Annual Report & Financial Statements

CloudCall Group PLC

Year Ended: 31 December 2019
Registered Number: 05509873

CloudCall

Contents

Highlights

- Recurring revenues up 33% compared to 2018
- Total revenues up 30% to £11.4m (2018: £8.8m)
- Annualised revenue run-rate surpasses £13m
- Gross margin 79% (2018: 78%)
- EBITDA loss (excl. share-based payments and exceptional items) reduces to £2.2 m (2018: £2.5m)
- £13.1 m available cash (including debt facilities) at year-end (2018: £0.9m)
- Net cash absorbed by operating activities down by 8% year on year to £1.9m
- £11.3 m (net) successful equity fundraise completed in October 2019

- 42,348 users as at 31 December 2019 - up 35% (2018: 31,343)
- 902 average net new monthly users added in 2H 2019 (of which Q3 = 643 and Q4 = 1,161), 25% higher than 2H 2018
- Average customer size increased by 22% to 33 users
- Increased investment takes year end headcount up to 160 from 147 last year
- Record breaking Q4 2019 sales performance assisted by 2 significant enterprise deals expected to go live in 2020
- Greater collaboration with key partners is improving large and enterprise opportunity pipeline
- 4 new CRM integrations added in 2019, significantly expanding the number of companies able to benefit from CloudCall's deeply integrated communications
- Broadcast and template SMS capabilities rolled out to our key CRM integrations
- First CRM integration delivered using CloudCall's new rapid integration toolkit

Group overview

Cloudcall Group plc ("CloudCall" or the "Company") is a UK registered company, quoted on the AIM market of the London Stock Exchange (LSE: CALL). The principal activity of the Company is to act as the holding company.

CloudCall and its subsidiaries (the "Group") operate as a software and integrated communications business that has developed and provides a suite of cloud-based integrated software and communications products and services under the name "CloudCall". The Group's principal activity is to provide products and services designed to improve business performance by enabling multi-channel client communications to be driven from a single user interface by the data held within Customer Relationship Management ("CRM") software.

The CloudCall product suite allows companies to fully integrate their business communications tools into their existing CRM software, enabling all customer communications, to be made, recorded, logged and categorised from within the CRM system from which detailed activity reports, analysis and follow-up actions can be easily generated.

The Group's software and integrated communications platform is currently enabling over 42,300 users across nearly 1,300 customers to drive more effective communications directly from the intelligence that exists within their CRM system.

The Group has approximately 160 staff situated in Leicester (UK), London (UK), Boston (US), Minsk (Belarus) and Sydney (Australia).

The Group's Head Office and Registered Office address is 1 Colton Square, Leicester, LE1 1QH, UK.

Further information can be found on our website www.cloudcall.com.

Our business model

CloudCall is a software company that designs, develops and operates integrated multi-channel communications services for CRM systems. Due to the unique way that the CloudCall system is built with its own Application Programming Interface ("API"), it has the capability to readily integrate with multiple CRM systems.

CloudCall software, working seamlessly with its core telephony and messaging platforms, delivers data-driven, intelligent, cost effective communications services directly to customers via an intuitive user interface that deeply integrates with their CRM system.

CloudCall is a full-service communications provider licensed to operate in multiple countries. CloudCall provides a robust and effective service built on its own cloud-based technology stack.

CloudCall works closely with key CRM partners through which it reaches most of its end customers and their users. CloudCall's current geographic reach extends from North America, through the UK and mainland Europe to Australia and parts of the Asia Pacific (APAC) region. CloudCall contracts directly with the CRM's end-customers, with a small percentage of recurring revenues being paid to the relevant CRM partner for as long as their customer remains a CloudCall customer.

CloudCall services are invoiced monthly in arrears on a per user, per month basis. CloudCall software, telephony and SMS messaging services are either billed as all-inclusive packages, separate bundles of calls or messages for pre-defined usage levels, or on a software plus 'pay as you go' (PAYG) per minute / message basis. 89% of the Group's revenues are recurring (monthly subscriptions) or repeating (PAYG) in nature.

Professional services are delivered as part of the service delivery processes and include, testing customers networks, account and user configuration, project management and training fees. These service fees facilitate effective on-boarding, which in turn leads to higher levels of user adoption, lower churn and a demonstrably faster return on investment for customers.

All new customers are regularly contacted throughout the on-boarding process to ensure they remain satisfied and engaged. Following delivery, they are also routinely contacted for post-implementation feedback, looking to identify and resolve any ongoing issues. Existing customers are treated and followed up in a similar way by specialist Key Account and Relationship Management teams. CloudCall provides strong and effective customer support, working to resolve and reduce issues which may cause customers to churn. CloudCall prides itself on its strong and personal customer support capabilities, and very much views this as a key differentiator in its marketplace.

CloudCall's product management, software development and engineering functions are mostly located in Leicester (UK), although it also operates an offshore software development centre in Minsk (Belarus).

Our market

The overall market size for CRM software is estimated to be more than $40bn per annum. It is estimated that the market for CTI (Computer Telephony Integration) software is as much as 40-50% of the overall CRM market in terms of its potential size. There are thousands of individual CRM platforms, serving a wide variety of industry sectors.

CloudCall operates directly in North America through its office in Boston, MA, in Europe through its UK offices in Leicester and London, and in APAC through its Australian office in Sydney. The Group primarily focuses its products and services on its core CRM partners. Following the launch of its "Easy-integrator" solution, during 2019, CloudCall added 4 new CRM integrations to its product portfolio, and it anticipates adding more in 2020 and beyond.

In addition to focusing on the three core existing integration partners identified above and working with its new and proposed integration partners, CloudCall also considers its products and services to be extremely relevant for companies within the staffing and recruitment sector, and consequently has existing partnerships with several smaller staffing and recruitment CRMs that it continues to maintain and develop.

Our strategy

CloudCall's strategy is built around its belief that communications are significantly more effective when linked to the data a business holds about its customers and prospects. This data is typically held within a CRM system. CloudCall has built a cloud-based integrated communications platform which integrates deeply into CRM systems and which can manage multiple communications channels via a single, intuitive user interface. An integrated multi-channel communications system such as CloudCall can utilise data stored in the CRM to improve communications workflows, as well as providing powerful reporting and analytics capabilities to generate powerful insights for improving performance. CloudCall is architected in a way that enables it to achieve scale easily through the addition of new communications channels, new features and tools, and new CRM integrations that can expand its addressable customer base and ultimately lead it into new markets.

The partner and customer-centric growth strategy remains unchanged. The Group grows revenues by expanding market presence and brand awareness through an increasing number of CRM partner relationships and building strong commercial relationships with larger customer by serving those customers with a feature-rich and relevant product that sits at the heart of their business communications needs. This enables the Group to confidently approach its objectives in order that commercial risks can be contained and that it has the bandwidth and resources to execute on its plans.

The Group's core objectives are to deliver strong top-line revenue growth, to continue to drive the business toward EBITDA break-even, to deliver a high-quality product and customer experience and to encourage a strong and ethical corporate culture. To achieve these objectives, it focuses its resources as follows:

- Deep focus and stronger relationships with its core CRM partners and where present, their own partner ecosystems
- Establishing and building strong and mutually beneficial relationships with other CRM partners by building new integrations that will serve our customers' needs and marketing those effectively
- Focus on larger mid-market customers to drive up average revenues per customer, and to reduce average customer costs by continuing to improve onboarding processes, lowering ongoing costs of support per customer and reducing churn rates without compromising on the quality of its service
- Focus on strengthening relationships and growing revenues from existing and future enterprise level customers by expanding CloudCall penetration across their organisations
- Focus on developing deep understanding and expertise within its chosen industry verticals, to ensure CloudCall products and services not only meet, but exceed the needs of those markets
- Focus on providing the highest standards of customer service and support to increase customer satisfaction levels, referenceabilty and brand reputation whilst also reducing churn
- Continuing to develop CloudCall into a market-leading, feature-rich integrated communications service for CRMs, delivering an exceptional value-adding customer experience, with high availability and reliability aligned with best-in-class security
- Fostering a positive corporate culture, investing in staff and building relationships with local charities and the community in general.

Chairman's statement

In more normal circumstances I would be pleased to report on another year of solid progress for the business which saw strong performance across the essential KPIs set by the board and financial results for the year ended 31 December 2019 which show excellent progress towards the focussed strategic objectives agreed in the five year plan.

Obviously, the world situation has changed due to the Covid-19 pandemic and as a business our immediate thoughts are focused on the safety and welfare of our staff, partners and clients. The Board has reacted swiftly to ensure all our staff are able to work remotely to continue to provide an uninterrupted service to our clients and partners.

Financial highlights

- Total revenues up by 30% to £11.4m compared to £8.8m in FY 2018
- Monthly recurring revenues up by 33% compared to FY 2018
- Total users increased by 35% since 31 December 2018
- Annualised revenue run rate through £13m based on Q4 2019 revenues
- Strong SaaS metrics

Four Pillars of Growth

During 2019 the business continued to focus its objectives around four key growth pillars:

- To continue developing relevant new products, services and features for our customers
- To deepen relationships with existing partners, while integrating with more recruitment CRMs and become the "go-to" integrated communications provider for the sector
- To expand both our geographic and sector reach
- To engage with larger enterprise customers

Good progress was made against each of these growth objectives during the year and will continue to be the focus as we progress through 2020.

Product Development, Scalability and Customer Retention

The key to long term success in an annuity revenue business is maintaining a high Lifetime Value: Customer Acquisition Cost ratio, which clearly requires effective sales and marketing, client satisfaction and ongoing client revenue growth in order to be achieved and maintained. Our own figure of just over 6, together with our high net renewal rates demonstrates that we are successfully delivering high value, adding new clients at an effective cost of customer acquisition.

I am pleased to report that the relationship with our key strategic partners has deepened globally during 2019 and is now providing a much higher quality of qualified lead flow. Focus on client satisfaction and client retention has seen improving metrics in this area and the introduction of new messaging functionality should provide even more opportunities for enhancing average revenues per user as we move forward. Significant progress has been made in encouraging key strategic Account Managers and Sales Executives to identify potential leads from their existing and new clients.

2019 also saw a more collaborative approach with our leading partners starting to proactively build opportunities from their own customer base as confidence in the partnership and the platform builds.

In 2019 the board identified that the strategy of expanding globally, working with key strategic partners and moving the target customer towards the enterprise level would bring the business to an important strategic crossroads. Following intensive discussions with advisers and shareholders the decision was taken to raise significant additional equity capital by way of a placing. This placing raised £11.3m net of fees and was completed in October 2019. This new equity meant the business finished the year with a significantly stronger balance sheet with cash of £11.1m and an ongoing credit facility of £3.0m.

People

2019 saw few changes at senior management or board level however the planning exercise that preceded the equity fund raising identified a number of gaps in the management structure and part of the use of funds from the placing was utilised to make some key hires to strengthen the executive team to provide the capacity and experience to drive the next level of growth.

Early in 2020 a number of key hires have been announced including a new Chief Technology Officer, a new Chief People Officer and a new US based Chief Revenue Officer to drive our US revenues and customer service offering.

I would like to take this opportunity to thank all our staff for their drive and commitment throughout the year.

Outlook

With a significantly stronger balance sheet and a focussed and demonstrably effective growth strategy, the business ended 2019 in very good shape and the board is confident that the business is well placed to deliver long term shareholder value. At the time of writing the Global Coronavirus is spreading rapidly across the world forcing governments and business to take unprecedented action to contain the spread of infection.

This is resulting in curtailing of international travel, cancellation of trade shows, conferences and large customer events. The full impact of these measures on new business leads and the subsequent wider impact, particularly on the recruitment sector if companies slow or freeze hiring of staff are not yet possible to quantify.

Although the business benefits from strong recurring revenues, high levels of user satisfaction and providing a product that supports remote working and working from home, it is inevitable that there will be some as yet unquantifiable impacts as the Coronavirus contagion spreads across the globe.

Through recent reviews of investment plans and operating costs, the Board is confident that the business is comparatively well placed, supported by the successful recent fund raise, to get back on track when the current uncertain market conditions abate.

Peter Simmonds
Non-executive Chairman
CloudCall Group plc

Chief Executive's review

I wrote in my review last year, that 2018 was a year of significant investment in new product and expanding our sales and marketing capabilities to lay strong foundations for growth in 2019 and beyond, and I plan to use this opportunity to present the 2019 results which show the results of that investment coming through. I also wish to discuss how we are planning to use the proceeds of our October 2019 fund raise to capitalise on the exciting opportunities opening before us.

Covid-19

However, before I do, I should like to comment on the current Covid-19 pandemic and its likely effect on the Group.

During the first two months of 2020, trading was in-line with expectations, but with the escalation of the Covid-19 crisis in March and particularly since countries have been going into lockdown, we've started to see some new sales opportunities postponing decisions. This has been partially offset by a flurry of orders from existing customers preparing for their staff to work from home, but we expect this to be relatively short lived.

In comparison to many companies CloudCall is well placed to weather this pandemic. Our products and services are extremely relevant in the current climate, particularly as they allow customers' staff to work remotely with full access to systems that they would use in their normal place of work.

Furthermore, as a SaaS company, a significant proportion our revenue is contracted, recurring or repeatable in nature, thereby providing us with strong forward revenue visibility. SaaS businesses incur the cost of development and acquisition upfront, but income is spread over the customers' lifetime. There is therefore a balance between investing for further customer acquisition, investment in the product, and managing cash generation or burn.

So, whilst income is relatively predictable, costs, are more flexible. Investment for growth can be slowed or accelerated relatively quickly as market conditions dictate. This can serve to reduce cash burn as needed and could be used to push a company to break-even ahead of forecasts. All options, of course, would have an impact on future growth rates.

In the current medical crisis and with our strong balance sheet, the Board is keen to stand by our excellent staff as much as possible, but we have already taken numerous measures to reduce both current and planned cash burn and will continue to monitor the situation closely.

CloudCall is well capitalised and has the ability to flex its cash burn. As the length of the current crisis is unknown, it's impossible to accurately predict what our 2020 and 2021 revenues will be, but the Board is confident that CloudCall has sufficient cash to enable it to trade its way through this period of global uncertainty.

Performance overview and financial highlights

The performance of the Group in 2019 demonstrates that our "4 pillars of growth" strategy to become the leading provider of 'integrated communications' by continuing to enhance our product, integrate with more CRMs, expand our geographic reach and engage with ever larger customers is beginning to deliver success as evidenced by further strong revenue growth.

In numerical terms, growth continues strongly with an overall 30% increase in revenue compared to the prior year. Behind this headline growth, our core recurring revenue streams grew by 33%, and our US operation performed strongly, contributing a 50%+ increase in revenue. North America now contributes around 40% of our overall revenues.

The Company is also pleased to report that our net renewal rate from existing customers remains over 100%, and this continues to be demonstrably higher where those customers are from the recruitment and staffing sector, which remains one of several key strategic focus area for CloudCall's products and services.

The average recurring revenue per user (ARPU) remained constant during the period at approximately £28 per user per month, as discounts on larger customer wins were offset by cross selling additional chargeable products or services.

The Group also completed an equity fundraise in October 2019, raising net proceeds of £11.3m. As at 31 December 2019, the Group held available cash reserves of £11.1m with a further £2.0m of headroom on its debt facility still available to be drawn.

Strong growth metrics

As discussed in previous reports, two of the key metrics that we monitor closely are 'Total Users' and 'Net New User Growth' which is the number of new users signed-up, less any lost or 'churned' users within that same period. We believe these metrics give a more appropriate basis for calculating future growth and revenues than simply using an extrapolation of historical income, which can give a distorted view due to timings.

The total number of users grew 35% to just over 42,300, representing an average net new user growth of 917 per month over the year, a 41% increase over 2018. During H2, an average of 902 monthly net new users were added compared to 932 in H1. The slightly lower number in H2 was due to no enterprise deals closing in Q3. However, Q4 recovered strongly and was a record quarter in terms of new orders received and average monthly net new user growth of 1,162.

It is pleasing to see the further acceleration in Net New User Growth over the course of 2019 and I firmly believe that this level of acceleration clearly validates our strategy and demonstrates that the investments we have been making are starting to bear fruit.

However, the investments being made are targeted to impact growth not just in 2019, but for the years ahead, and notwithstanding current market uncertainty, I hope to see further acceleration in net user growth being driven from the four key pillars of our growth strategy set out below.

Total users	2018 H1	2018 H2	2019 H1	2019 Q3	2019 Q4
Monthly average net user growth	580	724	932	643	1,162
Total users at end of period	27,000	31,343	36,936	38,864	42,348

Our ongoing growth strategy

1. Developing relevant new products, features and services for our customers

I previously highlighted the growing importance of messaging within the communications mix and how it was essential that we developed a messaging service to maintain our competitive advantage. Following the 2018 launch of our Version 1 internal messaging (IM) and SMS services, I was delighted that our product and development teams were able to exceed expectations by quickly following that with the launch of our 2nd generation messaging services. This significantly improved user experience by adding new functionality including the capability for customers to use message templates and to simultaneously send SMS messages to multiple end users from targeted contact lists built within our partner CRMs and for all messages to synchronise with CloudCall Go! - our mobile app.

By the end of the period, our messaging services had achieved penetration of just under 8% of our customer base. Within this, we have seen mixed results by geography with UK uptake lower than expected at 6.6% due to a general move away from SMS towards other social media channels such as Facebook and WhatsApp. US uptake on the other hand has exceeded expectations with over 10% uptake by the end of 2019.

In 2020 or early 2021 we plan to significantly strengthen our messaging services with the addition of a number of social media channels to complement the existing IM and SMS capabilities for true omni-channel messaging capability. It is anticipated that this will boost penetration, particularly in the UK.

We are also now in the early stages of research and design around work-flow automation, that would allow customers to build automated massaging and call flows based on triggers and actions from within their CRM.

