-year cash flow forecasts were produced at the time of the acquisition to support these valuations. The acquired customer relationships and brand assets were considered to have a useful economic life of at least 15 years when acquired, and are being amortised over that period, with a remaining amortisation period of 12.5 years at the balance sheet date. The Group reassesses these useful economic lives at least annually, and considers that the recent increases in churn of Meetings customers has had an immaterial impact on the amortisation charge for FY2020. This will be reviewed in 2021 to reassess whether the remaining useful economic life needs to be reduced.

In the period since acquisition, the vast majority of MeetingZone's audio revenue customer base have been transitioned onto the LoopUp platform. Staff and overhead costs have also been amalgamated such that it is becoming increasingly difficult to separately identify the acquired MeetingZone business. This is entirely in line with the intention at the time of the acquisition. To reflect this position, the Group considers that there is one single cash generating business which is the Group as a whole. Impairment testing has therefore been carried out on this basis.

The Group has reviewed the valuation of these assets following the end of the financial year, updating these cash flow forecasts in conjunction with the Group's operating forecasts for a five-year period using the revised definition of cash generating units. These forecasts support the valuation of these assets with no impairment required.

14.04 Impairment testing

The Group tests goodwill and development costs for intangible assets not yet in use for impairment on an annual basis by considering the recoverable amount of the single cash generating unit.

There are no intangible assets with indefinite useful lives (other than goodwill).

For the purpose of impairment testing, the recoverable amount of the cash-generating unit has been calculated with reference to value in use. The key assumptions for the period over which management approved forecasts are based and, beyond this, for the value in use calculations overall, are those regarding discount rates, growth rates and achievement of future revenues. In arriving at the values assigned to each key assumption management make reference to past experience and external sources of information regarding the future. The assumptions have been reviewed in light of the current economic environment. The key features of these calculations are shown below:

Period over which management approved forecasts are based	5 years
Growth rate applied beyond approved forecast period for both costs and revenues	2%
Pre-tax discount rate	8.8%

The discount rates used in each value in use calculation have been based upon divisional specific risk-taking account of factors such as the nature of service user need, cost profiles and the barriers to entry into each market segment as well as other macro-economic factors.

The Directors believe that, even in the current economic environment and taking into account the nature of the Group's operations, any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the cash-generating units' carrying amount to exceed the recoverable amount.

14.06 Intangible assets (Company)

The Company held no intangible assets during the period.

15. Trade and other receivables

	Group 2020 £000	Group 2019 restated £000	Company 2020 £000	Company 2019 £000
Trade receivables	4,804	6,561	–	–
Accrued revenue	222	193	–	–
Amounts owed by subsidiary undertakings	–	–	60,815	60,725
Other receivables	8	149	–	–
Deposits and prepayments	1,710	1,749	–	–
	6,744	8,652	60,815	60,725
Current corporate tax	1,647	1,631	–	–

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

The largest single receivable at any time would typically constitute no more than 3% of total receivables and would relate to a blue-chip customer. As such, the concentrated credit risk is considered minimal.

Details of the credit risk management policies are shown in note 19.05. No collateral is held as security for trade or other receivables. The ageing analysis of trade receivables is as follows:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Not overdue	2,067	3,792	–	–
Up to 30 days overdue	1,675	1,693	–	–
Between 30 and 60 days overdue	499	587	–	–
Over 60 days overdue	1,027	787	–	–
	5,268	6,859	–	–
Provision for credit losses	(464)	(289)	–	–
	4,804	6,561	–	–

Amounts owed by subsidiary undertakings are repayable on demand and are interest free.

16. Cash and cash equivalents

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Cash and cash equivalents	12,086	3,000	–	–
	12,086	3,000	–	–

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

17. Trade and other payables

	Group 2020 £000	Group 2019 restated £000	Company 2020 £000	Company 2019 £000
Current:				
Trade payables	3,710	4,054	–	–
Other tax and social security	2,653	1,361	–	–
Other payables	–	–	–	–
	6,363	5,415	–	–
Accruals	2,924	1,501	–	–
Deferred income	680	1,077	–	–
	3,605	2,578	–	–
Lease liabilities (note 13.03)	747	862	–	–
	747	862	–	–
Borrowings – due within one year (note 18)	1,700	1,700	–	–
	1,700	1,700	–	–
Total current liabilities	12,415	10,555	–	–

All of the deferred income balances shown above represent invoices covering a period of less than one year, and hence all of this income is recognised in the income statement in the next financial year.

