Annual Report & Financial Statements

CloudCall Group Plc

Year ended: 31 December 2020
Registered Number: 05509873

Contents

Financial highlights

- Total recurring revenues* up 13% compared to 2019 including growth in US recurring revenues of 25%
- Total revenues up 4% to £11.8m (2019: £11.4m) with recurring and repeating revenues* representing 95% of total revenues (2019: 89%)
- Total number of end-users up 14% to 48,255 (2019: 42,348)
- Gross margin increased to 81% (2019: 79%)
- Adjusted EBITDA** loss of £4.4m (2019: £2.2m)
- Loss after tax of £5.7m (2019: £2.9m)
- R&D tax credit received during the year of £811k (2019: £621k)
- Available cash of £5.7m (2019: £13.1m)

Operational highlights

- Growth post initial COVID-19 impact restored, with many KPIs now back to or above pre-COVID-19 levels
- Successful launch of Cloudcall services in Australia
- Launch of Microsoft Teams integration & 'Property and Real Estate' vertical
- 8 new or refreshed CRM integrations, including 3 CRMs in the new 'Property & Real Estate vertical' significantly expanding the number of companies able to benefit from CloudCall's deeply integrated communications
- Executive management team strengthened to execute the Group's growth strategy
- Strong recovery in H2 2020 has continued into 2021 with performance since the end of the year in line with management expectations

*Recurring revenue is derived from contracted subscription-based products. Repeating revenue is related to pay-as-you-go telephony and SMS revenue which, whilst not directly contracted, has a high degree of visibility and predictability.

** Adjusted EBITDA represents operating loss before interest, tax, depreciation, amortisation and share based payment expenses.

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 Company's shares also cross-trade publicly on the OTCQX® Best Market ("OTCQX Market") in the United States, under the ticker "CLLLF". 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 which spans voice, SMS, instant messaging from desktops and mobile devices allows companies to fully integrate their business communications tools into their 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 enables over 1,500 customers to drive more effective communications directly from the intelligence that exists within their CRM system.

The Group has approximately 170 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, 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. Over 95% 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.

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 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). Given the recent political unrest in Belarus, this resource is now being migrated to an external provider based in Poland.

CloudCall operates directly in North America through its office in Boston, MA, in Europe through its UK office in Leicester, and in APAC through its Australian presence in Sydney. The Group primarily focuses its products and services on its core CRM partners and verticals. During 2020, the Group expanded its addressable market and broadened its customer base by adding 8 new or refreshed CRM integrations, including 3 CRMs in the new 'Property & Real Estate vertical'.

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 that also captures key information and logs it back into the CRM system.

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.

The CloudCall platform is architected in a way that enables it to integrate with additional CRMs in a consistent, cost effective and efficient manner. This functionality is the bedrock of the Group's growth strategy of expanding its addressable market base by integrating with additional CRMs.

In addition to the well-known generalist CRMs – such as Salesforce.com and Microsoft Dynamics, there are many hundreds or even thousands of 'niche' CRMs, specialising in vertical markets. Whilst CloudCall faces competition from other communications companies who have built some form of integration with the larger 'generalist CRMs', the majority of these niche CRMs have limited or no integration with any communications provider. The market size for all CRMs is estimated to be more than $40bn per annum which would lead us to believe that the Total Addressable Market (TAM) for CloudCall's products is in the region of $20bn per annum. The 'niche CRMs represent approx. 50% of the global CRM market.

This 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 customers 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 on 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 and communications platform providers by building new integrations.
- 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 customers by continuing to develop and deploy product features that add value and expand 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, referability 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

As with many businesses the global pandemic has had a significant impact on the results for 2020. Thanks to decisive leadership, resilient systems and highly committed staff around the world, the business was able to switch quickly and effectively to home working with minimal disruption to customer service and project delivery.