2. Deepening relationships with existing partners and adding more CRM integrations

In H2 2019, the Company announced several new integrations with other recruitment and staffing CRMs and is now pleased to see lead-flow and new customer acquisitions from these new partners contributing towards Q4's excellent new business bookings. These new CRM partnerships are still in a relatively early stage and Board expects they will have a greater contribution in 2020 as the relationships develop. Further

CRM integrations and partnerships continue to be actively worked on, and in February 2020, we were delighted to announce a new integration partnership with Vincere, a recruitment CRM with more than 1,000 customers from 50+ countries, including a significant presence in the APAC region.

3. Expanding geographic and sector reach

Following the October 2019 fundraise, the Company has invested in the extension of its platform into the APAC region, further enhancement of its products and services and significant additional sales and marketing capabilities from which it expects to deliver considerable revenue growth in the years ahead.

We are delighted to report that since the year end, thanks to the excellent work of our engineering teams enabling our services to be delivered in Australia. Since the year end, our Sydney office is now open for business and we are pleased to confirm that CloudCall Australia signed its first customer within weeks of opening. We are really excited by the opportunity that Australia and, in due course, the wider-APAC region presents and look forward to giving further updates in the future.

4. Engaging with and serving larger enterprise customers

2019 saw a tangible increase in interest in CloudCall's products and services from large enterprise level customers with potential user bases ranging from 250 users to multiple thousands. This has been primarily driven by our growing reputation in the recruitment sector, and our ongoing relationship with our key partners.

Our decision to open an office in Sydney was in part due to the requirement from some of these enterprise prospects to have a global solution. There are also a number of our existing large customers that have openly expressed a desire to expand their CloudCall user base once we are able to serve their global requirements.

During H1 2019, we were delighted to announce our first major 1,000 users plus win with ACS (American Cyber Systems). Their 1,850-user deal is now well into the roll-out phase having commenced a little later than initially planned and is expected to make a significant contribution to revenues in the coming year. Furthermore, as they have been working through deployment, the opportunity has grown to potentially add a significant number of additional users and services.

In February 2020, we announced a second major win with Vaco, a global talent & solutions firm with annual revenues of more than $750 million. The three-year contract will see CloudCall providing its integrated telephony service to Vaco's thousand plus employees in quarterly tranches over the coming 18 months. The extended implementation period for this contract means that the resulting revenues will be spread throughout 2020 and into 2021.

Engaging with and serving Enterprise level prospects and customers brings with it many challenges and requires time and patience to build. It is crucially important to approach this opportunity appropriately resourced to execute effectively and provide appropriate levels of technical and service support. This is one of the reasons that we raised further funds in October 2019, and we are delighted to be able to continue investing in building our capabilities whilst already making strong progress.

Our culture

CloudCall's core values place our staff, customers and local community at the heart of what we do. We strongly believe that looking after and supporting our staff and the communities that we work in, creates a strong platform from which to delight our customers. Our strategy is based around a desire to help customers get more from their commercial data by providing easy to use and powerful communications tools that are deeply integrated into their CRM systems. To that end, we work hard to ensure that we take the time to understand our customers' businesses and pride ourselves on being able to react quickly and effectively to all their needs. Despite being a technology company, CloudCall prides itself on being a caring, customer-focused services company first and foremost, and our staff are encouraged and trained to act accordingly.

Like all businesses, CloudCall operates in an environment that is not free from risks or uncertainties. The nature and complexity of the services it provides can present technical challenges that carry a certain element of commercial risk, and the company is naturally exposed to external market, geo-political and compliance related risks that are not necessarily within its control. CloudCall works diligently to identify, monitor and mitigate all risks and uncertainties and there is more information about how this is achieved within the Director's risk report contained within the Report and Accounts.

The Board is committed to promoting a healthy corporate culture that ensures its staff are motivated, challenged and happy working together for the mutual benefit of all the Company's stakeholders. Staff engagement and ongoing satisfaction levels are routinely monitored through a series of regular one-to-one meetings and regular company meetings held on a quarterly basis to help to ensure inclusivity and awareness of company-wide strategy and objectives and our ongoing progress.

Over the year, staff numbers increased from 147 to 160, reflective of the investment we are making in our product and sales and marketing capabilities and ensuring our back-office processes are improved to support the business as it scales up. As mentioned above, we continue to focus on creating a caring and inclusive culture and improvements we have made, and continue to make, in staff mentoring, training and ongoing support mechanisms are contributory to improved skill levels, higher staff satisfaction levels and good staff retention. Our charity and community initiatives continue to be highly valued and well supported by our staff and we remain keen to ensure all staff have equal opportunity to participate in these worthwhile activities.

As the global climate emergency continues to develop, in 2019, the Group set itself the target of being carbon neutral within 2 years. Whilst this project is in its infancy, we have already appointed an internal project manager and identified several staff that are keen to help take this initiative forward. A study of our current carbon footprint and ways in which this can be improved towards eventual carbon neutrality has been commissioned and the management team is keen to commit to adopting its recommendations going forward.

We remain focused on our objective to ensure CloudCall remains a responsible employer, partner and supplier, creating valuable and skilled jobs and being a caring neighbour and considerate user of resources wherever it is represented around the world. We continue to believe that success in this area generates significant benefits for employees, customers, partners and members of our local communities alike.

Outlook

The Group began 2020 well, with key elements of its strategic initiatives making a very positive impact, resulting in additional lead generation, a strengthening sales pipeline and important investment being made to strengthen CloudCall's senior management team.

The Covid-19 pandemic is expected to slow new orders received and inevitably some of our customers will cease to trade. However, CloudCall's product is fundamentally suited to the current requirement for home working and, as a SaaS business with recurring revenues and the ability to flex costs, the Board is confident that The Group's strong balance sheet is sufficient to weather this storm.

Simon Cleaver

Chief Executive Officer
Cloudcall Group plc

Key performance indicators

The following Key Performance Indicators (KPIs) are used by the Group to measure progress towards our core strategic and financial objectives. Where appropriate, employee incentives are directly connected to these KPIs.

Key Performance Indicators (KPIs)				
KPI	**Link to strategic goals**	**31 Dec 2018** (restated for IFRS 16)	**31 Dec 2019**	**Growth in 2019**
Revenue	Growth in revenues, and particularly recurring revenues, demonstrates effective and targeted new customer acquisition and greater upsell and retention from existing customers. Quality and focus within key account and relationship management, service delivery and customer support, drives more efficient implementation, reduces churn and improves customer satisfaction, all of which contribute to revenue growth.	£8.75m	**£11.40m**	**30%**
Gross Margin	High gross margins within the Group's operating units are indicative of sales of higher value implementation services, an effective mix of pre-paid vs pay-as-you-go telephony and messaging services, effective partner management and effective procurement from upstream telecoms partners.	78.4%	**78.9%**	**0.5%**
EBITDA Loss (excl. Share Based Payments and Exceptional Items)	For a SaaS business that is investing in new product, sales and marketing infrastructure, and other improvements to enable it to scale up, periods of investment in the business will take operating expenses higher from the point which that investment takes place until revenue returns begin to come through. The narrowing losses reported for 2019 are reflective of revenue growth beginning to come through from previous investments.	(£2.49m)	(£2.16m)	**(13.2%)**
Net Loss after Tax	Losses and ultimately profits are reflective of policies focused on revenue growth, cost of sales efficiencies and operating expenditure containment or expansion depending on whether the Company is investing for growth or managing itself towards profitability. Depreciation, amortisation, financing costs, taxation and other one-time non-operating costs will also impact bottom-line profitability.	(£3.12m)	(£2.95m)	**(5.7%)**

KPIs (continued)				
KPI	**Link to strategic goals**	**31 Dec 2018** (restated for IFRS 16)	**31 Dec 2019**	**Growth in 2019**
Net Cash absorbed by Operating Activities	Cash absorbed by operating activities typically reduces as revenues outgrow operating costs. Although it should be noted, that periods of investment to facilitate further growth will temporarily increase cash burn until revenue growth catches up.	(£2.07m)	**(£1.91m)**	**(7.8%)**
Cash and Cash Equivalents	The Group needs to ensure that it has enough cash reserves to support its operations through to break-even at which point it becomes cash generative and self-funding. Cash balances need to be considered in the context of any debt that may mature during the fiscal period.	£0.93m	**£11.10m**	**£10.17m**
No of End Users	User counts are taken at the point an order is signed, and growth is indicative of both strong sales activity into larger new clients, as well as successful customer account management driving uplifts from the current customer base.	**31,343**	**42,348**	**35%**
Monthly Recurring Revenue Per User (RRPU)	Strength in new product / feature development and successful upselling from within the existing customer base and to new customers will drive growth in RRPU over time, however, this will be naturally diluted as larger customers negotiate better pricing arrangements, and ongoing geographic expansion into the US will also dilute as VOIP costs per user are typically lower in that more mature market.	£28.00	**£28.00**	**0%**
Avg. Net New Users per Month	Improving monthly net new user growth provides a good indication of improving sales performance from both new business and existing customer accounts, plus reduced user losses through better retention and churn management.	**652**	**917** **H1 932** **H2 902**	**41%**
Avg. Users Per Customer	Strong average users per customer growth shows clearly the impact of the strategy to drive the growth of the customer base towards larger and enterprise customers.	27.0	**33.0**	**22%**

Key Performance Indicators - Note

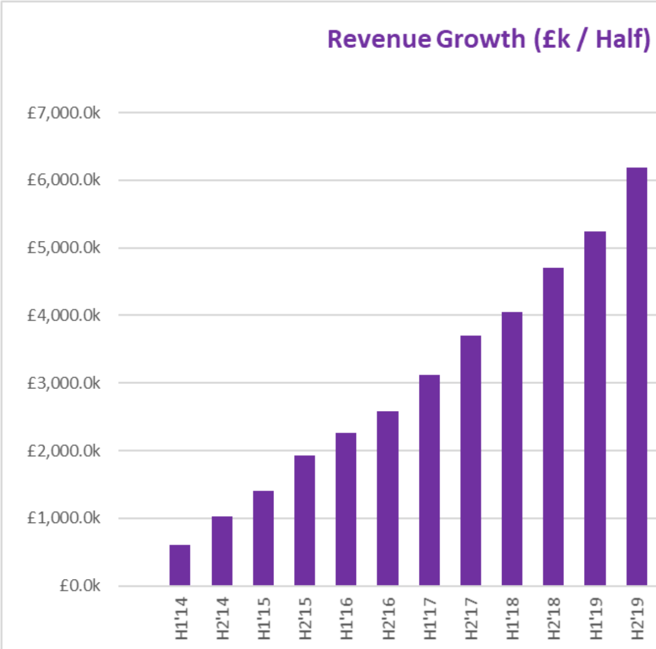
The Board considers the key performance indicators (KPIs) identified above as key to understanding the performance of the business and reports these KPIs externally as part of its half yearly updates.

Financial review

Revenue

Revenues grew by 30% from £8.8m to £11.4m in 2019

The Group derives all its revenues from the provision of integrated communications software and services to customers in the UK, mainland Europe and North America. In 2019, the Group's North American operation delivered strong growth with revenues up 56% to £4.5m (from £2.9m in 2018). The UK and mainland Europe operation grew by 18% to £6.9m (from £5.9m in 2018). The Group's recently announced new operations in APAC will begin to contribute revenues in 2020. Recurring revenue from subscription-based software services grew by 33% in 2019 compared to the prior year. Based on an extrapolation of Q4 revenues, the annualised revenue run rate is now around £13m.



During 2019, the Group was able to grow recurring revenues from its existing customer base by 19%, which when offset by customer cancellations and user reductions yielded a net renewal rate of 102%. Strong recurring revenue growth from new customers during 2019, underpinned by this net revenue growth from the existing customer base supports the Board's ongoing view that its strategy to focus on several key CRM partnerships, as well as investing for growth from both its US new business sales operations, large and enterprise customers and the ongoing focus on its existing customer base continues to deliver positive results.

Further analysis regarding revenues can be found in Note 5 to the financial statements.

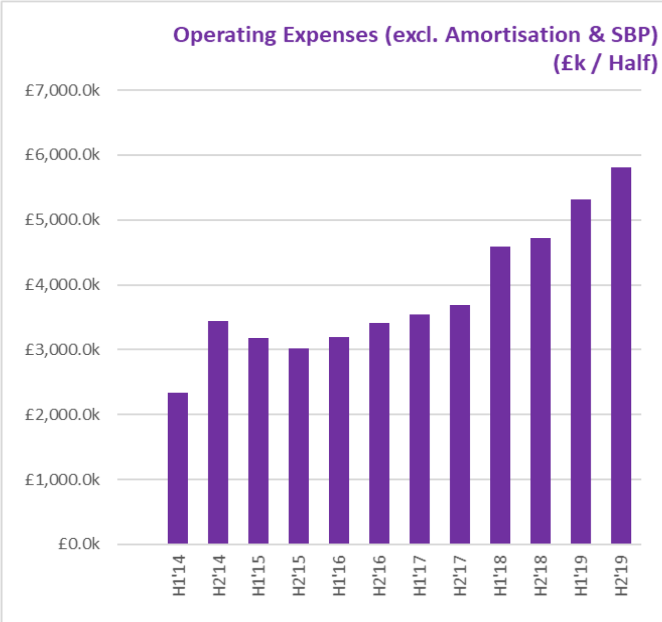
Gross margin

Gross margin increased from 78.4% in 2018 to 78.9%

Gross margin increased slightly year on year driven by three key factors. Firstly, customer set-up fees, one-off fees and professional services, which are effectively reported at 100% gross margin, increased year on year in absolute terms and are the main contributing factors for the overall gross margin increase. Secondly, hardware sales margins reduced slightly in the year as they continue to be undertaken on an "at cost" basis. CloudCall is not a pure-play hardware vendor, and for the most part simply looks to use its buying power to source and supply cost effective hardware on behalf of its customers. Although customers that require hardware are increasingly able to source that equipment at competitive prices elsewhere, purchasing their hardware from CloudCall enables it to be configured correctly by CloudCall engineers on installation, and returned in the event of any issues. Finally, partner commissions are slightly higher as an overall percentage of recurring revenues compared to last year as we continue to grow business from our core partner, Bullhorn, and as the new referral partner program began to establish itself in the latter part of 2018.

Operating costs excluding depreciation, amortisation, share based payments and exceptional items

Operating costs grew from £9.3m to £11.1m in 2019



Growth in operating expenditure of 19% year-on-year in the context of a 30% growth in revenues for the same period is the result of continued investment in infrastructure and resources deployed to generate accelerated revenue growth in the future. From the successful fundraise in late 2019, it was clearly signalled that fresh investment would lead to greater operating expenditure and operating losses in the short-term, as the investment took time to flow through to increased revenue.

Reported operating costs should be read in the context of a further £1.4m (2018: £1.1m) of costs incurred in the development of new products and services and capitalised to the balance sheet under IAS 38. The adjusted operating cost including this expenditure would have been £12.6m (2018: £10.5m), an increase of 20% against the IAS 38 adjusted operating spend in 2018. The increased IAS 38 qualifying expenditure is reflective of ongoing investment being made in new product development.

Loss from operating activities before depreciation, amortisation, share based payment charges and exceptional items was £2.2m, down by 13% from £2.5m in 2018.

Research and development costs

Development costs capitalised £1.43m (2018: £1.12m)

Investment in the development of new and improved products, features and applications and the integral intellectual property of such development work is considered key to the preservation of CloudCall's competitive position.

To that end, the Group continues to invest in product development and continued to adopt the accounting treatment set out in IAS 38 (Intangible Assets) for the ongoing capitalisation of research and development costs through 2018.

The Group confirms that, as a result of new products coming into service since the policy was implemented, IAS 38 related amortisation charged in 2019 was £338k (2018: £241k).

Further details can be found in Note 11 on intangibles.

Debt and financing expenses

The Group has outstanding debt of £2.4m (2018: £1.6m) and a financing expense of £274k (2018: £227k). Included in the debt position, is the recognition of a capitalised lease liability worth £1.4m.

During September 2019, the Group replaced its previous revolving credit facility with Barclays with a term credit facility (the "Facility) with Shawbrook Bank which provides borrowing facilities of up to £3 million for a 3.5-year term set to expire in March 2023. Interest is set out below as the aggregate of

- the margin of 9% plus
- higher of LIBOR or 0.5% per annum.

Funds can be drawn in pre-defined tranches as set out by the agreement with interest payable monthly in arrears. The facility is secured over the assets of the Group.

As at 31 December 2019 the Group utilised £1million of the £3million Facility.

The Board remains committed to maintaining its borrowing facilities going forward and will review the existing arrangements with a view to renewal or replacement at an appropriate point before the expiry of the current facility.

As a result of the change in the debt position during 2019 due to the drawing against the Facility and the effects of IFRS 16, the Group's net financing expense increased to £274k compared to £227k in 2018. See Notes 3 & 19 on IFRS 16.

Cash and working capital

The Group had £11.1m net cash at the end of the year (2018: £0.9m).

Available cash, including the Shawbrook Bank facility, was £13.1m on 31 December 2019.

The Group's balance sheet also includes an R&D tax credit receivable of £0.76m. As has been the case in recent years, this is expected to be received in cash in June or July 2020.

Net cash absorbed by operating activities was £1.9m, down from £2.1m in 2018. This decrease in cash absorption is attributed to the slight reduction in Operating Loss during the year.

During 2019, the Group incurred £573k of capital expenditure other than intangibles, down from £880k in 2018. With the adoption of IFRS 16, £124k (2018: £460k) of additions are associated with 'Right of Use' assets. Whilst the Group continues to leverage a greater proportion of web-based service providers such as AWS to host some of its core technology services, planned capital expenditure was elevated during 2018 due to the fit-out costs for a new larger office in Minsk, Belarus, and successful hardware refreshes carried out to both our UK and US technology platforms.

In February 2019, the Company successfully raised £2.4million in new capital, fulfilled by the issue of 2,400,000 new ordinary shares in the Company, at a price of 100.0 pence per share.

In October 2019, the Company successfully raised £12.1million of additional new capital (before fees and expenses), fulfilled by the issue of 12,081,685 new ordinary shares in the Company at a price of 100.0 pence per share.

Share capital

Total issued share capital at the year-end comprised 38,755,839 ordinary shares of 20 pence each.

During the year, the Company received £68k gross proceeds from exercised share options.