18. Borrowings

Borrowings held at amortised cost

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Current:				
Bank loan	1,700	1,700	–	–
Total borrowings	1,700	1,700	–	–

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Non-current:				
Bank loan	11,050	12,750	–	–
Total borrowings	11,050	12,750	–	–

Total of current and non-current borrowings	12,750	14,450	–	–

The Group's bank loan is a £17m facility arranged with the Bank of Ireland in June 2018 in connection with the acquisition of MeetingZone. The facility is a 5-year term loan – 50% amortising, 50% bullet repayment at maturity, at a floating interest rate of 2.5% over LIBOR, with a zero LIBOR floor. Repayments of £0.85m are made every six months. The maturity date for the facility is June 2023. The Group also has access to a £3m revolving credit facility which has not been drawn at any stage.

The facility includes security over the assets of LoopUp Limited and certain other subsidiary companies. The Group is required to ensure that it complies with covenants governing gross debt/Adjusted EBITDA and Adjusted EBITDA/gross interest for the period of the loan. The Group has complied with all covenant tests up to the balance sheet date.

18. Borrowings continued

The Group's non-derivative financial liabilities have contractual maturities as summarised below:

	Within six months £000	Six to 12 months £000	One to five years £000	Non-current later than five years £000
31 December 2020:				
Trade payables	3,710	–	–	–
Bank loan	850	850	12,750	–
	4,560	850	12,750	–
31 December 2019:				
Trade payables	4,054	–	–	–
Bank loan	850	850	12,750	–
	4,904	850	12,750	–

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

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings £000'	Short-term borrowings £000'	Lease liability £000'	Total £000'
At 1 January 2020	12,750	1,700	3,228	17,678
Cash flows				
– Repayment	–	(1,700)	(881)	(2,581)
Non-cash flows				
– Reclassification	(1,700)	1,700	–	–
At 31 December 2020	11,050	1,700	2,347	15,097
At 1 January 2019	14,450	1,700	–	16,150
Adoption of IFRS 16 (restated)	–	–	1,852	1,852
At 1 January 2019 (restated)	14,450	1,700	1,852	18,002
Cash flows				
– Repayment (restated)	–	(1,700)	(795)	(2,495)
Non-cash flows				
– Additions to leases (restated)	–	–	2,171	2,171
– Reclassification (restated)	(1,700)	1,700	–	–
At 31 December 2019 (restated)	12,750	1,700	3,228	17,678

In the table above, 2019 balances have been restated due to omission of lease liability from this table relating to a presentation error in the cash flow statement (refer to note 24 for explanation) and a reclassification of £1.7m repayment of borrowings which has been correctly classified under short term borrowings and was incorrectly presented under long term borrowings in the prior year.

The maturity analysis of lease liabilities on the balance sheet is presented in note 13.03

19. Financial instruments

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

19.01 Capital risk management

Funding to date has been by equity (note 20) and loans (note 18).

19. Financial instruments continued

19.02 Financial assets

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

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Cash and cash equivalents	12,086	3,000	–	–
Trade receivables	4,804	6,561	–	–
Amounts owed by subsidiary undertakings	–	–	60,815	60,725
Other receivables	8	149	–	–
Deposits	1,710	359	–	–
	18,608	10,069	60,815	60,725

19.03 Financial liabilities

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

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Trade payables	3,710	4,054	–	–
Loans	12,750	14,450	–	–
	16,460	18,054	–	–

19.04 Market risk

There is an exposure to the financial risk of changes in exchange rates impacting overseas revenues and costs. The Directors do not consider it appropriate to engage in hedging activities at this point in time, as the Group's US Dollar revenues and costs are naturally hedged, to a large degree.

19.05 Credit risk

Careful consideration is given to the choice of bank in order to minimise credit risk. Cash is held at different banks in each local jurisdiction. The amounts of cash held with those banks at the reporting date can be seen in the financial assets table above. All of the cash and equivalents were denominated in UK Sterling. Cash is held in local currency in each jurisdiction. Amount held in non-sterling accounts are minimised where possible.

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

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

A provision of £464,000 (2019: £298,000) has been made for impairment losses in relation to trade receivables. This represents 8.8% of gross outstanding trade receivables (2019: 4.3%). The Group considers the current level of this provision to be adequate to cover expected credit losses on trade receivables. Bad debt expenses are reported in the income statement.

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

Amounts owed by subsidiaries are unsecured, have no fixed date of repayment and are repayable on demand.