One short term impact of the lockdowns and working from home guidance imposed around the world was a slowdown in new customer opportunities as businesses focussed on cash preservation and effectively parked most new initiatives. We also saw, particularly amongst the recruitment vertical (which accounts for over half of the CloudCall customer base), requests for reductions in user numbers and/or temporary billing relief as some of our clients adjusted rapidly to reflect lower demand for new hiring in their own markets.

The leadership team of CloudCall quickly reviewed the options for reducing cash burn and implemented a significant cost reduction programme of around £1.3m, focussing on the areas that could be impactful quickly without damaging long term growth prospects.

As we moved into the latter part of the year, we saw our customers and prospects adapting to the realities of the post-pandemic world and user numbers and revenues once again began to grow. With apologies for borrowing every football commentator's favourite cliché it was definitely a year of two halves.

I am pleased to report therefore that, despite the significant macroeconomic uncertainty and unexpected challenges experienced as a result of COVID-19, the Group has managed to effectively weather this storm, continuing to grow revenues (albeit slower than originally expected) and, following the recent share placing and refinancing of debt facilities, is well placed to pursue its growth strategy into 2021 and beyond.

Key performance indicators

- Adjusted EBITDA losses widened during the year from £2.2m in 2019 to £4.4m
- Loss after tax increased to £5.7m (2019: £2.9m)
- Total revenues up by 4% to £11.8m compared to £11.4m in FY 2019
- Monthly recurring revenues up by 13% compared to FY 2019
- Total users increased by 14% since 31 December 2019
- Underlying SaaS metrics, particularly cost of customer acquisition versus lifetime value continue to be highly attractive

Working Capital

At the end of 2019, the Company announced it had raised gross proceeds of £12.1m via a placing and open offer to fund future growth. At the time, the Board were confident that this provided adequate working capital to fund an investment programme that included investing in customer led growth initiatives, product enhancements, internal systems, strengthening of the executive management team and other expansion opportunities.

2020 began well, with key elements of these strategic initiatives making a very positive impact, resulting in additional lead generation and a strengthening sales pipeline in the first two months. This was then followed by the uncertainty created by the COVID-19 pandemic, leading to a sharp reduction in new customer signings which, when combined with existing customer user reductions and billing relief requests, led to Monthly Recurring Revenue (MRR) at the half year dropping by 7% compared to the start of the year.

The rapidly implemented cost reduction measures, along with employee retention grant funding received in both the UK and the US, helped to reduce operating costs by approximately £1.3m from previously planned levels. However, despite these savings, adjusted EBITDA losses widened during the year from £2.2m in 2019 to £4.4m.

Although more severe cost reductions were contemplated and assessed, the Board considered that these would have long-term damaging impacts on the ability of the business to regain its growth momentum once the world emerged from the initial shock of COVID-19 lockdowns.

The loss of approximately £3m in forecast recurring revenue in 2020 not only weakened the year-end balance sheet position but will also have a compounding effect on future years thus extending the timescale to achieve monthly EBITDA breakeven. It was therefore clear to the Board that additional funding would be required for the group to continue investing in its growth strategy. Following a review of the options available, the Board concluded that a further equity fundraise to strengthen the balance sheet was necessary. The leadership team successfully completed an equity fundraise in March 2021 raising net proceeds of £7m alongside increasing the debt facility with Shawbrook Bank to £5m. The Group will use these resources for general working capital purposes and to deliver its near-term growth plan.

Growth Strategy

During 2020 the business continued to focus on four key growth initiatives:

- To continue developing relevant new products, cross platform integrations, services and features that will attract new customers and enhance our offering to existing customers;
- To deepen relationships with existing partners, while integrating with more recruitment CRMs to become the "go-to" integrated communications provider for the sector;
- To expand geographical coverage and add additional industry verticals where the CloudCall proposition adds value; and
- To improve our internal systems and organisational capabilities to more effectively support and onboard larger customers.