In February 2019, the Company successfully raised £2.4million in new capital, fulfilled by the issue of 2,400,000 new ordinary share in the Company, at a price of 100.00 pence per share.

In October 2019, the Company successfully raised £12.1 million of additional new capital (before fees and expenses), fulfilled by the issue of 12,081,685 new ordinary shares in the Company at a price of 100.00 pence per share. The fundraise is required to best position the company to exploit and deliver on future revenue growth through the enhancement of platforms, products & services and greater sales & marketing capabilities.

Further details can be found in Note 21.

Loss per share and dividends

Loss per share for the year was 10.3 pence (2018: 12.9 pence).

As the business continues to be in a pre-profit, high-growth, investment phase, the Board does not recommend the payment of a dividend (2018: nil).

Going concern

The Directors confirm that, as disclosed in Note 1 on page 60, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Principal risks and uncertainties

The Group is exposed to several potential risks which may have a material effect on its reputation, financial or operational performance.

The Board is responsible for reviewing risks to ensure that the business is not exposed to unnecessary or poorly managed risks. The Board continually reviews the risks facing the Group, the suitability and operation of controls in place to mitigate any potential adverse impacts and satisfies itself that the controls are working effectively. Whilst review of the risk register is a quarterly scheduled item for the Board's agenda, the Board's consideration of risk matters is not limited to those occasions. Risks and opportunities are factors which are continually considered when the Board is making decisions about the business and strategy. The executive management team assists the Board in this process by routinely reviewing the risk register, and the Audit Committee adds further support by reviewing the effectiveness of internal controls, including financial controls.

The Board recognises that the nature and scope of risks can change, and it is not possible to identify or anticipate every risk that may affect the Group, or the materiality of that risk, however, the principal risks and uncertainties faced by the Group are set out below.

Operational risks

Key areas for on-going operational risk management are:

- **Revenues** - The business remains in a high growth phase but is still loss-making as it continues to invest resources to grow to a scale that generates an optimum balance of revenue, cash and shareholder returns. The prospects for the Group continue to be dependent upon the development of the revenue model, although this dependency reduces as monthly recurring and repeating revenues grow to a sustainable level which is above the minimum level of operating costs necessary to deliver and maintain an effective service. Creating a cash generative business at any point before the natural break-even point is possible by removing costs prematurely, but to the extent that costs are curtailed to the detriment of being able to grow sales and revenues, the opportunity cost is a Company with growth prospects lower than the Board's more ambitious plans. Through the Group's performance dashboards and internal reporting and review systems, the management team monitors incoming orders and customer account provisioning daily, while net recurring revenue growth is tracked and analysed regularly throughout each month. The Group keeps its pricing and sales commission models under constant review, and discounts and requests for credit notes and account cancellations are monitored and approved on a case by case basis. The Group operates an effective "At-risk" process for individual customers that may be experiencing issues and will devote extensive resources to ensuring those customers remain satisfied and on board.

- **Business continuity** – The Group is dependent on the efficient functioning of its internal systems, website and customer portals as well as accessibility to the wider internet infrastructure, key technology partner systems and assets on which they depend. Business disruption contingency plans are prepared and reviewed, and work continues to improve the resilience of our systems and core platform. In the event that the Group is unable to gain access to its business premises, then it has the capability for all staff to be able to work from home, or other remote locations as required, and at short notice. Full business operations can be provided by staff working remotely, and systems and protocols are in place to test these facilities. Whilst the Group insures itself against potential significant business interruption, it would undoubtedly suffer significant reputational damage and lose a material number of customers should an event come to pass which caused disruption to its core services.

- **Staff retention and recruitment** – given the importance of know-how, no individual has sole responsibility for any critical element of the Group's business, albeit it is recognised that the loss of certain key personnel would clearly be disruptive to the business. The Group actively works to cross-skill resources wherever it identifies a single point of failure and continues to make progress in this regard. Staff retention is encouraged by providing challenging work and projects, enhanced by an attractive range of staff benefits including competitive salaries, variable pay schemes, share based incentive plans, health care, pensions, death in service benefits and excellent office locations, facilities and social events. Staff performance is regularly reviewed, and training, mentoring, support and career development provided wherever necessary and appropriate.

- **Commercial partners (vendors)** – the Group has partnerships and agreements with several third parties. Whilst these partnerships are secured by contracts and in most cases alternative partners could be found in the short to medium term, a loss of support or disruption of service from any key partner could have a short-term detrimental impact on CloudCall's reputation and business. The Group's policy is to ensure it only works with recognised industry leading technology partners with the appropriate resources to provide strong and resilient services with exceptional customer support. The Group continues to actively monitor its commercial partners, and works with them to ensure commercial, operational and geo-political risks are minimised.

- **Commercial partners (sales)** – the Group has partnerships and agreements with several third-party CRM vendors. Whilst these partnerships are secured by mutually beneficial agreements, underpinned by appropriate commission and joint marketing arrangements, there remains the risk that partner relationships could be terminated if alternative unified communications vendors secure exclusive arrangements with those CRM vendors, or if those CRM vendors elect to develop and provide their own integrated telephony solution. The Group also recognises the financial risks that exist should key partners chose to unilaterally change commercial terms on renewal of their contractual arrangements. The Group continues to actively monitor and strengthen its relationships with its commercial CRM partners, and works hard to ensure that those relationships are managed appropriately, are mutually beneficial and that customer expectations are met and exceeded wherever possible.

Political risks

The Group recognises that it is also at risk of financial, market or personnel losses because of political decisions or geo-political events. Continuing economic and diplomatic tensions between China and the US, the ongoing UK Brexit exit terms negotiations with the EU (see Brexit section below) and the yet unknown impact of Covid-19 to the global economy all present not inconsiderable operational risks. Whilst the Group cannot necessarily quantify and negate these risks at this point in time, it is fully engaged in active conversations with all its stakeholders to ensure minimal disruption to business operations and staff welfare. To date, the Group's commercial activities are unaffected by the Brexit issue barring the impact to the value of sterling as discussed in the currency risk section below. The implications of government policy to protect citizens from coronavirus by implementing travel bans, work from home requirements and social distancing have become commonplace and significant as businesses adapt (see Coronavirus section below).

Brexit

Following the UK's official exit from the EU ("Brexit") on 31 January 2020, the Board has considered whether this continues to present additional risks to the Group. The impact of Brexit depends on the terms of a future relationship yet to be negotiated between the UK and EU with final agreement on terms possibly to extend beyond the expiry of the 31 December 2020 transition period.

While the UK's exit is now certain, there is still speculation about its exit terms and whether these may have a negative effect on the UK economy. In the short term the risks associated with the 11-month transition period are relatively low as the UK continues to follow EU membership rules and in the long-term it is perceived UK-EU trade talks should reach a favourable outcome. While the Covid-19 epidemic may prolong the negotiating process, the Board does not foresee Brexit presenting any material risks specifically to the Group.

With agreed exit terms to follow in December 2020, the post-Brexit legislation between the UK & EU, may ultimately result in new regulatory, operational, and cost challenges to our UK and global operations. Areas of business likely to change will be tax, tariffs, import/export requirements and the legal basis of data transfers between the UK and EU. Brexit is also likely to lead to some short-term volatility in exchange rates.

Considering the size and nature of our trade with EU businesses, we do not envisage Brexit related changes and volatility having a material negative impact on the Group. As a diligent and prudent Board, we have taken the following measures to prepare for the potential impacts of Brexit:

- Our legal department (and external lawyers) have carried out a review of Brexit related risks to the Group and have recommended adjustments that may be needed to make to our corporate structure, policies and procedures, data transfers to and from the EU, and contractual instruments to mitigate the impact of these risks; and
- To mitigate the potential impact on the Group from Brexit related volatility in exchange rates, we will continue to follow prudent and proactive currency management practices, in the best interests of the Group.

The Group acknowledges it has a resilient business model, with a large percentage of recurring revenue providing certainty over our performance in the medium term. As the majority of the Group's sales are within the USA and the UK and likely to grow further in these areas, sales will not be significantly impacted by any Brexit related legislative or regulatory changes referenced above.

In summary, we have considered the potential effects of Brexit on the future performance of the Group and have not identified any material/specific risks to the Group. If Brexit causes an economic downturn, the

Group has a resilient business model, with our product/services very likely to remain in high demand by our customers and should enable us to continue our future growth journey.

The Board will continue to monitor the Brexit situation very closely and will take the necessary actions once the final EU exit arrangements have been confirmed.

Coronavirus.

The impact of the coronavirus (Covid-19) outbreak and the speed of transmission around the globe is causing extensive disruption to businesses of all nationalities. Whilst, at the time of writing, the outcome and impact of the coronavirus pandemic is relatively unknown, the Group does acknowledge it carries significant financial and operational risks over the short to medium term. Risks are perceived to exist in the Group's dealings with various stakeholders, but primarily its' employees and customers and mitigating actions being taken by the Group are as follows:

- Proactively implementing proportionate plans to minimise the risk of an outbreak at our office locations, keeping employees and customers safe. At the same time, continuing to support our customers by working hard to minimise any disruption to service and to ensure they are getting the full benefits of CloudCall's integrated communications services for remote working where applicable.
- Marketing trade show events being cancelled or postponed. Our operations are remaining close to the guidance provided by local event organisers and respective guidance from local authorities.
- Sales and support access to client premises and larger enterprise client and prospect meetings being replaced by tele-based delivery.
- Employees to avoid non-essential travel and restricting travel entirely to or from the most affected areas. Regular communications are issued by management with correct protocol to follow with updates on high and medium risk affected countries.
- Ensuring all staff have the capability to work from home and are given appropriate support, training and equipment to facilitate this.
- Reviewing investment decisions, discretional costs and taking the necessary steps to ensure that the Group has sufficient cash reserves to withstand a potential drop in sales in the short to medium term, (see Note 1 on page 60).
- Reviewing credit control protocols to ensure customers suffering from temporary financial hardship can continue to receive CloudCall services and that customer indebtedness is managed proactively and sympathetically.

The Group is monitoring the development of the coronavirus very carefully, its impact to global markets and is committed to taking appropriate contingency actions by location and country according to guidelines issued by the WHO and local governments.

Financial risks

The major financial risks faced by the Group are liquidity risk, market risk, currency risk, credit risk and interest rate risk. The Board regularly reviews these risks and approves policies covering overall risk limits and the use of financial instruments where appropriate to manage financial risk.

Liquidity risk

The key liquidity risk facing the Group continues to be the sufficiency of working capital to continue with its investment plans until cash break-even is reached. The Board has detailed approved budgets, investment plans and rolling business forecasts, including cash flow projections, which it keeps under regular review, at least monthly, to ensure the adequacy of working capital at all times. Furthermore, in mitigation, the Board recognises that growth-related expenditure can be turned off sufficiently quickly without necessarily impacting revenues in the short term, thereby reducing cash burn quickly and potentially returning the Group to cash positive operating relatively quickly.

During 2019, the Group replaced its previous revolving credit facility with Barclays with a £3.0m term credit facility (the "Facility") with Shawbrook Bank. Interest on any funds drawn down from the Facility, which is for a 3.5year term expiring in March 2023, is set at 9.0% plus the higher of either LIBOR or 0.5% per annum. At 31 December 2019, the Group has utilised just under £1 million of the £3 million Facility. The Facility is secured over the assets of the Group.

Market risks

The market sector the Group operates in is competitive. The impact of competitors having more features, increased financial backing, better brand recognition and better global coverage increases the risk to the Group's business model.

The Group continues to grow revenues year-on year and is investing to deliver new product features, industry sector expertise, best-in-class customer support and service offerings, enhanced brand recognition, best in class employee benefits, improved service delivery and global expansion to attract new customers and to protect its key employees from competitor approaches.

Currency risk

The greater part of the Group's revenues and costs are denominated in sterling; however, the Group is exposed to foreign exchange risk, principally through balance sheet translation and cash flows incurred in US dollars by the Group's US subsidiary as it continues to grow. The foreign exchange risk is partly addressed by matching income and costs denominated in US dollars monthly, although as the value of the inter-company payable between Cloudcall, Inc. and its parent Cloudcall Limited continues to grow, it becomes ever more sensitive to FX movements between USD and GBP on translation. Management closely monitors exchange rate fluctuations and will use forward contracts when considered appropriate to reduce this risk.

Credit risk

The Group's billing cycle ensures minimal credit risks as the clear majority of customers pay monthly via direct debit or recurring credit card authority which minimises the amount of credit outstanding. As our customers increase in size, there is more tendency for them to require monthly billing to account, which increases the risk of delayed payments and subsequent credit control activity. Each customer account has an individually assigned credit limit which, if breached, results in suspension of service until the account is paid or revised credit agreed. There were no balances representing over 10% of the total trade receivables at the year end. As at 31 December 2019, the Group's funds were held at Barclays Bank ("A"- rated).

Interest rate risk

Under the new term credit facility agreement with Shawbrook Bank, the Group is exposed to interest rate risk such that a change in the UK base rate of interest will directly increase or decrease the interest payable on any funds drawn down under the terms of the Facility, although the Board notes that this impact is not expected to be material.

By order of the board

Simon Cleaver
Chief Executive Officer

Paul Williams
Chief Financial Officer

Corporate Governance Statement

This statement has been written by the Chairman of the Board of Directors of CloudCall Group plc.

CloudCall Group plc's adherence to the QCA Code supports its long-term success:

The Company's shares are listed on the AIM market of the London Stock Exchange. The Company is subject to the AIM Rules and consequently is required to comply with an appropriate corporate governance code. The Board confirms that CloudCall Group plc adheres to the Quoted Companies Alliance Corporate Governance Code ("QCA Code") by complying with the QCA Code's ten corporate governance principles. Such adherence to the QCA Code ensures that the Board properly and efficiently manage, steer, govern and make key decisions in respect of the operations and strategy of CloudCall Group plc. This supports CloudCall Group plc's medium and long-term success and also ensures that it produces long term benefits for its shareholders. Such adherence to the QCA Code also supports CloudCall Group plc's long-term success by reducing risk and adding value to the business.

Deviations from the QCA Code:

CloudCall Group plc adheres to the QCA Code by complying with the QCA Code's ten corporate governance principles. CloudCall Group plc does not deviate from the QCA Code.

The roles/responsibilities of the Chairman and the Chief Executive Officer in respect of Corporate Governance:

The Chairman's role is to lead the Board of Directors. He is not responsible for executive matters regarding CloudCall Group plc's business. The Chief Executive Officer is the only executive who reports to the Chairman.

The Chief Executive Officer is responsible for all executive management matters affecting CloudCall Group plc and senior members of the executive management team report to him.

Principal responsibilities:

The Chairman's principal responsibility is the effective running of the Board and overall stewardship of the business. He ensures the Board plays an effective and constructive part in the development of CloudCall Group plc's strategy and objectives.

The Chief Executive Officer's principal responsibility is the running of CloudCall Group plc's business and leading the implementation of its strategy. He is responsible for:

- developing CloudCall Group plc's strategy and overall commercial objectives for recommendation to the Board; and
- implementing the decisions of the Board and its Committees

Other responsibilities of the Chairman include:

- Running the Board and setting Board agendas, ensuring that the important issues facing CloudCall Group plc and the concerns of all Board members are considered
- Ensuring informal meetings of the Directors take place, including meetings of the Non-Executive Directors without Executive Directors present, as required to ensure that sufficient time and consideration is given to complex, contentious or sensitive issues
- Succession planning for Board appointments to retain and build an effective and diverse Board and proposing the membership of each Board Committee
- Identifying any development needs of individual Directors and of the Board as a whole
- Ensuring that the performance of the Board as a whole, its Committees, and individual Directors is evaluated at least once a year.
- Undertaking the performance appraisal of the Chief Executive Officer
- Providing input to the Board evaluation process
- Promoting high standards of integrity, probity and corporate governance throughout CloudCall Group plc and particularly at Board level

Other responsibilities of the Chief Executive Officer include:

- Making proposals for the Board agendas and maintaining a dialogue with the Chairman on important strategic issues facing CloudCall Group plc
- Ensuring that the Board receives accurate, timely and clear information on:
    - CloudCall Group plc's performance;
    - issues, challenges and opportunities facing CloudCall Group plc; and
    - matters reserved to the Board for decision
- Ensuring that the executive team gives appropriate priority to providing reports to the Board which contain accurate, timely and clear information
- Ensuring that the Chairman is alerted to emerging complex, contentious or sensitive issues affecting CloudCall Group plc of which he might not otherwise be aware
- Supporting the Chairman in relation to succession planning particularly in respect of Executive Directors
- Ensuring members of the Board develop an understanding of the views of the major investors in CloudCall Group plc
- Leading the communication programme with shareholders
- Supporting an appropriate induction programme for new directors, facilitated by the Company Secretary
- Ensuring appropriate management time is made available for the induction process

- Ensuring that the development needs of the Executive Directors and other senior management members are identified and met
- Promoting, and conducting the affairs of CloudCall Group plc with high standards of integrity, probity and corporate governance

Key governance matters of CloudCall Group plc during 2019:

The key governance matters that have occurred in respect of CloudCall Group plc during 2019 are:

- Cloudcall Group plc appointed Canaccord Genuity Limited as its new Nominated Adviser and Broker in 2019.
- CloudCall Group plc appointed an in-house commercial lawyer during 2018 within the Group. During 2018 Cloudcall Group plc also appointed this lawyer as data protection officer within the Group. Among many other duties and areas, this lawyer has continued throughout 2019 to help, advise and support CloudCall Group plc in respect of its compliance with the QCA Code and corporate governance rules generally. External professional advisors have, at CloudCall Group plc's expense, continued throughout 2019 to assist this lawyer in doing this. This lawyer also advises the Board and CloudCall Group plc more generally in the following areas: contracts with third parties (customers, suppliers, partners etc.), commercial/corporate law, intellectual property law, employment law, dispute resolution, and compliance with applicable regulations and laws (e.g. data protection). This lawyer's role as an employee within the Group assists the Board to more accurately, quickly and cost effectively identify, assess and reduce legal and commercial risks to the Group's long-term success. Part of this approach involves this lawyer's legal scrutiny of and commercial input into the business' short, medium and long-term commercial plans that are put before him from time to time.

s.172 Companies Act 2006 statement:

Throughout this annual report and the corporate governance web page on our website, we provide examples of how we:

- Take into account the likely consequences of decisions in the long term;
- Have regard to the interests of the Company's employees;
- Understand the need to foster the Company's business relationships with suppliers, customers and others;
- Understand our impact on our local community and the environment;
- Take into account the desirability of the Company maintaining a reputation for high standards of business conduct; and
- Have regard to the need to act fairly.