19.06 Liquidity risk management

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

19.07 Maturity of financial assets and liabilities

The maturity of non-derivative financial liabilities and assets at the reporting date are shown in note 18.

19. Financial instruments continued

19.08 Fair value

The fair values of all the financial assets and liabilities on the balance sheet are considered to be equal to their carrying values.

Financial instruments are either carried at amortised cost, less any provision for impairment, or fair value. The fair value of long-term borrowings is the same as the carrying value of long-term borrowings as at 31 December 2020. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2020 or 2019, there were no financial instruments which met any of the above classifications.

Where market values are not available, fair values of financial assets and liabilities have been calculated by discounting expected future cash flows at prevailing interest rates with the following assumptions being applied:

- for trade and other receivables and payables with a remaining life of less than one year the carrying amount is deemed to reflect the fair value;
- for cash and cash equivalents the amounts reported on the balance sheet approximate to fair value.

20. Share capital and share premium

20.01 Number of shares in issue

	2020 Number	2019 Number
Ordinary shares of 0.5p each	55,441,182	55,245,182
	55,441,182	55,245,182

20.02 Share capital at par, fully paid

	2020 £000	2019 £000
Carried forward:		
Ordinary shares of 0.5p each	277	276
	277	276
Movement in year:		
Shares issued:		
– Ordinary shares of 0.5p each	1	–
	1	–

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

20.03 Changes in shares issued

	2020 Number	2019 Number
Ordinary shares issued at £0.0128	75,000	–
Ordinary shares issued at £0.5000	9,000	–
Ordinary shares issued at £0.7500	112,000	113,139
	196,000	113,139

Share issues in the year and prior year related to the exercise of share options.

20. Share capital and share premium continued

20.04 Share premium account

	2020 £000	2019 £000
Brought forward	60,588	60,504
Arising during the year on issue of shares	89	84
Costs of share issue	–	–
Carried forward	60,677	60,588

20.05 Share options

The Group operates a shared-based payment scheme for employee remuneration, which is settled in equity. Options are granted to the majority of employees on a periodic basis. Options under the scheme will vest if certain conditions, as defined in the scheme, are met. Upon vesting, each option allows the holder to purchase one ordinary share at a price determined upon the issue of the option.

Outstanding share options were as follows:

	2020 Number	2019 Number
Outstanding at 1 January	4,992,645	4,732,978
Granted at £1.10	1,195,700	–
Granted at £3.175	–	1,057,250
Cancelled and not replaced	(360,000)	–
Cancelled for replacement	–	(2,512,250)
Replacement options granted at £0.75	–	2,171,800
Lapsed	(172,416)	(343,994)
Exercised (note 20.03)	(196,000)	(113,139)
Outstanding at 31 December	5,459,929	4,992,645

	2020 Number	2019 Number
Number of options exercisable at the balance sheet date	2,669,108	2,311,369

	£	£
Weighted average exercise price of outstanding options carried forward	0.83	1.05

In June 2019 the Group issued share options to a number of employees. A total of 1,078,750 options were issued at a strike price of £3.175, equal to the market price at the date of grant. These options vest over a four-year period with a one year cliff.

In December 2019, the Group made an offer to holders of options priced at £4.40 (issued in August 2018) and £3.175 (issued in June 2019) to re-issue these options with a revised strike price of £0.75 (compared to the market price at the time of grant of £0.675. This modification involved a reduction in the number of options of 10% (for the £4.40 options) and 20% (for the £3.175 options). A new four-year vesting period commenced upon the re-issue. This process resulted in the cancellation of 1,620,000 options previously priced at £4.40 and 892,250 options previously priced at £3.175, and the issuing of 2,171,800 new options at £0.75. Co-CEO's Steve Flavell and Michael Hughes waived their rights to participate in the re-issue.

In May 2020, the Group issued a total of 1,195,000 new share options at a strike price of £1.105, equal to the market price at the date of grant. These options vest over a four-year period with a one year cliff.