More details about the progress against each of these objectives are described in the CEO's report. These strategic growth objectives are reviewed regularly by the Board, and as we emerge from the impact of COVID-19, these will continue to be the areas of focus for 2021.

Product Strategy

One of the keys 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. The Cloudcall LTV:CAC ratio is estimated to be over 5, with the potential for this to improve over time as we see continued high net renewal rates and low churn.

During 2020, the Group made good progress with its strategy to expand its addressable market and broaden its customer base by adding 8 new or refreshed CRM integrations, including 3 CRMs in the new 'Property & Real Estate vertical'.

New features have been developed within the CloudCall platform that are beneficial for businesses employing home or remote workers. It is looking increasingly likely that this will become the new normal for at least part of the working week for many employees, and the Board is confident that this increases the relevance and value of the platform going forward.

People

Following the Autumn 2019 fund raise, and in line with the growth plans, a number of key senior hires were made. Paul Clark (Chief Technology Officer), Abigail Wilkinson (Chief People Officer) and James Maloney, a new US based Chief Revenue Officer, joined the Executive Management Team at the beginning of 2020. Despite this new leadership team having to operate virtually for much of the year, these individuals have all made strong contributions to the Group, including significant improvements to our staff culture and welfare, our IT systems and our customers' experience. Many of these initial improvements are already making a difference and the plans for 2021, when fully implemented, will further improve these areas and will play an important and pivotal role in helping the Group to achieve its growth ambitions.

There have been no changes to the PLC Board in the year, however, as part of the annual Board effectiveness process, it is planned that during 2021 the Board will consider appointing an additional Non-Executive Director to further strengthen the team with the interests of shareholders and key stakeholders in mind.

In what has been an exceedingly difficult year, I would like to take this opportunity to thank all our staff and their families for their dedication and commitment and achievements in a period that will have been personally challenging for everyone. The Board also acknowledges the salary sacrifice made by the staff during the year as part of the cost reduction initiative. I thank everyone for this personal sacrifice to help ensure the continued success of the business.

Outlook

The Board believes COVID-19 will have long lasting effects on how many businesses operate, where staff are based and what they require from their communications partner. The influx of new customer signups in the second half of the year clearly signposts that location flexibility, productivity monitoring and improvement tools and communications data capture for improved decision making will become must-haves for technology stacks to support new ways of working.

CloudCall, with its call recordings, supervisor tools and expertise in syncing communications with third-party systems has a head start in this area. The Group has already returned to monthly recurring revenue growth, and as market conditions continue to improve, the Board fully expects the Group to return to its previous levels of growth.

Peter Simmonds
Non-executive Chairman
CloudCall Group plc

Chief Executive's review

2020 has seen a year of significant uncertainty and challenge, with the effects from the outbreak of COVID-19 and the resulting lockdown having a considerable impact on businesses operations and sales. Despite these circumstances, I have been hugely impressed by the resilience of both the Group and its customers with the true story of 2020 being undoubtedly a year of two halves.

In September and October 2019, the Company announced it had raised gross proceeds of £12.1 million via a placing and open offer to fund future growth, with the Directors outlining an investment programme that included investing into customer led growth initiatives, product enhancements, internal systems, strengthening of the executive management team and other expansion opportunities.

With a significantly strengthened balance sheet and a focussed and effective growth strategy, the Group began 2020 well, with key elements of its strategic initiatives making a very positive impact, resulting in additional lead generation and a strengthening sales pipeline. However, in mid-March 2020, the UK government implemented a stringent national lockdown in response to the rising effects from the global COVID-19 pandemic. This compulsory national lockdown forced many businesses across the UK to temporarily shut or move to a working-from-home environment.