This statement should be read in accordance with the strategic report (see pages 5 to 25), this governance section and the corporate governance web page on our website. Section 172 of the Companies Act 2006 requires Directors to consider the interests of stakeholders as part of their decision-making process. The Directors continue to consider the interests of its employees and stakeholders as part of their decision-making process, including the impact of its decisions on the community, the environment and the reputation of the Company. The Directors assess and take into account what is most likely to promote the success of the Company for its members in the long term. This assessment is carried out in good faith and fairly.

The Directors continue to promote the success of the Company in accordance with section 172 of the Companies Act 2006. The Directors are fully aware of their responsibility to promote the success of the Company in this manner.

The Board often reviews and reflects on how the Company engages with its stakeholders. The views of the stakeholders are regularly communicated to the Board by Company management and via direct engagement with stakeholders. Within this Governance section, under Relations with shareholders and within the corporate social responsibility section, we set out our principal stakeholders, how we engage with such stakeholders, and the purposes and benefits of doing so. Our stakeholders are also identified on our website www.cloudcall.com/investor/governance.

The Board continues to strive for improvements in its engagement with Company staff. In 2019 the Board procured the advice of a specialist HR consultant regarding the Company's HR systems and processes (including employee engagement). Based on this advice (and other factors), the Board decided that the Company would search for, recruit and appoint a Chief People Officer (who will form part of the Group's Executive Management Team) and other additional HR/Recruitment staff to strengthen the Company's HR systems and processes (including employee engagement). This is an important strengthening of the Company's HR function which is intended to provide robust, scalable and appropriate internal systems and processes necessary to properly support the Company's growth and long-term success from a workforce perspective.

The Company's in-house commercial lawyer inserts a written reminder of the section 172 duty within relevant materials relating to Board meeting agendas. This helps to remind and encourage the Board to consider stakeholder views and interests as part of the decision-making process. The Company's in-house commercial lawyer shall continue to be on hand to offer advice and guidance to the Board to help ensure that sufficient consideration is given to stakeholder issues in accordance with section 172 requirements.

Internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The processes to identify and manage the key risks of the Group are an integral part of the internal control environment. Such processes, which are regularly reviewed and improved as necessary, include strategic planning, review and approval of annual budgets, regular monitoring of performance against budget (including full investigation of significant variances), control of capital expenditure, ensuring that proper accounting records are maintained, the appointment of senior management and the setting of high standards for health, safety and environmental performance.

The effectiveness of the internal control system and procedures is monitored regularly by management, the results of which are reported to and considered by the Audit Committee. The system of internal control comprises those controls established to provide assurance that the assets of the Group are safeguarded against unauthorised use or disposal and to ensure the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. Any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failing to achieve the business objectives of the Group.

Relations with regulatory bodies

The Group sets out to ensure that it is aware of, and take steps to comply with, relevant laws, policies, and regulations at all times. Where this is necessarily complex, such as in the field of telecoms compliance or international taxation, the Group will employ the services of specialist advisors to support it.

Relations with shareholders

The Company encourages two-way communications with all its shareholders and responds quickly to all requests or queries received. Communication is primarily through the Company's website and the Annual General Meeting which shareholders are encouraged to attend and where participation is encouraged so that the Board may answer questions. All shareholders have at least twenty-one clear days' notice of the Annual General Meeting. All shareholders will receive a copy of the Annual Report (electronic or hard copy depending on shareholder preference) and an interim report at the half year will be available on the Company's website.

In addition, the Company delivers its Annual and Interim results via a webinar which is open to all shareholders.

A copy of the Company's latest investor presentation can be located on the Rule 26 page which can be found in the Investor Relations section of the Company's website www.cloudcall.com/investor/rule26/.

Corporate social responsibility

The Group strives to ensure that its business activities positively benefit all stakeholders by committing to conduct its business in a fair and responsible manner, to treat its employees fairly, supporting personal growth and development, and to have a positive impact in its local community.

Customers

The Group strongly values its customers and seeks to deliver a world-class product backed by class-leading customer service and support. The Group routinely seeks customer feedback and performance appraisal inputs and takes active steps to remedy any instances of customer dissatisfaction.

Key customers are also routinely invited to provide product improvement inputs, and in some cases to test key features or functionality prior to general release.

The Group commits to provide a fair and transparent pricing structure so that customers can be confident that the Group's core software and telephony services are providing cost effective integrated communications.

Employees

The Group is an Equal Opportunity Employer and its policy is to ensure that all employees and job applicants will be given equal opportunities in all aspects of employment and training irrespective of their gender, ethnic origin, disability, age, marital status, sexual orientation or religious affiliation (and/or any other protected characteristics under relevant legislation). Cloudcall encourages, where possible, the employment of disabled people and the retention of those who become disabled during their employment with the Group.

The Group recognises the benefit of involving employees in target setting and keeping employees informed of progress. Due to the size of the Group, regular consultations with senior management take place. The views of employees are considered when making decisions which are likely to affect their interests. CloudCall Group plc ensures that it communicates clear and appropriate policies to employees setting out data protection rules, anti-bribery rules, anti-bullying/harassment rules and anti-discrimination rules and codes of conduct. CloudCall Group plc are currently in the process of updating and issuing more formal and comprehensive versions of such policies. The Board regularly reviews, considers and updates the salaries, benefits and support offered to the Group's employees. This aim of this is to ensure that the staff with the appropriate experience and skill to add value to the business and drive its long term success are attracted to the business and then retained. In addition, this approach by the Board aims to ensure that staff are provided with the appropriate environment and rewards to remain motivated and enabled to produce the best possible output and add the maximum possible value to CloudCall Group plc.

Communities

The Group participates in various charitable activities in the communities in which it operates. Whilst it is not Group policy to make direct financial contributions to charities, Group employees are actively encouraged to annually take two additional paid leave days each and donate them for the support of charitable projects in the community. The Group partners with charities local to the various Group office locations, who act as facilitators for these activities.

Environmental

Towards the end of 2019, the Board approved and initiated a project for the Group to become carbon neutral and has designated a member of staff responsible for leading this long-term project to a successful conclusion. This project will involve an in-depth review, analysis and evaluation of the carbon emissions of the Group, followed by the implementation of appropriate changes in policies, procedures and systems to enable the Group to strive towards its aim of obtaining and maintaining a carbon neutral status. The Group's current approach to the business/work related travel activities of its staff is likely to be the main area targeted by this project, along with the way in which such activities are recorded and reported. This project demonstrates the Board's awareness of and regard for the Group's impact on the environment and the Board's intention to ensure that the Group reduces, as much as is reasonably possible, any negative impact of the Group's operations upon the environment.

The Board

The Company's Board of Directors is comprised of 2 Executive and 3 Non-executive Directors. All Directors recognise the need to commit sufficient time to fulfil the role. This requirement is included in their letters of appointment. The Board is satisfied that the Chairman and Non-executive Directors are able to devote sufficient time to the Group's business.

The Board reviews its AIM obligations with its Nominated Advisor annually, and endeavours to keep up with best practice governance via seminars, conferences and training material.

The role of the Board

The Board of Directors is responsible for formulating, reviewing and approving the Group's strategies, budgets and corporate actions.

The Board has overall responsibility for risk management and internal controls and is supported by the Audit Committee.

The Board meets regularly, and seventeen Board Meetings were held in 2019. The Board has a formal schedule of matters referred to it for decision; these include:

- Approval of the Company's overall commercial strategy and a review of progress to date;
- Financial matters including the approval of budget and financial plans, changes to the Group's capital structure, major investments such as capital expenditures, acquisitions and disposals;
- Stock Exchange related issues including the approval of communications to the Stock Exchange;
- Meeting Companies Act requirements including the approval of financial statements, dividends and changes in accounting practices and policies;
- Other policy matters including health and safety, declarations of interest and operational controls.

Each member of the Board of Directors was in attendance for all Board meetings held in 2019.

Operational control is delegated by the Board to the Executive Directors. Non-Executive Directors are in regular communication with the Executive Directors.

All the Directors have direct access to the advice and services of the Company Secretary and can take independent advice if necessary, at the Company's expense.

The Company maintains liability insurance for the Directors and officers of all Group companies.

Board Advice

Except for the advice from the Group's external auditors detailed throughout this report and the advice from the Group's external Company Secretary taken from time to time, the Board and its committees sought external advice on the following matters (both significant and non-significant) during 2019:

- Debt structuring
- Investor relations matters
- US telecoms regulatory landscape and ongoing compliance
- Employee share schemes
- Brexit
- Expansion of Group operations into Australia; and
- Improving and strengthening the Company's HR systems and processes (including employee engagement).

The Board benefits from internal advice and support from the following individuals:

- The Group's Chief Technology Officer advises and supports the Board in respect of data protection and information security (among other technology and systems related matters).
- The Group's Non-Executive Directors (as identified in the "Director profiles" section of this report) advise and support the Board from their independent points of view in respect of various relevant matters.
- The Group's Head of Legal (who is a practising Solicitor) advises and supports the Board in respect of various legal issues, including: commercial, contract, corporate, employment, data protection, regulatory, compliance, intellectual property and dispute resolution. The Head of Legal also acts as the Group's Data Protection Officer.

Board Performance

The Board evaluates its own performance annually via the following process:

The Chairman issues a questionnaire to each Board member for them to complete and return to the Chairman. The results of this questionnaire are then issued by the Chairman to an external and independent third party. Such third party then analyses the questionnaire results and produces a summary of the results to the Board, including that third party's recommendations as to what actions the Board should take in light of the results. This questionnaire sets out questions for each Board member (including the Chairman) to answer which are relevant to the Board's performance in a particular period. In response to each question each Board member inserts a rating (1 to 5) and, where they feel appropriate, any comments/measures which relate to what the business/Board are doing in respect of that question. The "1 to 5" rating for each question works as follows:

5 = fully satisfactory / very good;
4 = generally satisfactory / good;
3 = satisfactory more often than not / average;
2 = occasionally satisfactory / below average; and
1 = very rarely satisfactory / poor.

The criteria against which the Board evaluates itself, as covered in the said questionnaire, can be summarised as follows:

(1) the Board's supporting and setting of CloudCall Group plc's strategy;
(2) the quality and robustness of the Board's discussions;
(3) the Board's ability to make objective decisions collaboratively;
(4) the Board's effective communication with stakeholders of CloudCall Group plc;
(5) each Board member's understanding of (and ability to carry out) their role;
(6) the effective decision making, teamwork and constructive debate through the Chairman's leadership;
(7) whether the Board work well as a team and whether their skills complement each other;
(8) whether all Board members attend and actively contribute to Board meetings;
(9) whether the Board is the right size and contains the right mix of skills to optimise its performance;
(10) whether the Board's committees fully and properly perform their roles;
(11) whether the Board meets regularly enough to ensure relevant issues are appropriately covered;

(12) the effectiveness of the Board's use of the annual general meeting;
(13) each Board member's individual commitment, contribution, and performance;
(14) the succession planning in place for the Board members; and
(15) whether the contribution of the non-executive directors and the executive directors is effective.

The results and recommendations arising from the Board's evaluation of itself during 2019 are as follows:

- All Board members completed the questionnaire as requested;
- The average score given by the Board members in response to each question showed an overall positive self-assessment of the Board's performance; and
- Recommended areas of improvement for the Board were provided by the independent third-party analyser of the questionnaire results. These recommendations were predominantly focused on succession planning, improving the Board's own internal performance evaluation and target setting process, making more use of CloudCall Group plc's Annual General Meeting, improving communications with internal stakeholders, and improving the Board's own meeting materials and meeting management. The 2019 evaluation indicates that there has been improvement in most of these areas in comparison to 2018, although the Board continues to plan and strive to implement further improvements in these areas. Additionally, the 2019 evaluation indicated that, although the Board's approach to risk is viewed as appropriate, the Board recognise that further formalisation of risk management processes may be beneficial and plan to implement measures to further improve this area.

The succession planning for appointments to the Board (and the processes to determine appointments to the Board) is carried out in the following way:

- The Board carry out ongoing assessments as to the succession needs and planning of the Board. Such assessments include reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position;
- Such succession planning involves identification and nomination of candidates to fill Board vacancies as and when they arise; and
- Following such assessments and planning, Board members are then appointed and/or removed in accordance with CloudCall Group plc's articles of association.

The Board of Directors

The experience/skills/capabilities of each of the Directors is summarised below within the "Director Profiles" section of this report. The "Director Profiles" section of this report demonstrates that the Board contains Directors who have the necessary experience/skills/capabilities to deliver the strategy outlined throughout this report for the benefit of the shareholders.

The Board of Directors currently consists of two Executive and three Non-Executive Directors. The Directors believe the Board provides an appropriate balance of skills and that it uses them effectively to provide leadership to the Group.

The Directors who held office during the year were as follows:

	Appointed / Re-elected	Resigned
Peter Simmonds		
Simon Cleaver		
Paul Williams		
Andrew Jones		25 November 2019
Sophie Tomkins		
Gary Browning		

Gary Browning, retiring by rotation, will offer himself for re-election at the forthcoming AGM.

Director profiles

CloudCall Group plc currently has two Executive Directors. These are: Simon Cleaver (Chief Executive Officer) and Paul Williams, (Chief Financial Officer). Operational control of CloudCall Group plc is delegated by the Board to these Executive Directors.

CloudCall Group plc currently has three Non-Executive Directors who are all considered to be independent of CloudCall Group plc. These are: Peter Simmonds (Non-Executive Director and Chairman), Sophie Tomkins (Non-Executive Director and Chair of the Audit Committee), and Gary Browning (Non-Executive Director and Chair of the Remuneration Committee). These Non-Executive Directors are in regular communication with the Executive Directors.

Executive Directors are subject to the Group's performance review process through which their performance against predetermined objectives is reviewed and their personal and professional development needs considered. It is intended that an annual performance appraisal of Non-executive Directors will be undertaken by the Chairman as part of the Board evaluation process, at which time any training or development needs will be addressed.

Peter Simmonds, 61
Non-Executive Chairman

Peter is a Chartered Certified Accountant, who retired from the role of CEO of dotdigital Group plc in June 2015 after 8 years. He has 35 years of experience at senior management and board level, principally in the areas of banking, insurance, finance, information technology and outsourcing. He has considerable business entrepreneurial experience having been involved at start-up or early stage of several companies in various industry sectors including consultancy services, vehicle leasing, computer software and internet solutions sectors. He is currently Chairman of D4T4 plc, and on the board of the Quoted Companies Alliance.

Simon Cleaver, 59
Chief Executive Officer

Simon is a highly experienced and passionate tech-focused entrepreneur with a history of successfully building and developing companies in both the private and public arenas. As CEO, Simon has led CloudCall to continued year on year turnover growth, with run-rate revenue now reaching £13m p.a. Employing more than 160 people in four countries, CloudCall is now a business recognised as one of the fastest growing tech companies in the UK.

Paul Williams, 50
Chief Financial Officer

Paul Williams is a Chartered Management Accountant with over 25 years' experience in the technology services sector, having worked previously for IBM, ECsoft Group plc and Ciber as Group Financial Controller and Interim International CFO. Paul has significant start-up, M&A, business operations, IT BPO, controlled audit and successful corporate ERP system implementation experience. During his tenure at Cloudcall, Paul has been instrumental in driving scalable investment, routines and governance to facilitate rapid growth with financial control.

Sophie Tomkins, 50
Non-Executive Director

Sophie is a qualified Chartered Accountant, with nearly two decades as a stockbroker, starting at Cazenove & then at the more entrepreneurial Collins Stewart, and Fairfax, where she ran a highly profitable operating division. Sophie sits on the Board of several AIM listed companies. She is Non-Executive Director and Audit Committee Chair of both Hotel Chocolat Group PLC (retail and manufacturing) and System1 Group PLC (market research & advertising). Sophie is also Chair of the Remuneration Committee and Senior Independent Director at Proactis Holdings PLC (Spend management and B2B e-commerce software).

Gary Browning, 59
Non-Executive Director

After a career leading, building, and acquiring companies, Gary, who is experienced in both corporate transformation work and M&A, is now advising both public and private companies on that journey.

Gary has extensive experience working at board level within Plcs. After joining Penna Consulting Plc in 2002 he was appointed to the board as Chief Executive in 2005. Gary stepped down as Chief Executive in August 2016 after successfully negotiating the sale of the company to Adecco. His earlier career included 12 years with the WPP Group where, from 1997 to 2002, he was Group Managing Director of BDG McColl Ltd, a brand communications consultancy employing 200 people.

Gary has run HR consultancy and recruitment businesses and personally consults on a wide range of talent management issues. Gary is a member of the Institute of Chartered Accountants in England and Wales, has sat on the Investors in People UK Human Capital Management standards group board, and qualified with KPMG having studied for his degree at Warwick University.

Board committees

The Board operates 2 committees in order to conduct its stewardship of financial performance and reporting and Director remuneration. The Audit Committee and Remuneration Committee Reports for the year ended 31 December 2019 can be found below.

Audit Committee Report

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors. The Audit Committee is monitoring the significant changes coming into effect in 2020 with regard to provision of non-audit services and will implement accordingly.

Members of the Audit Committee

The Committee consists of three independent Non-executive Directors: Sophie Tomkins (as Chair), Gary Browning and Peter Simmonds. All three are independent Non-Executive Directors. Paul Williams, Chief Financial Officer routinely attends the Audit Committee meetings by invitation, but other Executive Directors or members of the management team may also be invited to attend meetings as required. The Non-Executive Directors are provided an opportunity at the Audit Committee meetings to discuss matters with the Auditors without the presence of the Executive Directors. The Board is satisfied that the Chair of the Committee has recent and relevant financial experience. The Committee meets at least twice a year and more frequently if required and has unrestricted access to the Group's auditor. During 2019, two meetings were held, and each member of the Committee was in attendance for both meetings.