20. Share capital and share premium continued

20.06 Share-based payments

The fair values of the options granted have been calculated using a Black-Scholes model. Assumptions used were an option life of five years, a risk-free rate of 1.007%, a volatility of 25% and zero dividend yield. Other inputs were as follows:

	2020 Number	2019 Number
Number granted in year	1,195,700	1,052,000
Share price at grant date	£1.105	£4.35
Exercise price	£1.105	£4,425
Fair value of each issued option	£0.265	£0.76
Vesting period (years)	4	4
Allowance for leavers and failed vestings	10%	10%
Total charge for grant	£285,000	£720,000
Charge for the year:		
– 2020 grant	£33,000	–
– 2019 grant	£144,000	£105,000
– 2018 grant	£398,000	£483,000
	£575,000	£588,000

The share option re-issue process during 2019 described above is considered to fall within paragraph 28(c) of IFRS 2 and hence does not result in an accelerated share-based payment charge in relation to the cancelled options. Using the same valuation techniques as detailed above for the reissued options results in a lower overall charge, and hence no adjustment has been made to the charge in either year.

21. Related party transactions

21.01 Remuneration of key personnel

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

	2020 £000	2019 £000
Short-term remuneration	2,850	1,808
Social security	272	179
Benefits in kind	62	79
Total remuneration	3,184	2,066

21.02 Transactions and balances with key management personnel

	2020 £000	2019 £000
Amounts owed by/(to) key personnel:		
Steve Flavell	(13)	(25)
Michael Hughes	(29)	(41)
Mike Reynolds	(4)	(10)
Simon Healey	–	(1)
	(46)	(77)

This amount represents unpaid expense claims or fee invoices.

21. Related party transactions continued

21.03 Transactions with related companies and businesses

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

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

	2020 £000	2019 £000
Purchases from related parties:		
Silicon Valley Internship Program LLC	(46)	(57)
	(46)	(57)
Amounts owed to (by) related parties:		
Silicon Valley Internship Program LLC	–	–
	–	–

22. Subsidiary undertakings

The Company owns 100% of the issued shares of the following telephony and conferencing services subsidiaries which make up the carrying value of £139,000 (2019: £139,000). Investments in MeetingZone and other subsidiaries are held in LoopUp Limited.

	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by Group at year end 2020	2019
Owned directly by LoopUp Group plc:				
LoopUp Limited	UK	Telephony and conferencing services	100%	100%
Owned indirectly by LoopUp Group plc:				
LoopUp LLC	USA	Telephony and conferencing services	100%	100%
LoopUp (Barbados) Limited	Barbados	Telephony and conferencing services	100%	100%
LoopUp (HK) Limited	Hong Kong	Telephony and conferencing services	100%	100%
LoopUp Australia Pty Ltd	Australia	Telephony and conferencing services	100%	100%
Pimco 2711 Limited	UK	Dormant company	100%	100%
Warwick Holdco Limited	UK	Holding company	100%	100%
Warwick Debtco Limited	UK	Holding company	100%	100%
Warwick Bidco Limited	UK	Holding company	100%	100%
MeetingZone Limited	UK	Telephony and conferencing services	100%	100%
MeetingZone GmbH	Germany	Telephony and conferencing services	100%	100%
MeetingZone Inc	USA	Telephony and conferencing services	100%	100%
MeetingZone Canada Limited	Canada	Telephony and conferencing services	100%	100%
Comfy MeetingZone AB	Sweden	Telephony and conferencing services	100%	100%
Comfy MeetingZone AS	Norway	Telephony and conferencing services	100%	100%
MeetingZone Hong Kong	Hong Kong	Dormant company	100%	100%

All subsidiary undertakings have been included in the consolidation.

23. Dividends

The Directors do not recommend the payment of a dividend (2019: £nil).

24. Restatements

During the year, the Group identified that certain assets and liabilities acquired as part of the acquisition of MeetingZone in 2018 had been misstated in the acquisition balance sheet. Accrued income assets had been overstated by £669,000 and deferred revenue liabilities had been overstated by £108,000. The net impact of these adjustments is to increase the goodwill asset relating to the acquisition by £561,000 – all of this asset is geographically located in the UK. The Group's 2018 and 2019 balance sheets have been restated to reflect these adjustments. There is no impact on the income statement in either year.

The restatement in the cash flow statement relates to a reclassification of payments for lease liabilities of £881,000 (2019:£795,000) which were previously included in operating activities, now classified as financing activities.

25. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Intangible assets timing differences £000	Timing differences on tax losses £000	Total £000
Balance as at 1 January 2019 and 31 December 2019	(5,709)	–	(5,709)
Timing differences recognised on tax losses	–	1,427	1,427
Timing differences recognised on intangible assets	(2,238)	–	(2,238)
Reduction in timing differences on amounts amortised	939	–	939
Balance as at 31 December 2020	(7,008)	1,427	(5,581)

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