With the significant macroeconomic uncertainty created by the COVID-19 pandemic, CloudCall experienced a sharp reduction in new customer signings which, when combined with existing customer user reductions and billing relief requests, led to a fall in the recurring revenue base. This was due in part to approximately 66% of CloudCall's customer base being in the recruitment sector, which can often be one of the first industries that is negatively impacted during economic uncertainty. At that time the Directors put in place a cost management programme, including but not limited to: reducing marketing and travel budget, employee salaries, as well as a number of other cost cutting initiatives.

As the longevity of the lockdown restrictions became more apparent into Q2 2020, many of the Group's customers sought to utilise CloudCall's products and services to fulfil the new working-from home need. As a result, the Group experienced a 'V-shaped' recovery in recurring revenue growth from June 2020. The recovery trend continued throughout the second half of 2020, with many of the Group's key performance indicators back near or surpassing the pre-COVID-19 levels by the end of 2020.

Whilst COVID-19 continues to impact the broader global economic environment, I am pleased to report that despite these challenges, we have been hard at work strengthening the business with considerable investments in sales and marketing, our senior management team and our internal tools and processes, all of which improve our scalability and readiness to drive forward as the markets return. We are already seeing the benefits of these investments in H2 2020 and we look forward with confidence to a return towards higher growth levels in 2021 and beyond.

Once again, I would like to extend my thanks to our much-valued employees, partners and customers for their extraordinary work and support over the past twelve months. Whilst it has been a challenging year for many, we remain collectively focused on achieving our goal and growing CloudCall into the go-to integrated communications company for CRMs.

Performance overview and financial highlights

During the year total revenues increased by 4% to £11.8m and recurring revenues increased by 13% to £10.3m when compared to the previous year. However, these annual figures mask the true story of 2020 which was a year of two halves.

In the first half of 2020, following a positive start to the year, the initial shock waves of the global COVID-19 pandemic materially slowed sales to larger prospects and increased churn levels, resulting in Monthly Recurring Revenue (MRR) at the half year dropping by 7% compared to the start of the year. Since then, churn rates have reduced, new business sales have materially increased and temporary customer reductions have begun to reverse, resulting in a 12% growth in MRR (measured on a constant currency basis) across the second half of 2020.

During the year, the Group increased its number of end users by +5,900 or ~14% to 48,255 users. However, once again, there was a marked difference between the two halves of the year, with H1 average monthly net user growth at 245 users compared to H2 which saw a threefold increase to 740 users. The final month of the year saw continued progress on this front, with December's monthly net user growth increasing to an encouraging 881 users.

Across the second half of the year, performance steadily improved in all areas and we are pleased to report that the ongoing pandemic had a limited negative impact in the final quarter of the financial year. The below table demonstrates this 'year of two halves', setting out a number of KPIs for each of the six-months performance from H2 2019 to H2 2020:

	H2 2019	H1 2020	H2 2020	H2 2020 Vs H1 2020
Average monthly net new users	902	245	740	Up 202%
Net retention rate (NRR)	105%	85%	100%	Up 18%
LTV:CAC*	5.4	1.5	5.3	Up 253%
Closing monthly recurring revenue (MRR)	£877k	£813k	£885k	Up 9%
MRR half on half movement (Constant currency)	+18.5%	-7.5%	+12.2%	

* The ratio of Lifetime Value (LTV) derived from each new user, to acquisition cost (CAC) of that user.

Total operating costs excluding depreciation, amortisation, share based payments and exceptional costs increased by 25% during the year to £13.9m (2019: £11.1m). As well as entering 2020 with a higher cost base off the back of investment within 2019, in line with our stated strategy when we successfully raised capital at the end of 2019, the beginning of 2020 saw significant further investment in new products, an expansion of our sales and marketing capabilities, including investment within our Australian operations, and a strengthening of the executive and senior management team.