Sophie is a Chartered Accountant and is also Chair of the Audit Committee at both Hotel Chocolat plc and System1 Group plc. Sophie will report the Committee's deliberations at the next Board.

Duties

The main duties of the Audit Committee are set out in its terms of reference, which are available on the Group's website (www.cloudcall.com/investor/governance/).

The work carried out by the Audit Committee during 2019 comprised the following;

- Ensuring the financial performance of the Company is being properly measured and reported on;
- Review of the FY19 audit plan and audit engagement letter;
- Consideration of key audit matters and how they are addressed;
- Review of suitability of the external auditor;
- Review of the financial statements and Annual Report;
- Consideration of the external audit report and management representation letter;
- Going concern review;
- Review of the risk management and internal control systems;
- Meeting with the external auditor without management present;
- Review of antibribery policy and arrangements.

Role of the External Auditor

The Audit Committee monitors the relationship with the external auditor, RSM UK Audit LLP, to ensure that auditor independence and objectivity are maintained. Noting the tenure of RSM UK Audit LLP, the Committee will keep under review the need for external tender. As part of its review the Committee monitors the provision of non-audit services by the external auditor and also advises the Board on their fees. The breakdown of fees between audit and non-audit services is provided in Note 6 of the Group's financial statements. The non-audit fees primarily relate to tax advice for the Group, preparation of financial statements and specific advice relating to new accounting policies to be adopted. The Audit Committee also assesses the auditor's performance. Having reviewed the auditor's independence and performance, the Audit Committee recommends that RSM UK Audit LLP be reappointed as the Group's auditor at the next AGM.

Audit Process

The auditor prepares an audit plan for the review of the full period financial statements. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following the audit, the auditor presented its findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditor during the period, however areas of significant risk, such as Covid-19, and other matters of audit relevance are regularly communicated.

Internal Audit

At present the Group does not have an internal audit function and the Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one.

Risk Management and Internal Controls

As described throughout the Annual Report and the Corporate Governance section of the Group's website (www.cloudcall.com/investor/governance/), the Group has established a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the period, the Committee has reviewed the framework and the Committee is satisfied that the internal control systems in place are currently operating effectively.

Anti-bribery & Whistleblowing

The Group has in place an anti-bribery and anti-corruption policy which sets out its zero-tolerance position and provides information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues. The Committee is comfortable that the current policy is operating effectively.

The Group also has in place a whistleblowing policy which sets out its zero-tolerance position and provides employees with an avenue to raise concerns internally and receive feedback on any action taken. It allows employees to pursue the matter further if they are dissatisfied with management's response and provides reassurance that employees will be protected from harassment from co-workers for raising concerns.

Remuneration Committee Report

Composition and Role

The Remuneration Committee is made up of Gary Browning (as Chair), Sophie Tomkins and Peter Simmonds. During 2019, one formal meeting was held, and each member of the Committee was in attendance for this meeting. The work carried out by the Remuneration Committee during 2019 included the following:

- Review of the performance of the Executive Directors and senior management,
- A formal review of the scale and structure of their remuneration,
- Reviewing the basis of their service agreements and,
- Reviewing incentive plans and other employment related benefits with due regard to the interests of the shareholders.

Executive Directors and other members of the management team may be invited to attend meetings. The Remuneration Committee will also make recommendations to the Directors concerning the allocation of share options to Directors and employees. No Director is permitted to participate in discussions concerning their own remuneration. The remuneration and terms of appointment of Non-Executive Directors are set by the Board as a whole.

Remuneration Policy

The objective of the Group's remuneration policy is to attract, motivate and retain high quality individuals who will contribute fully to the success of the Group. To achieve this objective, the Group provides competitive salaries and benefits to all employees. Executive Directors' remuneration is set to create an appropriate balance between both fixed and performance-related elements. Remuneration is reviewed each year in light of the Group's business objectives. It is the Remuneration Committee's intention that remuneration should reward achievement of objectives and that these are aligned with shareholders' interests over the medium-term. Remuneration consists of the following elements:

- Basic salary;
- Performance-related annual bonus;
- Long-Term Incentive Plan; and
- Pension contribution.

Executive Directors' Service Contracts

The Executive Directors service contracts with the Group are not of fixed duration and terminable by either party giving six months' written notice.

Non-executive Directors

The Non-executive Directors signed letters of appointment with the Group for the provision of Non-executive Directors' services, which may be terminated by either party giving three months' written notice. The Non-executive Directors' fees are determined by the Board.

Directors remuneration

Details of Key Management's remuneration (including employer's NICs) are set out in Note 7; full details of directors' remuneration, shareholdings and share options and service contracts are set out below.

	Year ended 31 December 2019					2018
	Salaries and other £000	Bonus £000	Pension £000	Other benefits £000	Total £000	Total £000
Simon Cleaver	**204**	**20**	**-**	**2**	**226**	194
Paul Williams	**157**	**20**	**-**	**2**	**179**	153
Andrew Jones(1)	**292**	**19**	**6**	**2**	**319**	149
Peter Simmonds	**40**	**-**	**-**	**-**	**40**	40
Sophie Tomkins	**25**	**-**	**-**	**-**	**25**	25
Gary Browning	**25**	**-**	**-**	**-**	**25**	25
Total	**743**	**59**	**6**	**6**	**814**	586

(1) **Andrew Jones** is included until 25 November 2019 when he resigned as Chief Revenue Officer. Included within Salaries and Other are exceptional costs of £145k in relation to compensation of loss of office.

Peter Simmonds receives his agreed fees and expenses through the Company payroll.

Sophie Tomkins receives her agreed fees and expenses through the Company payroll.

Gary Browning provides his services through Vikaas Talent Ltd., pursuant to an agreement dated 14 October 2016 under which Vikaas Talent Ltd is paid £25,000 per annum (plus expenses).

Management incentive plan

The Company currently operates a Long-Term Incentive Plan (LTIP) (the "Plan") for the Executive Directors, that clearly aligns the interests and resulting remuneration of the executive management team with the creation of shareholder value. The Plan was effective from 31 August 2017 for a period of 4 years.

The Plan provides for awards of a new class of shares in Cloudcall Limited to eligible executives. The value of those shares is based on performance of Company share price and number of end-user targets. The Company may buy back the new Plan shares using Cloudcall Group Plc shares or with cash. If targets are satisfied on a sliding scale from the lower to upper thresholds, the maximum potential Company shares available are set out below.

Target Company Share Price	Number of End-users	Maximum available Company Shares (million)	Percentage of fully diluted Company share capital*
£2.50	40,000	0.20	1.0%
£5.00	60,000	2.25	9.7%

* Assuming consideration satisfied in full by Cloudcall Group Plc shares.

The operation of the Plan is supervised by the Remuneration Committee. Further details on the plan are set out in Note 20 to the financial statements.

Directors' rights to subscribe for shares

According to the register of Directors' interests, there were no rights to subscribe for shares in, or debentures of, Group companies granted to any Directors during the financial year ended 31 December 2019. None of the Directors or their immediate families exercised any such rights during the financial year.

Directors' rights to subscribe for shares in the Company pursuant to the Cloudcall Group plc 2011 Share Option Plan are indicated below:

	At 31 December 2018	Granted	Surrendered	At 31 December 2019	Weighted average exercise price
	Number	Number	Number	Number	Pence
Simon Cleaver	50,000	-	-	**50,000**	**292**
Paul Williams	10,000	-	-	**10,000**	**150**
Andrew Jones	40,000	-	-	**40,000**	**139**
Total	100,000	-	-	**100,000**	**217**

There were no options granted during the year. Further details on the plan are set out in Note 20 to the financial statements.

By order of the board

Simon Cleaver
Chief Executive Officer

Paul Williams
Chief Financial Officer

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Principal Activity

The Company's and Group's principal activities are disclosed in the group overview on page 2.

Directors who held office

The Directors who held office during the year are disclosed in the governance report on page 35.

Results for the year and dividends

The results for the year are disclosed on page 52 and are discussed in the strategic report on pages 5 to 25. The Directors do not recommend the payment of a dividend (2018: nil).

Directors' interests

Directors of the Company and their immediate relatives control 3.50% per cent of the voting shares of the Company as at 28 February 2020.

The Directors who held office during the financial year had the following interests in the ordinary shares of CloudCall Group plc per the register of Directors' interests at 28 February 2020:

	2019 Number	2018 Number
Simon Cleaver	**839,344**	839,061
Paul Williams	**130,947**	130,947
Peter Simmonds	**266,875**	258,055
Sophie Tomkins	**52,987**	52,984
Gary Browning	**65,000**	65,000

Directors' insurance

The company maintains directors' and officers' liability insurance.

Share capital

The number of ordinary shares in issue on 1 January 2019 was 24,181,062.

On 5 February 2019 the Board approved the issue of 2,400,000 new ordinary shares in the Company pursuant to a firm placing at 100.0 pence (the "Placing") to raise a total of £2.4m before fees and expenses.

On 22 October 2019 the Board approved the issue of 12,081,685 new ordinary shares in the Company pursuant to a firm placing at 100.0 pence (the "Placing") to raise a total of £12.1m before fees and expenses.

During 2019, the Board approved the issue of 93,092 new ordinary shares for total gross consideration amounting to approximately £68k in respect of various small exercises of share options under the Company's 2011 Share Option Plan.

As a result, the number of shares in issue on 31 December 2019 was 38,755,839.

Substantial shareholders

So far as is known to the Company, the only persons (excluding Directors) who, directly or indirectly, were interested in three per cent or more of the Company's share capital as at 28 February 2020 were as follows:

	Shares	% of Issued Share Capital
Gresham House Asset Management Limited	**5,120,019**	13.21%
Kinderhook Partners L.P.	**4,690,474**	12.10%
Long Path Partners	**3,835,000**	9.89%
Herald Investment Management Limited	**3,405,986**	8.79%
Canaccord Genuity Wealth Management	**3,100,248**	8.00%
Goudy Park Capital LP	**2,063,048**	5.32%
Chelverton Asset Management Limited	**1,750,000**	4.51%
Hargreaves Lansdown AM Limited	**1,721,085**	4.44%
Lightsail Capital Management LLC	**1,620,000**	4.18%
	27,305,860	**70.45%**

Information in the strategic report

The company has chosen, in accordance with the Companies Act 2006 s414C(11), to set out in the strategic report and governance report, certain information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 Sch. 7 to be contained in the directors' report.

Future developments

Future developments are discussed in the strategic report on pages 5 to 25.

Events after the reporting period

Since the year end, the spread of the Covid-19 virus has escalated and has had an impact on the group as countries have moved into lockdown. The impact and resulting actions taken by the group have been commented upon in the Strategic Report on pages 5-25 and the going concern note on pages 60 and 61.

Auditors

RSM UK Audit LLP acted as auditors during the year. In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of RSM UK Audit LLP as auditors of the Group is to be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Annual General Meeting

These accounts will be tabled for approval at the forthcoming Annual General Meeting of the Group. Details of the date, location and time of the AGM, together with instructions on how to attend, vote and participate in any Q&A will be announced in advance.

Statement of Directors' Responsibilities

The directors are responsible for preparing the strategic report, the governance report, the director's report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and have elected under company law to prepare the Parent Company financial statements on the same basis.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU: and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

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

By order of the board

Simon Cleaver
Chief Executive Officer

Date: 7 April 2020

1 Colton Square
Leicester
LE1 1QH

Independent Auditor's Report to the Members of Cloudcall Group plc

Opinion

We have audited the financial statements of Cloudcall Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, consolidated and parent company statement of financial position, consolidated and parent company statement of changes in equity, consolidated and parent company statement of cash flows, consolidated and parent company movements in net cash/(debt) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

Group key audit matters

Revenue recognition – We focused on the recognition of revenue as the timing of revenue recognition and its presentation in the statement of comprehensive income is subject to inherent complexities in the software industry. We performed cut-off testing and substantive testing procedures to validate the recognition of revenue throughout the year. We also substantively tested the accounting for set-up costs to ensure a suitable deferral of revenue over the life of the contract in line with the requirements of IFRS 15. The adequacy of the group's revenue recognition accounting policy as disclosed in note 1 has also been considered.

Development costs - We focused on the capitalisation of development costs due to its impact on reported earnings and the judgements involved in assessing whether the IAS 38 criteria for capitalisation have been suitably met. We reconfirmed our understanding of management's basis for capitalising development costs and reviewed whether the costs had been appropriately capitalised in accordance with IAS 38. Our procedures included an assessment over the appropriateness of any management judgements including the future expected economic benefit of capitalised projects and substantive testing of the costs capitalised. We also assessed the reasonableness of the amortisation policies in place and potential impairment. We also considered the adequacy of the group's research and development accounting policy as disclosed in note 1. Capitalised development costs are disclosed in note 11.

Impairment – We critically assessed the impairment review performed by management over the carrying value of goodwill as this assessment incorporates a significant level of management judgement. Our work included a review of the client's board approved forecasts and discounted cashflow calculations to assess whether the assumptions appeared reasonable. We also evaluated management's sensitivity analysis around the key assumptions to ascertain the extent of change in those assumptions that individually or collectively would be required to lead to an impairment.

Covid-19 - the growth in revenue is expected to be adversely affected by the growing impact of the Covid-19 (Coronavirus) outbreak. The impact of this on the going concern status of the group has been considered by the directors including modelling of the group's ability to continue to operate in a number of different scenarios and they concluded the adoption of a going concern basis of accounting was appropriate. We considered the reasonableness of these projections, the level of current cash, available financing, measures for managing costs and available government support. We also considered the adequacy of the disclosures on the potential impact of Covid-19 on the group.

Parent company key audit matters

Impairment – We critically assessed the impairment review performed by management over the carrying value of investments and group debtor balances as this assessment incorporates a significant level of management judgement. Our work included a review of the client's assessment of the potential for impairment including a review of board approved forecasts and discounted cashflow calculations to assess whether the assumptions appeared reasonable. We also considered the adequacy of the disclosures on the booked impairment given in note 15.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning materiality for the group financial statements as a whole was calculated as £206,000, which was not significantly changed during the course of our audit. Materiality for the parent company financial statements as a whole was calculated as £65,000, which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit approach focused on the parent company and the two key trading subsidiaries, one based in the UK and one in the US. The UK entities are subject to a local statutory audit completed to the group reporting timetable. The US entity is not subject to local statutory audit and has been subject to full scope audit to group materiality. The US entity audit was undertaken by the same team as the UK statutory audits. These audits covered 100% of group revenue, 99% of group loss before tax and 99% of group total assets.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 45, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Neil Stephenson (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Suite A, 7th Floor, City Gate East, Tollhouse Hill, Nottingham, NG1 5FS
7 April 2020

Consolidated Statement of Comprehensive Income

For year ended 31 December 2019

	Notes	Group 2019 £000	Group 2018 (restated) £000
Revenue	5	**11,396**	8,751
Cost of sales		**(2,406)**	(1,889)
Gross profit		**8,990**	6,862
Operating costs	6	**(11,146)**	(9,347)
Loss from operating activities before depreciation, amortisation, share-based payment charges and exceptional items		**(2,156)**	(2,485)
Depreciation and amortisation	6	**(930)**	(816)
Share based payment charges	20	**(171)**	(224)
Exceptional items	6	**(145)**	-
Operating loss		**(3,402)**	(3,525)
Finance expense	8	**(274)**	(227)
Loss before tax		**(3,676)**	(3,752)
Taxation	9	**731**	630
Loss for the year attributable to owners of the parent		**(2,945)**	(3,122)
Other comprehensive income			
Exchange differences on translation of foreign operations		**65**	(50)
Other comprehensive income		**65**	(50)
Total comprehensive income for the year attributable to owners of the parent		**(2,880)**	(3,172)
Loss per share		**Pence**	Pence
Basic and fully diluted loss per share	22	**(10.3)**	(12.9)

The notes on pages 60 to 98 are an integral part of these consolidated financial statements.

Consolidated and Company Statements of Financial Position

At 31 December 2019

	Notes	Group 2019 £000	Group 2018 (restated) £000	Company 2019 £000	Company 2018 (restated) £000
Non-current assets					
Property, plant and equipment	10	**1,854**	1,897	**792**	699
Goodwill	11	**339**	339	**-**	-
Other intangible assets	11	**2,992**	1,897	**-**	-
Investment in subsidiaries	12	**-**	-	**2,971**	2,848
		5,185	4,133	**3,763**	3,547
Current assets					
Trade and other receivables	15	**2,760**	1,857	**24,235**	21,352
Research and development tax credit receivable		**760**	640	**-**	-
Cash and cash equivalents	16	**11,101**	927	**10,164**	122
		14,621	3,424	**34,399**	21,474
Total assets		**19,806**	7,557	**38,162**	25,021
Current liabilities					
Borrowings	18	**(517)**	(265)	**(272)**	(32)
Trade and other payables	17	**(2,162)**	(1,602)	**(712)**	(427)
		(2,679)	(1,867)	**(984)**	(459)
Non-current liabilities					
Borrowings	18	**(1,862)**	(1,332)	**(1,588)**	(788)
Total liabilities		**(4,541)**	(3,199)	**(2,572)**	(1,247)
Net assets		**15,265**	4,358	**35,590**	23,774
Equity attributable to shareholders					
Share capital	21	**7,751**	4,836	**7,751**	4,836
Share premium account		**77,085**	66,384	**77,085**	66,384
Translation reserve		**38**	(27)	**-**	-
Warrant reserve		**29**	29	**29**	29
Retained earnings		**(69,638)**	(66,864)	**(49,275)**	(47,475)
Total equity attributable to shareholders		**15,265**	4,358	**35,590**	23,774

The Company is taking advantage of the exemption in S408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes. The Company incurred a loss of £1,971,000 for the year (2018: £327,000 as restated).

The notes on pages 60 to 98 are an integral part of these consolidated financial statements.