When the scale of the pandemic became clear the Group took a number of cost-cutting actions including reducing marketing and travel budget, voluntary salary reductions, use of the UK government Furlough Scheme as well as a number of other cost-cutting initiatives. These measures, along with employee retention grant funding received in the US helped to reduce operating costs by approximately £1.3m from previously planned levels. However, despite these savings, given the significant impact COVID-19 had on 2020 revenue performance, adjusted EBITDA losses widened during the year from £2.2m in 2019 to £4.4m with overall net assets reducing to £9.9m (2019: £15.3m) including available cash resources of £5.7m (2019: £13.1m).

Given the weakened balance sheet position, as well as the compounding impact from the lost revenue in future years and the extended time to achieve monthly EBITDA breakeven, it was clear that additional funding would be required for the group to continue its growth strategy. As a response to this, management successfully completed an equity fundraise in March 2021 raising net proceeds of £7m alongside increasing the debt facility with Shawbrook Bank to £5m. The Group will use these resources for general working capital purposes and to deliver its near-term growth plan.

Our ongoing growth strategy

Developing relevant new products, features and services for our existing and future customers

The CloudCall service has several features that are beneficial for home or remote workers, making it highly relevant in today's distributed working environment. These include being cloud-based, recording and logging calls inside the customer's CRM, and the ability for managers to remotely see which staff members are on a call and to listen-in or even join that call if required - particularly beneficial when remotely training new starters. As a result, new business sales delivered a strong improvement during the second half of the year.

The Board believes that the headwind experienced at the beginning of the COVID-19 pandemic is now beginning to reverse into a tailwind as the CloudCall product grows in relevance given the anticipated permanent shift in working patterns towards a more distributed workforce. This, combined with the ongoing improvements in sales and marketing processes being driven by the strengthened Executive team, led to many of the Group's sales performance indicators such as leads generated, demos completed and converted, value of new business signed, numbers of new customers and users signed up and value signed per sales representative recovering to above pre-COVID-19 levels in H2. Whilst not considered to be key performance indicators for the Group as a whole, this impact can be demonstrated via an analysis of certain sales metrics as displayed within the table below:

	H2 2019	H1 2020	H2 2020	H2 2020 Vs H1 2020	Back above pre-COVID
Leads generated	634	893	1,398	Up 57%	✓
Demos completed*	203	263	361	Up 37%	✓
New customers signed	147	181	279	Up 54%	✓
New users added	3,303	2,423	4,135	Up 71%	✓
New business sales (Y1 value £k)	1,456	1,030	1,611	Up 56%	✓
Y1 value / sales rep / month (£k)	17.7	15.4	22.2	Up 44%	✓

* Demo numbers are from leads generated per half and should continue to grow as those leads are worked on. The above metrics have been disclosed for illustrative purposes to provide further context to the narrative. The Company does not propose to provide all of these performance metrics in future periods.

To further strengthen the Group's product offering and take advantage of the recent changes in global working practices, which has seen exponential growth in the use of collaboration platforms such as Microsoft Teams and Zoom, on the 25 November 2020, the Group launched an integration with Microsoft Teams. Since the integration was launched with the capability to make calls and share CRM contacts via Teams, we have added SMS capabilities via our Microsoft Teams App. Whilst still early into the rollout, initial response rates have been encouraging and the Group is looking to add more flexibility and improve the Teams user experience over the coming months. More and more of our customers are finding themselves living within Teams and we are working hard to ensure that CloudCall is right there at their fingertips allowing them to work.

Deepening relationships with existing partners and adding more CRM integrations and verticals

CloudCall's go-to-market strategy has robustly weathered the COVID-19 related economic events and the strength of the Group's platform was well demonstrated during the second half of the year where the Group witnessed continuing improvement in ‘Lead to Close’ and ‘Demo to Close’ ratios, which the Directors partly attribute to the increasing relevance and product market fit of CloudCall’s services in a work-from-home environment. This was one of the primary drivers for a 44% half-on-half increase in sales value per sales head (see table above) - further increasing efficiency.

During 2020, the Group made good progress with its strategy to expand its addressable market and broaden its customer base by adding 8 new or refreshed CRM integrations, including 3 CRMs in the new 'Property & Real Estate vertical'.

The strategy is working well with these new CRMs already contributing approximately 20% of the total number of new customers won by the Group in the year. Furthermore, despite the Property & Real Estate vertical only formally launching on 22 October 2020, 18 of these new customers are from that vertical. This strategy will allow the Group to reduce its reliance upon any one large CRM partner or vertical.

CloudCall's efficient and effective go-to-market strategy has classically led to strong 'Lead to Close' and 'Demo to Close' ratios, particularly where there is a strong existing relationship with an integrated CRM partner. However, it was especially pleasing to see a strong lead to close ratio for the new Group of CRM integrations and we expect this to improve as those partnerships deepen.

Whilst not considered to be key performance indicators for the Group, the below table provides a snapshot of the strong conversion metrics experienced during 2020 and how they are improved by the strength of the CRM relationship:

	Lead to Close %	Demo to Close %	New customers (1)	Year 1 Revenue Closed (2)
All CRMs	14%	52%	459	£2.8m
Large Recruitment CRM	28%	63%	195	£1.6m
New CRMs in 2020	27%	43%	91	£0.4m
Conversion metrics from leads generated in 2020 should continue to grow as those leads continue to be worked on.				
(1) New customers signed up in 2020 (2) Year 1 revenue refers to the first year of revenue expected from customers signed. Depending upon signing date, this revenue will potentially be delivered across more than one financial period. (3) The above metrics have been disclosed for illustrative purposes to provide further context to the narrative. The Company does not propose to provide all of these performance metrics in future periods.				

The Group is continuing to invest in deepening its existing CRM partner relationships and increasing its addressable market by growing the number of CRM integrations with a further 12 new or refreshed partnerships planned during 2021.

Expanding geographic reach

The Australian operation is now up and running, generating customer revenues and beginning its growth journey. The 5-strong team in Australia is already looking after 18 customers with a combined annual recurring revenue of £175k coming on stream. We are excited to see this team drive further growth in the coming years, as this business begins to scale.

Engaging with and serving larger customers

Engaging with and serving larger prospects and customers brings with it many challenges and requires investment to build appropriate capabilities. It is crucially important to approach the opportunity to partner with larger customers appropriately resourced to execute effectively and provide the high levels of technical and service support required. This is one of the reasons that we raised funds in October 2019, and with the additional funds raised in March 2021, we are delighted to be able to continue building our capabilities whilst already making strong progress via investment within our internal systems and processes; this is already improving efficiency, scalability, and customer experience.

Our decision to build a presence in Australia was in part due to the requirement from some of our enterprise prospects to have a global solution. There are also a number of our existing larger customers that have openly expressed a desire to expand their CloudCall user base once we are able to serve their global requirements. Now that our Australian operations are up and running, we are starting to see traction with some of these prospects.

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.

Customer case studies

Huffmaster – US

HUFFMASTER
Keeping Business in Business

As the nation's first single-source strike services agency, Huffmaster has earned its reputation on the front lines of some of the nation's most difficult and high-profile labour disputes since 1963. Based out of Clawson, Michigan, Huffmaster assists with all aspects of workforce management, including contingency planning, replacement personnel and security.

Huffmaster wanted to increase accountability and enhance reporting. Unfortunately, Huffmaster did not have the capabilities necessary to hold their recruiters accountable for what they said to customers and candidates. If certain promises were made and disputed, there was no way to confirm the conversation details. Huffmaster needed a solution that included Call Recordings to drive accountability across the company. Huffmaster also lacked the reporting and performance tracking necessary for their recruiters. They required technology that would give them greater visibility into workflows, so they could react and improve accordingly. Other challenges they faced included manually dialling their contacts and leaving voicemails one at a time. These previous methods were simply not fast enough.