These financial statements were approved by the Board on 7 April 2020 and were signed on its behalf by:

Simon Cleaver
Chief Executive Officer

Consolidated and Company Statements of Changes in Equity

For year ended 31 December 2019

Group	Notes	Share capital £'000	Share premium account £'000	Translation reserve £'000	Warrant reserve £'000	Retained earnings £'000	Total equity attributable to shareholders £'000
Balance at 1 January 2018		4,814	66,329	23	29	(63,939)	7,256
Restatement – IFRS 16	2	-	-	-	-	(27)	(27)
Balance at 1 January 2018 (as restated)		4,814	66,329	23	29	(63,966)	7,229
Loss for the year (as restated)		-	-	-	-	(3,122)	(3,122)
Other comprehensive income:							
Exchange differences on translation of foreign operations		-	-	(50)	-	-	(50)
Total comprehensive income for the year		-	-	(50)	-	(3,122)	(3,172)
Transactions with owners recognised in equity:							
Equity settled share based payments	20	-	-	-	-	224	224
Issue of equity shares		22	69	-	-	-	91
Issue costs of equity shares		-	(14)	-	-	-	(14)
Total transactions with owners recognised in equity		22	55	-	-	224	301
Balance at 31 December 2018 (as restated)		4,836	66,384	(27)	29	(66,864)	4,358

Group	Notes	Share capital £'000	Share premium account £'000	Translation reserve £'000	Warrant reserve £'000	Retained earnings £'000	Total equity attributable to shareholders £'000
Balance at 1 January 2019		**4,836**	**66,384**	**(27)**	**29**	**(66,864)**	**4,358**
Loss for the year		**-**	**-**	**-**	**-**	**(2,945)**	**(2,945)**
Other comprehensive income:							
Exchange differences on translation of foreign operations		**-**	**-**	**65**	**-**	**-**	**65**
Total comprehensive income for the year		**-**	**-**	**65**	**-**	**(2,945)**	**(2,880)**
Transactions with owners recognised in equity:							
Equity settled share based payments	20	**-**	**-**	**-**	**-**	**171**	**171**
Issue of equity shares	21	**2,915**	**11,635**	**-**	**-**	**-**	**14,550**
Issue costs		**-**	**(934)**	**-**	**-**	**-**	**(934)**
Total transactions with owners recognised in equity		**2,915**	**10,701**	**-**	**-**	**171**	**13,787**
Balance at 31 December 2019		**7,751**	**77,085**	**38**	**29**	**(69,638)**	**15,265**

Share capital represents the nominal value of shares issued and paid up.

The share premium account represents the excess of consideration received over the nominal value of shares issued, net of directly attributable issue costs.

The warrant reserve represents the cumulative charge in respect of warrants issued over the Company's shares.

Retained earnings represents the cumulative retained earnings / (losses) of the Group and Company.

Company	Notes	Share capital £'000	Share premium account £'000	Warrant reserve £'000	Retained earnings £'000	Total equity attributable to shareholders £'000
Balance at 1 January 2018		4,814	66,329	29	(47,357)	23,815
Restatement – IFRS 16	2	-	-	-	(15)	(15)
Balance at 1 January 2018 (as restated)		4,814	66,329	29	(47,372)	23,800
Loss for the year (as restated)		-	-	-	(327)	(327)
Transactions with owners recognised in equity:						
Equity settled share based payments	20	-	-	-	224	224
Issue of equity shares		22	69	-	-	91
Issue costs		-	(14)	-	-	(14)
Total transactions with owners recognised in equity		22	55	-	224	301
Balance at 31 December 2018 (as restated)		4,836	66,384	29	(47,475)	23,774
Loss for the year		**-**	**-**	**-**	**(1,971)**	**(1,971)**
Transactions with owners recognised in equity:						
Equity settled share based payments	20	**-**	**-**	**-**	**171**	**171**
Issue of equity shares	21	**2,915**	**11,635**	**-**	**-**	**14,550**
Issue costs		**-**	**(934)**	**-**	**-**	**(934)**
Total transactions with owners recognised in equity		**2,915**	**10,701**	**-**	**171**	**13,787**
Balance at 31 December 2019		**7,751**	**77,085**	**29**	**(49,275)**	**35,590**

The notes on pages 60 to 98 are an integral part of these consolidated financial statements.

Consolidated and Company Cash Flow Statements

For year ended 31 December 2019

	Notes	Group 2019 £000	Group 2018 (restated) £000	Company 2019 £000	Company 2018 (restated) £000
Cash flows from operating activities					
Loss for the year after tax		**(2,945)**	(3,122)	**(1,971)**	(327)
Adjustments for:					
Depreciation and amortisation		**930**	816	**101**	86
Foreign exchange (gains)/losses on operating activities		**92**	(67)	**-**	-
Financial expenses	8	**274**	227	**217**	152
Equity settled share-based payment expenses	20	**171**	224	**49**	98
Taxation	9	**(731)**	(630)	**-**	-
Operating loss before changes in working capital		**(2,209)**	(2,552)	**(1,604)**	9
Increase in trade and other receivables		**(903)**	(393)	**(2,883)**	(4,169)
Increase in trade and other payables		**591**	302	**284**	72
Cash absorbed by operations		**(2,521)**	(2,643)	**(4,203)**	(4,088)
Tax received		**611**	570	**-**	-
Net cash absorbed by operating activities		**(1,910)**	(2,073)	**(4,203)**	(4,088)
Cash flows from investing activities					
Acquisition of property, plant and equipment	10	**(449)**	(450)	**(70)**	(18)
Development expenditure capitalised	11	**(1,433)**	(1,118)	**-**	-
Net cash absorbed by investing activities		**(1,882)**	(1,568)	**(70)**	(18)
Cash flows from financing activities					
Repayment of lease liability	19	**(439)**	(310)	**(128)**	(31)
Net interest paid		**(150)**	(88)	**(146)**	(83)
Net proceeds from the issue of share capital		**13,616**	77	**13,616**	77
Proceeds from new loan	18	**1,500**	-	**1,500**	-
Repayment of new loan	18	**(527)**	-	**(527)**	-
Net cash from/(absorbed by) financing activities		**14,000**	(321)	**14,315**	(37)
Net increase/(decrease) in cash and cash equivalents		**10,208**	(3,962)	**10,042**	(4,143)
Cash and cash equivalents at start of the year		**927**	4,872	**122**	4,265
Effect of exchange rate fluctuations on cash held		**(34)**	17	**-**	-
Cash and cash equivalents at end of period	16	**11,101**	927	**10,164**	122

The notes on pages 60 to 98 are an integral part of these consolidated financial statements.

Consolidated and Company Movements in Net Cash/ (Debt)

For year ended 31 December 2019

Group	At 1 January 2019 £'000	Cash flow £'000	Interest on lease liabilities £'000	Lease liabilities taken out £'000	Exchange and other non-cash movements £'000	At 31 December 2019 £'000
Cash and cash equivalents	927	10,208	-	-	(34)	**11,101**
Bank loan	-	(973)	-	-	-	**(973)**
Lease liabilities	(1,597)	439	(124)	(124)	-	**(1,406)**
Net cash/(debt) at end of year	(670)	9,674	(124)	(124)	(34)	**8,722**

Group	At 1 January 2018 £'000	Cash flow £'000	Interest on lease liabilities £'000	Lease liabilities taken out £'000	Exchange and other non-cash movements £'000	At 31 December 2018 £'000
Cash and cash equivalents	4,872	(3,962)	-	-	17	**927**
Bank loan	-	-	-	-	-	**-**
Lease liabilities	(1,308)	310	(139)	(460)	-	**(1,597)**
Net cash/(debt) at end of year	3,564	(3,652)	(139)	(460)	17	**(670)**

Company	At 1 January 2019 £'000	Cash flow £'000	Interest on lease liabilities £'000	Lease liabilities taken out £'000	Exchange and other non-cash movements £'000	At 31 December 2019 £'000
Cash and cash equivalents	122	10,042	-	-	-	**10,164**
Bank loan	-	(973)	-	-	-	**(973)**
Lease liabilities	(820)	128	(71)	(124)	-	**(887)**
Net cash/(debt) at end of year	(698)	9,197	(71)	(124)	-	**8,304**

Company	At 1 January 2018 £'000	Cash flow £'000	Interest on lease liabilities £'000	Lease liabilities taken out £'000	Exchange and other non-cash movements £'000	At 31 December 2018 £'000
Cash and cash equivalents	4,265	(4,143)	-	-	-	**122**
Bank loan	-	-	-	-	-	**-**
Lease liabilities	(782)	31	(69)	-	-	**(820)**
Net cash/(debt) at end of year	3,483	(4,112)	(69)	-	-	**(698)**

The notes on pages 60 to 98 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1. Accounting policies

Accounting convention and basis of preparation

Cloudcall Group plc (the 'Company') is a public limited company incorporated and domiciled in England & Wales. The address of the registered office is 1 Colton Square, Colton Street, Leicester LE1 1QH. The Company and its subsidiaries are referred to as 'the Group'. The Group's principal activity is to provide products and services designed to enable organisations to use their communications more effectively. The ordinary shares of the Company are traded on the AIM market of the London Stock Exchange.

The consolidated financial statements consolidate those of the Group. The Company financial statements present information about the Company as a separate entity and not about the Group.

These financial statements have been prepared in accordance with all International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and IFRIC interpretations applicable as at 31 December 2019 and with those parts of the Companies Act 2006 applicable to those companies reporting under IFRS.

The financial statements are prepared on the historical cost basis. The results are presented in round thousands of Pounds Sterling unless otherwise noted.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in Note 3.

Going concern

The accounts have been prepared on a going concern basis.

The Group made a loss of £2,945k (2018: £3,122k restated) in the year ended 31 December 2019. As at 31 December 2019 the Group had cash reserves of £11,101k (2018: £927k). The Group has seen a significant cash injection within the year from successful share placings of £13.6m after issue costs.

The Directors have prepared detailed cashflow projections covering the period up to December 2022. Such forward looking projections are inevitably subjective and sensitive to changes in the underlying assumptions and the Directors have sensitised these projections accordingly, in particular to factor in a delay in the growth of revenue. These projections, as sensitised, indicate that, based on the assumptions underlying the projections, sufficient resources will be available to settle liabilities as they fall due for a period of at least 12 months from the date of approving these accounts.

As noted under risks and uncertainties on page 23, the effects of the coronavirus pandemic are being felt on a global scale with governments facing unprecedented challenges and taking the necessary counter measures to combat the spread of infection. The Group is monitoring the development of the coronavirus very carefully and is taking appropriate contingency actions by location and country according to local in-country guidelines.

Since the scale of the pandemic became clear, the Group has taken a number of cost reduction actions which it is currently executing. These relate to both staff and non-staff costs. The combined effect of these will be to significantly reduce the Group's current monthly operating cash outflows and extend the life of the existing cash resources whilst still allowing the Group to maintain those investments that will enable it to resume its' strategic growth plans once the impact of the pandemic subsides.

Despite Covid-19, the Directors remain confident in their assertion that the current trajectory of the Group's recurring revenue streams, the nature of our product portfolio being conducive to home based working and strong cash position of £11.1m following the successful October 2019 fundraise, together with a series of a short term cost reductions, are key factors in demonstrating that the Group has the necessary means to execute its strategy and meet its financial commitments. In addition, the Group can also utilise the remaining £2.0m credit facility with Shawbrook Bank, should it be required.

For these reasons, the Directors have adopted the going concern basis in preparing the annual financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. The results of subsidiaries are included in the consolidated financial statements from the date that the Group obtains control until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred in a business combination is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

Revenue

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

Revenues from monthly call charges and subscriptions are billed at the end of each month and are recognised on an accruals basis.

Revenue from training and network discovery services is recognised in full as those services are provided, based on the contracted price.

Revenue from set up fees is treated as part of the ongoing performance obligation in the sales contract, therefore the revenues associated with these fees are recognised over the life of the sales contracts with customers.

Revenue from the sale of goods is recognised in profit or loss at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, any acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rate at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The functional currency of the Group is Sterling. Exchange differences arising from the translation of foreign operations are recognised in other comprehensive income and accumulated in a foreign currency translation reserve within equity.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve.

Investments

Investments in subsidiaries are recorded at cost less any impairment provisions in the Statement of Financial Position. They are tested for impairment when there is objective evidence of impairment. Any impairment losses are recognised in profit or loss in the period they occur.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to profit or loss to write off the cost, less any estimated residual values, on a straight-line basis over the estimated useful lives of the assets concerned. The estimated useful lives are as follows:

Technical plant and equipment	2 - 10 years
Office and business equipment	2 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Right of use assets are measured at cost to include the lease liability, direct and restoration cost and 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 leases of equipment and vehicles and all leases of low value assets are recognised on a straight-line basis as an expense in the profit and loss.

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

The Group assesses the fair value of intangible assets arising on acquisitions. These include intellectual property arising from software development. An intangible asset will be recognised if the asset is identifiable and its fair value can be measured reliably. An intangible asset is identifiable if it is separable or if it was obtained through contractual or legal rights. Amortisation is provided on the fair value of the asset and is calculated on a straight-line basis over its useful life. All intangible assets except goodwill are amortised.

Research costs are expensed as incurred. Expenditure on development activities is capitalised if, and only if, the product or process is technically and commercially feasible and the Group intends to complete the intangible to use or sell, it is probable the intangible asset will generate future economic benefit, the expenditure attributable to the intangible asset during its development can be measured reliably and the Group has the technical ability and sufficient resources to complete development. Development activities involve a plan or design to produce new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of direct overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to operating expenses on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

The estimated useful lives are as follows:

Acquired IPR	5 years
Capitalised development costs	5 years
Software	3 years

Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated using a discounted cash flow model.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such a reversal is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The Group does not have bank overdraft facilities.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Deferred contract costs

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contact or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the Group that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs and other incremental costs of obtaining a contract are amortised on a straight-line basis over the term of the contract.

Trade and other payables

Trade and other payables are recognised initially at fair value. After initial recognition, they are measured at amortised cost using the effective interest method.

Contract liabilities

Contract liabilities represent the Group’s obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amounts of unexpected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Employee benefits

Share-based payment transactions

The cost of equity settled transactions with employees is measured by reference to the fair value on the date they are granted. Where there are no market conditions attaching to the exercise of the options, the fair value is determined using a range of inputs into the Black-Scholes pricing model. Where there are market conditions attaching to the exercise of the options a Monte Carlo option pricing model is used to determine fair value based on a range of inputs. The fair value of equity-settled transactions is charged to the Statement of Comprehensive Income over the period in which the service conditions are fulfilled with a corresponding credit to a share-based payments reserve in equity.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

On the exercise of share options, an amount equal to the fair value of the option at the date it was granted is transferred from the share-based payments reserve into retained earnings.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

Retirement benefits

The Group operates a defined contribution pension scheme for certain employees. The assets of the scheme are held separately from those of the Group in independently administered funds. Contributions are charged in the Statement of Comprehensive Income as they become payable.

Net financing costs

Net financing costs comprise interest payable and interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Tax credits for research and development expenditure are recognised in the year to which they arise as the Group has established a pattern of claims.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying value of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

2. Changes to accounting policies and disclosures

The accounting policies are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019 with the exception of one new accounting policy in respect of IFRS 16 Leases, which was adopted on 1 January 2019. The effect of initially applying this standard is noted below.

The comparative figures for the financial year ended 31 December 2018 are the Group's statutory accounts for that financial year as restated for the application of IFRS 16.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases. The group previously split leases between 'finance leases' that transferred substantially all the risks and rewards incidental to ownership of the asset to the group, and 'operating leases'.

As a result of the adoption of IFRS 16 the Group has adopted consequential changes to IAS 1 Presentation of Financial Statements.

The main change on application of IFRS 16 is the accounting for 'operating leases' where rentals payable (as adjusted for lease incentives) were previously expensed under IAS 17 on a straight-line basis over the lease term.

Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short' term leases where lease payments are recognised on a straight-line basis over the lease term.

The accounting for leases previously accounted for as finance leases under IAS 17 has not changed substantially, except that residual value guarantees are recognised under IFRS 16 at amounts expected to be payable rather than the maximum amount guaranteed, as required by IAS 17.

A liability corresponding to the capitalised lease has been recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition has also been replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance expense).

In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, results from operating activities before depreciation, amortisation and share-based payment charges have been improved as the operating expense is replaced by interest expense and depreciation in profit or loss under IFRS 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

The group has elected to apply IFRS 16 retrospectively to all leases, subject to the transition provision set out below.

- For all contracts that existed prior to 1 January 2019, the group has not applied IFRS 16 to reassess whether each contract is, or contains, a lease.

The financial impact of applying IFRS 16 on the year-ended 31 December 2018 and as at 1 January 2019 is set out below:

Group

Impact on the consolidated statement of financial position as at 31 December 2018

	2018 Reported £000	Adjustments £000	2018 Restated £000
Non-current assets			
Property, plant and equipment	482	1,415	1,897
Current liabilities			
Borrowings	-	(265)	(265)
Trade and other payables	(1,697)	95	(1,602)
Non-current liabilities			
Borrowings	-	(1,332)	(1,332)
Equity attributable to shareholders			
Retained earnings	(66,777)	(87)	(66,864)

Impact on the consolidated statement of comprehensive income for the year ended 31 December 2018

	As reported £000	Adjustments £000	2018 Restated £000
Operating costs	(9,752)	405	(9,347)
Depreciation and amortisation	(490)	(326)	(816)
Financing expense	(88)	(139)	(227)

Reconciliation of equity

	1 January 2018 £000	31 December 2018 £000
Equity as previously reported	7,256	4,445
IFRS 16 adjustment	(27)	(87)
Equity as reported	7,229	4,358

Reconciliation of loss and basic and fully diluted loss per share for the financial period

	Year ended 31 December 2018 £000
Loss for the year as previously reported	(3,062)
IFRS 16 adjustment	(60)
Loss for the period as reported	(3,122)
Basic and fully diluted loss per share as previously reported	(12.7)p
IFRS 16 adjustment	(0.2)p
Basic and fully diluted loss per share as reported	(12.9)p

Company

Impact on the statement of financial position as at 31 December 2018

	2018 Reported £000	Adjustments £000	2018 Restated £000
Non-current assets			
Property, plant and equipment	13	686	699
Current liabilities			
Borrowings	-	(32)	(32)
Trade and other payables	(522)	95	(427)
Non-current liabilities			
Borrowings	-	(788)	(788)
Equity attributable to shareholders			
Retained earnings	(47,436)	(39)	(47,475)

Reconciliation of equity

	1 January 2018 £000	31 December 2018 £000
Equity as previously reported	23,815	23,813
IFRS 16 adjustment	(15)	(39)
Equity as reported	23,800	23,774

IFRSs issued but not yet effective

For the purpose of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 January 2019. No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 January 2020, or later periods, have been adopted early.