The solution - A seamless unified communication solution, powered by CloudCall. Huffmaster upgraded from their previous phone platform to CloudCall. With this integrated solution, Huffmaster has been able to increase mobility, accountability, and insight. Many of Huffmaster's full-time staff work from home where CloudCall's mobile application, CloudCall Go!, allows people to take calls after hours utilising the company phone system without giving out their personal number. This keeps the conversation data in Bullhorn – allowing Huffmaster to gain insight from it.

Huffmaster uses Call Recordings via CloudCall to reference previous conversations. As a result, nothing on the record is disputed – which makes holding recruiters accountable as easy as pressing "play" on the recording. With CloudCall's analytics, Huffmaster can see who is picking up the phone, how many calls are made, the duration of each call, and more. Any team member, including temporary workers, are held accountable to meeting metrics such as number of outbound calls per day.

After an incredibly smooth implementation, the team started using their phones effortlessly, giving everyone confidence that Huffmaster partnered with the right provider.

Moving to CloudCall has given Huffmaster's recruiters the freedom to recruit on the go, whether at home, in the car, or in the office. Kevin McNally, Director of IT at Huffmaster, says that CloudCall's unified communications increased their recruiters' ability to reach out to people by at least 150%.

By providing replacement personnel quickly during a strike, Huffmaster's clients can continue their vital operations in the healthcare industry. Huffmaster's healthcare staffing division is responsible for building contact lists of Registered Nurses and Certified Nursing Assistants. Recruiters quickly call hundreds of contacts in short periods of time. Thanks to the Progressive Dialer and Voicemail Drop features of CloudCall, Huffmaster recruiters can dial through pre-defined lists and leave voicemails to increase the callback rate and ensure that hospitals, nursing homes and assisted living facilities get the support they need during labor disputes.

Kevin McNally, Director of IT at Huffmaster – "Switching over to CloudCall has given us more insight and given us the ability to better manage our people…. Now our recruiters don't have to sit there and get that voicemail fatigue and say the same thing over and over and over again. They can just hit go on the dialer, if that person doesn't answer they get a voicemail by the press of a button and they're on to the next call. That has increased our productivity significantly".

Kevin also commented that "Cloudcall Go! Is huge for us. We never had a mobile application with our prior PBX. We do work quite a bit from home, especially when things are busy, it's not uncommon for people to make or take calls on the weekend or even after hours. So the ability to do it all from one phone number and not having to hand out people's cell numbers – just having that mobility, we never had that before and that has been a huge benefit for us"

e-Careers - UK

E-CAREERS #LearnALiving

In 2011, e-Careers launched into the online learning market with the mission to develop and deliver industry-recognised courses that can be fitted around busy lifestyles. Fast forward a few years and over half a million learners have enrolled from over fifty countries, e-Careers has not only become a pioneer in its sector, but it has assembled a team of fellow enthusiasts who drive the business forward based around a firm set of core values and principles.

e-Careers worked with technology consultancy firm, Spartafish, to source a vendor that could accommodate their tender criteria. They wanted a flexible and agile solution that integrated with Salesforce, which would continue to develop alongside their company. After putting together a list of over 60 'must-haves' and a few 'nice to have' features, they searched for a suitable vendor.

CloudCall demonstrated that they could meet e-Careers business requirements, above and beyond the competition, to deliver their desired outcomes. In being a completely proprietary solution, CloudCall provided the flexibility that was needed to tailor the solution to e-Careers' specific requirements.

With CloudCall for Salesforce, e-Careers improved three essential processes: the management and distribution of incoming calls, the quality of the details entered into their CRM and the follow up from their sales teams. The ease at which these processes could be carried out streamlined their workflow and helped users to utilise Salesforce to its full potential.

e-Careers increased their sales revenue by boosting productivity through features including click-to-dial, call notes and call categorisation. Using the Power Dialer, allowed them to speed through calls and spend more time selling. Call categories, notes and recordings enabled them to follow up with leads effectively and to personalise each conversation to the prospect.

e-Careers also fully utilised call analytics and real-time dashboards. These features increased the management team's visibility into their users' activities and simplified the process of setting KPIs. With quantifiable targets that can easily be monitored on a daily basis, employees were more motivated and efficient.