The new standards and interpretations are not expected to have any significant impact on the financial statements when applied.

3. Critical accounting estimates and judgements

The following accounting judgements and estimates have been made by the Directors in interpreting treatment of amounts included in these financial statements in accordance with IFRSs.

Development costs

Management judgement is required in assessing the fair value of development costs capitalised including the future economic benefit expected to be generated by the assets and in calculating the attributable costs. Management judgement is also required in assessing the useful economic lives of these assets for the purposes of amortisation. The carrying value of development costs at the Statement of Financial Position date was £2,992,000.

Impairment

The requirement for the Directors to ensure that the Group and Company's non-current assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs of disposal and value in use) is covered by IAS 36 Impairment of Assets. The fair values in respect of the valuation of the Group and Company's assets in relation to the future value of the returns those assets are predicted to generate have been estimated using a discounted cash flow model. The assumptions used as inputs to the model are by their nature areas of judgement (see Note 11). Based on the historic sales performance of the business and actions being taken to grow the business further, the directors do not currently assess any of these assets as impaired. The carrying value of intangible assets and property, plant and equipment at the Statement of Financial Position date was £3,331,000 and £1,854,000 respectively.

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Judgement is required in determining the most appropriate valuation model and the most appropriate inputs into the model including the level of volatility and the expected life of the option. Judgement is also required in estimating the number of options that are expected to vest based on the non-market conditions. Further information is given in Note 20.

Recoverability of receivables

The loss allowance on all financial assets is measured by considering the probability of default. Receivables are considered to be in default on an individual basis based on various indicators, such as significant financial difficulty or expected bankruptcy.

The Board of CloudCall Group plc has considered the provisions around impairment of inter-company indebtedness contained within IFRS 9 "Financial Instruments" and concluded that the chance of default is low in light of future growth projections, capital restructuring options open to it, and the high level of control exerted over its' subsidiary operations. However, as this balance is expected to be repaid over the long-term, a provision of £1.5 million has been recognised in line with the requirements of IFRS 9.

4. Financial Risk Management

The major financial risks faced by the Group are liquidity risk, currency risk, credit risk and interest rate risk. Further information about the Group's approach to the management of these risks can be found in the Strategic Report Risk Management section on pages 24-25.

Capital management

The Company will raise additional funds as and when required subject to market conditions and availability and having due regard to the prevailing equity price and dilution effect when considering any equity placing. Typically, where available, debt will be used for shorter term financing requirements with equity favoured for the longer-term financing needs of the Group.

The Board is keen that employees are interested in the Company's growth and as such they are encouraged to hold shares in the Company through participation in the Cloudcall Group plc 2011 Share Option Plan. The number of Ordinary Shares which may be utilised within any 10-year period under the Share Option Plan and under any other discretionary/executive share option plans established by the Company shall not normally exceed 10% of the issued Ordinary Share Capital of the Company from time to time.

During September 2019, the Group replaced its previous revolving credit facility with Barclays with a new £3.0m term credit facility (the "Facility") with Shawbrook Bank. Interest on any funds drawn down from the Facility, which is for a 3.5 year term expiring in March 2023, is set at 9.0% plus the higher of either LIBOR or 0.5% per annum. At 31 December 2019, the Group has utilised £1million of the £3million Facility. The Facility is secured over the assets of the Group.

The Group has no plans to make dividend payments.

5. Revenue

The directors consider that the Group has a single business segment, being the provision of hosted telecom solutions. The operations of the Group are managed and reported centrally with group-wide functions covering sales and marketing, development, professional services, customer support and finance and administration. An analysis of revenue by type is given below.

Revenue by location of customer

	Group 2019 £'000	Group 2018 £'000
UK	**5,961**	5,211
USA	**4,453**	2,860
Rest of Europe	**982**	680
Total revenues	**11,396**	8,751

Revenue by type

	Group 2019 £'000	Group 2018 £'000
Recurring subscriptions	**9,146**	6,888
Pay As You Go Telephony	**977**	880
Non-recurring services and hardware	**1,273**	983
Total revenues	**11,396**	8,751

Timing of revenue recognition

	Group 2019 £'000	Group 2018 £'000
Goods transferred at a point in time	**347**	421
Services transferred over time	**11,049**	8,330
Total revenues	**11,396**	8,751

Revenue by product

All revenue is attributable to the Group's main activity, the provision of hosted telecoms solutions. All revenues recognised in the year are generated from contracts with customers.

Information about major customers

The Group had no customers for continuing operations which represented more than 10% of sales in the year to 31 December 2019.

6. Expenses and auditor's remuneration

Breakdown of operating costs by function	Group 2019 £'000	Group 2018 (restated) £'000
Sales & marketing expenses	**2,865**	2,644
Administrative expenses	**7,296**	5,898
Research & development expenses	**985**	805
	11,146	9,347

Expenses before non-recurring items and share based payments	Group 2019 £'000	Group 2018 (restated) £'000
Wages and salaries (Note 7) (*)	**7,208**	6,565
Foreign exchange losses/(gains)	**92**	(67)
Expected credit losses	**131**	115
Other operating costs	**3,715**	2,734
	11,146	9,347

(*) included in wages and salaries above is £956k (2018: £830k) relating to research and development costs expensed.

Exceptional costs of £145k relate to Andrew Jones who resigned as Chief Revenue Officer on 25 November 2019.

Depreciation and amortisation	Group 2019 £'000	Group 2018 (restated) £'000
Amortisation of intangible assets	**338**	241
Depreciation of property, plant and equipment	**592**	575
	930	816

Auditor's remuneration	Group 2019 £'000	Group 2018 £'000
Amounts receivable by auditors and their associates in respect of:-		
Audit of these financial statements	**27**	26
Audit of financial statements of subsidiaries pursuant to legislation	**23**	21
Other assurance services	**10**	9
Other services relating to taxation - compliance services	**26**	18
Tax advisory services	**14**	10
Accounting services	**12**	11
Other services	**-**	13
	112	108

7. Directors and employees

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

Number of employees	Group 2019	Group 2018	Company 2019	Company 2018
Engineering	**16**	15	**-**	-
Development	**49**	46	**-**	-
Customer support	**31**	36	**-**	-
Sales and marketing	**41**	23	**-**	-
Product	**5**	7	**-**	-
Admin and finance	**18**	20	**6**	6
Total	**160**	147	**6**	6

The aggregate payroll costs, including employers NICs of these persons were as follows:

Aggregate payroll costs (all employees)	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Wages and salaries	**7,563**	6,528	**657**	524
Social security costs	**649**	705	**83**	73
Share based payments (note 20)	**171**	224	**49**	98
Other pension costs	**210**	179	**6**	6
Sub-total	**8,593**	7,636	**795**	701
Capitalised wages and salaries	**(1,385)**	(1,071)	**-**	-
Total	**7,208**	6,565	**795**	701

The Group operates a defined contribution pension scheme for all qualified employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. Costs totalling £210k (2018: £179k) were charged during the year and an amount of £55k (2018: £33k) is payable into the fund at the year end and is included in non-trade payables and accrued expenses.

The table below includes the aggregate payroll costs including employers NICs of those employees, including directors, considered to comprise the key management in the year as follows:

Aggregate payroll costs (key management employees)	2019 £'000	2018 £'000
Wages and salaries	**1,945**	1,742
Share based payments	**83**	95
Other pension costs	**68**	65
Sub-total	**2,096**	1,902
Social security costs	**202**	163
Total	**2,298**	2,065

The total remuneration of the directors (including fees) for the year was as follows

Directors remuneration	2019 £'000	2018 £'000
Directors' remuneration	**808**	580
Directors' pension contributions	**6**	6
Total	**814**	586
Number of directors accruing benefits under defined contribution schemes	**1**	1

Included in emoluments are £319k (2018: £194k) in respect of the highest paid director.

Further details of Directors' emoluments and share interests is shown on pages 39 to 41.

8. Finance expense

Finance expenses	Group 2019 £'000	Group 2018 (restated) £'000
Loan interest and arrangement fees	**150**	88
Interest on lease liabilities	**124**	139
Total finance expense	**274**	227

9. Taxation

Recognised in the Consolidated Statement of Comprehensive Income

	Group 2019 £000	Group 2018 (restated) £000
Current income tax		
Overseas income tax charge for the current year	**(10)**	(8)
UK research and development tax credit	**760**	640
Adjustments in respect of prior year	**(19)**	(2)
	731	630
Deferred tax for the current year	**-**	-
Total tax credit recognised in the current year	**731**	630
Reconciliation of effective tax rate		
Loss before tax	**(3,676)**	(3,752)
Tax credit using the Group's effective tax rate of 19% (2018: 19%)	**698**	713
Tax losses not recognised	**(430)**	(522)
Non-deductible (expenses)/non-taxable income	**(95)**	4
Deferred tax not recognised	**292**	208
Effect of R&D tax credits	**349**	275
Amortisation	**(64)**	(46)
Adjustments in respect of prior years	**(19)**	(2)
Total tax	**731**	630

10. Property, plant and equipment

Group	Technical plant and equipment £'000	Office and business £'000	Right-of-use assets £'000	Total £'000
Cost				
Balance at 1 January 2018 (restated)	773	469	1,397	2,639
Additions	257	193	460	910
Disposals	(10)	-	-	(10)
Exchange rate translation difference	-	-	30	30
Balance as at 31 December 2018 (restated)	1,020	662	1,887	3,569
Additions	**239**	**210**	**124**	**573**
Exchange rate translation difference	**-**	**-**	**(48)**	**(48)**
Balance as at 31 December 2019	**1,259**	**872**	**1,963**	**4,094**
Depreciation				
Balance at 1 January 2018 (restated)	(618)	(343)	(148)	(1,109)
Depreciation charge for the year	(154)	(95)	(314)	(563)
Eliminated in respect of disposals	10	-	-	10
Exchange rate translation difference	-	-	(10)	(10)
Balance as at 31 December 2018 (restated)	(762)	(438)	(472)	(1,672)
Depreciation charge for the year	**(125)**	**(131)**	**(336)**	**(592)**
Exchange rate translation difference	**-**	**-**	**24**	**24**
Balance as at 31 December 2019	**(887)**	**(569)**	**(784)**	**(2,240)**
Net Book Value				
At 31 December 2018	258	224	1,415	1,897
At 31 December 2019	**372**	**303**	**1,179**	**1,854**

Company	Office and business £'000	Right-of-use assets £'000	Total £'000
Cost			
Balance at 1 January 2018 (restated)	-	846	846
Additions	18	-	18
Balance as at 31 December 2018 (restated)	18	846	864
Additions	**70**	**124**	**194**
Balance as at 31 December 2019	**88**	**970**	**1,058**
Depreciation			
Balance at 1 January 2018 (restated)	-	(79)	(79)
Depreciation charge for the year	(5)	(81)	(86)
Balance as at 31 December 2018 (restated)	(5)	(160)	(165)
Depreciation charge for the year	**(6)**	**(95)**	**(101)**
Balance as at 31 December 2019	**(11)**	**(255)**	**(266)**
Net Book Value			
At 31 December 2018	13	686	699
At 31 December 2019	**77**	**715**	**792**

11. Intangible assets

Group	Goodwill £'000	Patents & trademarks £'000	Acquired IPR £'000	Software development costs £'000	Total £'000
Cost					
Balance at 1 January 2018	339	12	1,448	1,090	2,889
Internally developed	-	-	-	1,118	1,118
Balance at 31 December 2018	339	12	1,448	2,208	4,007
Internally developed	**-**	**-**	**-**	**1,433**	**1,433**
Balance as at 31 December 2019	**339**	**12**	**1,448**	**3,641**	**5,440**
Amortisation					
Balance at 1 January 2018	-	(12)	(1,448)	(70)	(1,530)
Amortisation for the year	-	-	-	(241)	(241)
Balance at 31 December 2018	-	(12)	(1,448)	(311)	(1,771)
Amortisation for the year	**-**	**-**	**-**	**(338)**	**(338)**
Balance as at 31 December 2019	**-**	**(12)**	**(1,448)**	**(649)**	**(2,109)**
Net Book Value					
At 31 December 2018	339	-	-	1,897	2,236
At 31 December 2019	**339**	**-**	**-**	**2,992**	**3,331**

The acquired IPR arose on the acquisition of Cloudcall Limited and represents the fair value of the proprietary software developed within Cloudcall.

The carrying amount of ongoing development projects on which amortisation has not yet commenced was £1,480k (2018: £639k). The weighted average remaining amortisation period for software is 4.4 years (2018: 4.4 years).

The Company has no intangible assets.

Goodwill

Goodwill arose on the acquisition of Cloudcall Limited and represents the excess of the initial and contingent consideration over the fair value of the net assets acquired.

The goodwill was tested for impairment at 31 December 2019 by comparing the carrying value of the cash-generating unit with the recoverable amount. The recoverable amount was determined using a value in use methodology based on discounted cash flow projections. The key assumptions used in the value in use calculations were as follows:

(i) The operating cash flows for the business for the five years to 31 December 2024 were taken from the budget approved by the Board which is closely linked with recent historical performance and current sales opportunities. The operating cash flow budget is most sensitive to the level of new business sales which are projected to grow at rates of between 25% - 42% over the 5 year budget period.

(ii) Growth in operating cash flows of 1.50% has been assumed for the remainder of the value in use calculation period;

(iii) A pre-tax discount rate of 15% has been used;

(iv) The use of cash flow projections over longer than a 5-year period is considered appropriate as the business has been operating for over 5 years, has a strong recurring revenue base and continues to invest in the development of products.

On the basis of the above assumptions and using projection periods of 10 years, 15 years and in perpetuity, the recoverable amount, based on a value in use methodology, is estimated to exceed the carrying amount by the amounts shown in the table below. Future annual operating cash inflows, which are most sensitive to the level of new business sales, would need to be consistently lower than the growth assumptions used in the value in use calculation by the percentages shown in the table below to reduce the recoverable amount to below the carrying amount. Based on the historic sales performance of the business and investment made to support the growth, the directors do not expect this reduced level of future annual operating cash flows to occur.

	Projection period in value in use calculations		
	In perpetuity	15 years	10 years
Amount by which recoverable amount, based on value in use, exceeds the carrying amount (£'000)	47,309	31,902	18,804
Reduction in annual revenue growth below the growth assumptions used in value in use calculation required to reduce the recoverable amount below the carrying amount.	30%	23%	14%

As Covid-19 is considered to be a non-adjusting post balance sheet, in line with FRC guidance, the above impairment review was performed without considering the impact of the virus on the group's trading which is commented upon further in note 25.

12. Investment in subsidiaries

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of share held	Ownership 2019	2018
Cloudcall Limited	England and Wales	Ordinary	100%	100%
Cloudcall BY. LLC	Belarus	Ordinary	100%	100%
Cloudcall, Inc. *	USA	Ordinary	100%	100%

* Cloudcall, Inc. is indirectly owned, being a 100% subsidiary of Cloudcall Limited.

Each of the subsidiary companies is engaged in the Group's principal activity to provide products and services designed to enable organisations to use their communications more effectively.

There are no significant restrictions on the entities ability to access or use assets, and settle liabilities, of the subsidiaries in the Group.

The registered office for each subsidiary is:

Cloudcall Limited	1 Colton Square, Colton Street, Leicester, LE1 1QH, UK
Cloudcall BY LLC	Minsk, 220036, Dzerzinskogo av., 5-711, Belarus
Cloudcall, Inc.	320 Congress Street, Boston, Massachusetts, 02110, USA

Movement on cost and net book value of investments in subsidiaries:

	Shares in subsidiaries £'000
Balance at 1 January 2018	2,722
Capital contributions to subsidiary companies	126
Balance at 31 December 2018	**2,848**
Capital contributions to subsidiary companies	123
Balance at 31 December 2019	**2,971**

13. Deferred tax assets and liabilities

No net deferred tax asset or liability has been recognised in the Company or the Group in relation to unrelieved trading losses or temporary differences on share based payments, accelerated capital allowances and intangible assets. Other than to the extent that they offset any potential deferred tax liability, no deferred tax asset has been recognised on trading losses as, in accordance with IAS 12, there is at present insufficient evidence that sufficient taxable profits will be available in the near future to recover the assets. This is due to the early stage of commercialisation of products and the position will be reviewed each year.

The Group did not recognise deferred tax in respect of:

	Group 2019 £'000	Group 2018 £'000
Accelerated capital allowances	**(71)**	(42)
Share based payments	**101**	54
Intangible assets	**(509)**	(323)
Trading losses	**3,045**	2,675
	2,566	2,364

14. Non-current assets by location

	Group 2019 £'000	Group 2018 (restated) £'000
UK	**4,562**	3,222
USA	**298**	445
Rest of Europe	**325**	466
Total non-current assets	**5,185**	4,133

15. Trade and other receivables

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade receivables	**1,607**	1,105	**-**	-
Other receivables and prepayments	**1,153**	752	**303**	262
Amounts receivable due from group undertakings	**-**	-	**23,932**	21,090
	2,760	1,857	**24,235**	21,352

All trade and other receivables are expected to be recovered in less than 12 months except for the amounts due from group undertakings.

The Group has recognised a loss of £131,000 (2018: £115,000) in profit or loss in respect of the expected credit losses for the year ended 31 December 2019 in relation to trade receivables.

All trade receivables recognised in the year are generated from contracts with customers.

The Board of CloudCall Group plc has considered the provisions around impairment of inter-company indebtedness contained within IFRS 9 "Financial Instruments" and concluded that the chance of default is low in light of future growth projections, capital restructuring options open to it, and the high level of control exerted over its' subsidiary operations. However, as this balance is expected to be repaid over the long-term, a provision of £1.5 million has been recognised in line with the requirements of IFRS 9.

16. Cash and cash equivalents

	Group 2019 £000	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
Bank - current account	**3,601**	927	**2,664**	122
Bank - deposit account	**7,500**	-	**7,500**	-
	11,101	927	**10,164**	122

17. Trade and other payables

	Group 2019 £000	Group 2018 (restated) £000	**Company 2019 £000**	Company 2018 (restated) £000
Trade payables	**432**	334	**25**	68
Non-trade payables and accrued expenses	**1,285**	847	**430**	130
Other taxes and social security	**445**	421	**257**	229
	2,162	1,602	**712**	427

All trade and other payables are payable in less than 12 months.

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was £252,000 as at 31 December 2019 (£234,000 as at 31 December 2018) and is expected to be recognised as revenue in future periods as follows:

	2019 £000	2018 £000
Within 6 months	**137**	142
6 to 12 months	**51**	61
12 to 18 months	**21**	17
18 to 24 months	**17**	8
Over 24 months	**26**	6
	252	234

18. Borrowings

	Group 2019 £000	Group 2018 (restated) £000	**Company 2019 £000**	Company 2018 (restated) £000
Current borrowings				
Bank loan	**160**	-	**160**	-
Lease liabilities (note 19)	**357**	265	**112**	32
	517	265	**272**	32
Non-current borrowings				
Bank loan	**813**	-	**813**	-
Lease liabilities (note 19)	**1,049**	1,332	**775**	788
	1,862	1,332	**1,588**	788

On 11 July 2017, the Company agreed a revolving credit facility with Barclays Bank for an amount of £1.85m. Interest was set at 7.45% above base rate and the non-utilisation fee was set at 2.98%.

During September 2019, the Group replaced its previous revolving credit facility with Barclays with a new £3.0m term credit facility (the "Facility") with Shawbrook Bank. Interest on any funds drawn down from the Facility, which is for a 3.5 year term expiring in March 2023, is set at 9.0% plus the higher of either LIBOR or 0.5% per annum. At 31 December 2019, the Group has utilised £1million of the £3million Facility. The Facility is secured over the assets of the Group.

19. Lease liabilities

The group has engaged in the following leasing activities:

- The group leased office premises in Leicester for 10 years from the 24 March 2017 to the 23 March 2027.
- The group leased office premises in Boston for 4 years from the 1 June 2017 to the 31 May 2021.
- The group leased office premises in Belarus for 5 years from the 1 January 2018 to the 31 December 2022.
- The group leased motor vehicles for periods of 3-4 years from the 1 April 2019.

An incremental borrowing rate of 8.35% was used to calculate the present value of lease liabilities.

Group	Land and buildings £'000	Vehicle leases £'000	Total £'000
Cost			
At 1 January 2018 – as previously reported	-	-	-
Additional 'right-of-use' assets on transition to IFRS 16	1,397	-	1,397
At 1 January 2018 – as restated	1,397	-	1,397
Additions	460	-	460
Exchange rate translation difference	30	-	30
At 31 December 2018	1,887	-	1,887
Additions	-	124	124
Exchange rate translation difference	(48)	-	(48)
At 31 December 2019	1,839	124	1,963
Depreciation and impairment			
At 1 January 2018 – as previously reported	-	-	-
Additional 'right-of-use' assets on transition to IFRS 16	(148)	-	(148)
At 1 January 2018 – as restated	(148)	-	(148)
Depreciation charge	(314)	-	(314)
Exchange rate translation difference	(10)	-	(10)
At 31 December 2018	(472)	-	(472)
Depreciation charge	(321)	(15)	(336)
Exchange rate translation difference	24	-	24
At 31 December 2019	(769)	(15)	(784)
Net carrying amount			
At 1 January 2018	1,249	-	1,249
At 31 December 2018	1,415	-	1,415
At 31 December 2019	1,070	109	1,179

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Carrying amount of right-of-use assets included within:				
- Land and buildings	1,070	1,415	606	686
- Vehicles	109	-	109	-
Total carrying amount presented within 'property, plant and equipment'	1,179	1,415	715	686

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Effect of leases on financial performance:				
Depreciation charge for the year included in 'administrative expenses' for right-of-use assets:				
- Land and buildings	321	314	80	81
- Vehicles	15	-	15	-
Total depreciation charge on leased assets	336	314	95	81
Interest expense for the year on lease liabilities recognised in 'finance costs'	124	139	71	69
Effect of leases on cash flows:				
Total cash outflow for leases in the year	439	310	128	31

Maturity analysis of future cash outflows	**Within 6 months £'000**	**6 months - 1 year £'000**	**1 to 5 years £'000**	**Over 5 years £'000**	**Total At 31 December 2019 £'000**
Property leases	213	214	889	299	1,615
Vehicle leases	13	13	83	-	109
	226	227	972	299	1,724

Maturity analysis of future cash outflows	Within 6 months £'000	6 months - 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total At 31 December 2018 £'000
Property leases	181	207	1,197	449	2,034

20. Equity settled share based payments

The employee option scheme shares in existence in the year resulted in a total share based payment charge of £171k (2018: £224k) for the Group in the year and a charge of £49k (2018: £98k) for the Company in the year.

Cloudcall Group plc Long Term Incentive Plan

On 31 August 2017, the Group set up a Long Term Incentive Plan to which four senior employees were issued with 36 B shares in the capital of Cloudcall Limited, representing 1.2% of the Company's share capital. Holders of the B shares are entitled to participate in any return of capital if certain targets are met by the Group. A capital return to B shareholders is possible in the event of a sale of shares, liquidation or reduction of capital, share buyback, dissolution or winding up.

The B shares can be "put" to the Group after the end of a vesting period which runs for four years after 31 August 2017 if certain targets are met. The minimum target is for the average mid-market closing price of the 20p ordinary share of the Company for the 90 days prior to 31 August 2021 to equal or exceed £2.50 and during the month prior to 31 August 2021, the number of active users must equal or exceed 40,000. The return to the B shareholders is calculated on a pro-rata basis based on the terms included in the Articles of Association of Cloudcall Limited. The B shares can also be "put" to the Group if an offer has been made to acquire a controlling interest in the Group. If the put option is exercised, a B shareholder obliges the Group to buy the B shares in return for cash or shares in the Group. The form of consideration is at the discretion of the Group. All B shares will convert automatically to Deferred shares on the fifth anniversary of the issue. The Deferred shares will carry no voting rights or dividend rights and have no economic value.

Set out below is the number of shares which each of the senior employs received on the Award Date:

Name	Number
Simon Cleaver	12
Paul Williams	9
Andrew Jones	9
Jason Kendall	6
	36

The fair value of the B shares issued was calculated using the Monte Carlo model with the following assumptions:

Date of grant – 31 August 2017
Share price at grant - £1.135
Date of put option exercise – 31 August 2021
Expected volatility – 49.3%
Expected dividend yield – 0.0%
Risk free interest rate – 0.3%
Percentage employees expected to stay over the life of the plan – 100% (updated to 75% in the year to 31 December 2019)
Estimated number of active users at exercise date – 50,000

The expected volatility is based upon the historic volatility of the Company's share price over the 4 year period to 31 August 2017.

The expected dividend yield is based upon the Company historically not paying a dividend.

The risk free rate is based on a zero-coupon UK government bond as at 31 August 2017.

This resulted in a charge of £38k (2018: £92k) for the Company and the Group in the year.

Cloudcall Group plc 2011 Share Option Plan

The Company operates the Cloudcall Group plc 2011 Share Option Plan. The number of Ordinary Shares which may be utilised within any 10-year period under the Share Option Plan and under any other discretionary/executive share option plans established by the Company shall not normally exceed 10% of the issued Ordinary Share Capital of the Company from time to time. The principal terms are summarised below:

Options to subscribe for Ordinary Shares of the Company may be granted (at the discretion of the Board or the Remuneration Committee of the Board) to selected employees or Directors of or consultants to the Group.

The options granted in June 2011 vest 1/3 on the expiry of 12 months from the date of grant. Thereafter, an equal percentage of the options vest each month until the expiry of three years from the date of grant when 100 per cent of the options will have vested.

All other options will vest 25 per cent on the expiry of 12 months from the date of grant. Thereafter, an equal percentage of the options will vest each month until the expiry of three years from the date of grant when 100 per cent of the options will have vested.

All options are equity settled by physical delivery of shares. Options lapse 3 months after leaving employment if not exercised.

The following options were issued in the year:

Effective date of award	No. of instruments	Life
28 February 2019	5,000	1 year
28 February 2019	7,500	2 years
28 February 2019	7,500	3 years
31 May 2019	10,000	1 year
31 May 2019	15,000	2 years
31 May 2019	15,000	3 years
31 August 2019	16,250	1 year
31 August 2019	24,375	2 years
31 August 2019	24,375	3 years
30 November 2019	35,349	1 year
30 November 2019	53,023	2 years
30 November 2019	53,025	3 years
	266,397	

The number and weighted average exercise prices of share options for the Group are as follows:

Year ended 31 December 2019	No. of instruments	Weighted average exercise price Pence
Outstanding at the beginning of the period	**1,045,196**	122
Granted during the period	**266,397**	102
Exercised during the period	**(93,000)**	(73)
Surrendered during period	**(190,691)**	(111)
Outstanding at the end of the period	**1,027,902**	120
Exercisable at the end of the period	**469,729**	138

The options outstanding at the year-end have an exercise price in the range of 60 to 300 pence and a weighted average contractual life of 6.5 years.

The fair value of options granted was measured using a Black-Scholes share option valuation model and using the following assumptions as inputs:

Expected options life – 5 years
Expected dividend rate - nil
Risk free interest rate – 2.5%
Expected volatility – 94% - 97%
%-age employees expected to stay over the life of the plan – 70%

The expected volatility is based on the historic volatility up to the date of grant, adjusted for any expected changes to future volatility due to publicly available information.

There are no market conditions associated with the share option grants.

Warrants

Year ended 31 December 2019	Group No. of instruments	Group Weighted average exercise price Pence	Company No. of instruments	Company Weighted average exercise price Pence
Outstanding at the beginning of the period	**33,500**	132	**33,500**	132
Granted during the period	**-**		**-**	
Exercised during the period	**-**		**-**	
Outstanding at the end of the period	**33,500**	132	**33,500**	132
Exercisable at the end of the period	**33,500**	132	**33,500**	132

There were no new warrant awards granted during 2019.

21. Share capital

The issued, called up and fully paid share capital of the Company at 31 December was as follows:

Number of shares	2019 (000)	2018 (000)	2019 £'000	2018 £'000
Allotted, called up and fully paid Ordinary shares of £0.20 each	**38,756**	24,181	**7,751**	4,836

The movement in the issued share capital in the year was as follows:

Number of shares	Ordinary shares (000)
In issue at 31 December 2018 - fully paid	24,181
Issued in consideration for additional shares placed on 5 February 2019	**2,400**
Issued in consideration for additional shares placed on 23 October 2019	**12,082**
Issued in respect of warrants and options	**93**
In issue at 31 December 2019 - fully paid	**38,756**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

On 23 January 2019, 313 ordinary shares were issued in respect of share options exercised.

On 5 February 2019, 2,400,000 ordinary shares were issued in respect of shares placed.

On 15 February 2019, 1,781 ordinary shares were issued in respect of share options exercised.

On 3 April 2019, 7,774 ordinary shares were issued in respect of share options exercised.

On 10 April 2019, 1,968 ordinary shares were issued in respect of share options exercised.

On 24 April 2019, 10,770 ordinary shares were issued in respect of share options exercised.

On 20 May 2019, 8,250 ordinary shares were issued in respect of share options exercised.

On 23 May 2019, 10,940 ordinary shares were issued in respect of share options exercised.

On 30 May 2019, 2,062 ordinary shares were issued in respect of share options exercised.

On 13 June 2019, 2,305 ordinary shares were issued in respect of share options exercised.

On 26 June 2019, 1,904 ordinary shares were issued in respect of share options exercised.

On 3 July 2019, 840 ordinary shares were issued in respect of share options exercised.

On 8 July 2019, 4,875 ordinary shares were issued in respect of share options exercised.

On 30 July 2019, 3,168 ordinary shares were issued in respect of share options exercised.

On 10 October 2019, 21,970 ordinary shares were issued in respect of share options exercised.

On 23 October 2019, 12,081,685 ordinary shares were issued in respect of shares placed.

On 13 November 2019, 2,343 ordinary shares were issued in respect of share options exercised.

On 26 November 2019, 414 ordinary shares were issued in respect of share options exercised.

On 19 December 2019, 11,415 ordinary shares were issued in respect of share options exercised.

The total share issue costs during the year ended 31 December 2019 of £934k (2018: £14k) have been deducted from the share premium account.

22. Loss per share

Basic loss per share

The calculation of basic loss per share for the year ended 31 December 2019 of 10.3 pence (2018: 12.9 pence restated) was based on the loss for the year attributable to owners of the parent of £2,945k (2018: £3,122k restated) and a weighted average number of Ordinary Shares outstanding during the period of 28,632,000 (2018: 24,131,000), calculated as follows:

(Thousands of shares)	2019 (000)	2018 (000)
Issued ordinary shares at start of year	**24,181**	24,069
Issued for cash on 5 February 2019	**2,163**	-
Issued for cash on 23 October 2019	**2,280**	-
Issued in respect of warrants and options	**8**	62
Weighted average number of ordinary shares	**28,632**	24,131

Diluted loss per share

The weighted average number of shares and the loss for the year for the purposes of calculating diluted loss per share are the same as for the basic loss per share calculation. This is because the outstanding share options would have the effect of reducing the loss per share and would not, therefore, be dilutive under the terms of IAS 33.

23. Financial instruments

Exposure to currency and credit risk arises in the normal course of business.

Qualitative disclosures in respect of the nature and extent of the Group's and Company's exposure to risks arising from financial instruments along with the methods used to measure the risks and the objectives, policies and processes employed for managing the exposure are described in Note 4**Error! Reference source not found.**.

Credit risk

The carrying value of financial assets at the reporting date represents the maximum credit exposure.
The maximum exposure to credit risk at the reporting date was:

Cash and cash equivalents

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Bank - current account	**3,601**	927	**2,664**	122
Bank - deposit account	**7,500**	-	**7,500**	-
	11,101	927	**10,164**	122

Trade and other receivables

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade receivables	**1,607**	1,105	**-**	-
Other receivables and prepayments	**181**	181	**114**	113
Amounts receivable due from group undertakings	**-**	-	**23,932**	21,090
	1,788	1,286	**24,046**	21,203

No collateral or security is held in relation to amounts shown within trade and other receivables. There is little significant concentration of credit risk by customer and geography and the Group considers the possibility of significant loss in the event of non-performance by a commercial counterparty to be unlikely.

An analysis of trade receivables ageing based on due date and allowance for expected credit losses provided for are set out below:

	Carrying amount	
	2019	2018
	£000	£000
Not yet overdue	**1,326**	816
1 – 30 days overdue	**114**	208
30 – 60 days overdue	**29**	6
60+ days overdue	**194**	154
	1,663	1,184
Allowance for expected credit losses	**(56)**	(79)
	1,607	1,105

The majority of the trade receivables not yet overdue and 1 – 30 days overdue are covered by direct debit arrangements and therefore the loss allowance under the 12-month expected credit losses is minimal. The loss allowance for the remaining trade receivables is measured at an amount equal to lifetime expected credit losses and totals £56,000 (2018: £79,000).

Movements in the allowance for expected credit losses are as follows:

	Group 2019 £000	Group 2018 £000
Opening balance	**79**	15
Additional provisions recognised	**131**	115
Receivables written off during the year as uncollectable	**(154)**	(51)
Closing balance	**56**	**79**

Liquidity risk

The contractual maturity of financial liabilities at year end approximates to carrying value.

Interest rate risk

The Group's and Company's interest-bearing financial instruments at the year-end were:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Variable rate instruments				
Cash and cash equivalents	**11,101**	927	**10,164**	122
Bank loan	**973**	-	**973**	-

The Group and Company invest surplus cash in short term money market or deposit accounts to achieve the highest possible interest rates but having regard to the credit rating of the banking institutions and the currencies required by the Group. The Group has in place a revolving credit arrangement with Shawbrook, details of which can be found within note 18, with interest linked to LIBOR and given the low level of borrowings the interest rate risk is low.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by an amount which is deemed to be immaterial.

Foreign currency risk

The Group undertakes operations using £ sterling and US dollars. Exchange differences arising on the settlement of invoices are taken to profit or loss as incurred. Exchange gains or losses on the retranslation of monetary items at the reporting date are also taken to profit or loss.

Most of the Group's inter-company debt is denominated in Sterling (between Cloudcall Group plc and Cloudcall Limited), however, there exists an inter-company debt of £6,870k (2018: £6,108k) payable by Cloudcall, Inc. to Cloudcall Limited. Over the course of the year, the movement of GBP to USD FX rates has resulted in a debit to the operating statement of £92k (2018: £67k credit) and a debit to other comprehensive income of £155k (2018: £234k credit).

Fair values

Due to the short-term nature of the assets and liabilities it is considered that the carrying amount equals fair value.

24. Related parties

Cloudcall Group plc is the parent company of the Group. There is no overall control of Cloudcall Group plc.

During the year, the Company charged management fees to Cloudcall Limited of £1,446k (2018: £1,194k).

The balances due to the Company at the year end are as follows:

	2019 **£000**	2018 £000
Cloudcall Limited	**25,395**	21,053
Cloudcall, Inc.	**37**	37
	25,432	21,090

During the year, the Group incurred costs of £25k (2019: £25k) in respect of services provided by Vikaas Talent Limited, a company in which G Browning is a director.

25. Events after the reporting period

Since the year end, the spread of the Covid-19 virus has escalated and has had an impact on the group as countries have moved into lockdown. The impact and resulting actions taken by the group have been commented upon in the Strategic Report on pages 5-25 and the going concern note on pages 60 and 61.

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