Managers can also remotely interact with live calls using CloudCall's intuitive interface. 'Monitor' allows managers to listen in on calls. They can provide the user with advice through the 'Whisper' feature or even join the call if necessary, using 'Barge'. This helped managers teach a best practise approach on all calls.

CloudCall exceeded e-Careers' expectations by drastically reducing calls costs and improving their sales processes: helping them to achieve productivity gains. Rather than their phone system being a hinderance, CloudCall provided additional features that not only fixed their existing problems but also helped them continue to grow and increase revenue. With an integrated phone system such as CloudCall, e-Careers can more easily work towards their goals of providing learning opportunities and an excellent service to everybody.

Jazz Sahota, MD at Spartafish - "e-Careers' experience with CloudCall has been extremely positive. From quote, through to go live; the process was well thought out, planned and implemented with great professionalism."

Jazz also commented that "One of the major benefits of using CloudCall has been, from a user perspective, the integration with Salesforce® - it has been really simple and easy to use. By providing such a reliable service, e-Careers have been able to focus on their growth and are very excited about the future of their business, with CloudCall."

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.

During 2020 we have spent time developing our Vision 'To find simple truths in communications complexity' and our Mission 'To build an intelligent communications platform that captures the value of business conversations' which has helped us to define our culture and focus on our values. Our values set the tone for our Company's culture and identify what we care about. When our Company values and people values align our employees better understand one another, everyone does the right things for the right reasons and this common purpose and understanding helps our people build great working relationships. Ultimately, it helps us achieve our vision and mission. We recognise that culture drives people's behaviour, innovation and customer service. Our values are our DNA, the intrinsic elements that underpin the behaviour of our organisation, and we use our values to inspire and motivate. Our values are:

- We Work Together
- We Play to Win
- We are Change Makers
- We Embrace Diversity
- We Love our Customers

We use our values to underpin our processes from recruitment practices to performance management to how we show up for work every day and interact with our colleagues & customers.

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 company meetings are held on a weekly basis to help to ensure inclusivity and awareness of company-wide strategy and objectives and our ongoing progress.

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, the Group has set itself the target of becoming carbon neutral. Whilst this project is ongoing, we have already made some initial headway including being given the "Green Economy Mark" by the London Stock Exchange. The Group has designated a member of staff responsible for leading this long-term project to a successful conclusion with a number of additional staff members 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.

Section 172 of the Companies Act 2006

Section 172 of the Companies Act 2006 requires Directors to consider the interests of stakeholders as part of their decision-making process. The Directors are fully aware of their responsibility to promote the success of the Company in this manner and 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. Whilst this Strategic Report provides narrative on how the directors have fulfilled their duties during the year, as well as engagement with employees, customers and environmental matters, the Board's Section 172 Statement has been incorporated within the Governance Report on page 36 as the directors consider that compliance with the requirements of Section 172 is a key governance matter.

Outlook

Whilst COVID-19 continues to impact the broader global economic environment, I am pleased to report that despite these challenges, we have been hard at work strengthening the business with considerable investments in sales and marketing, our senior management team and our internal tools and processes, all of which improve our scalability and readiness to drive forward as the markets return. We have already seen the benefits of these investments in H2 2020 and the Group has made an encouraging start to 2021.

The Board is prudently optimistic for the future of CloudCall, given its compelling and relevant offering for dispersed workforces and the relatively limited impact that the most recent UK lockdowns have had on the business thus far. The improved performance during H2 2020 with its 12% growth in monthly recurring revenue and a robust pipeline of new sales opportunities reinforces this optimism, however, the Board is mindful that the lost momentum from the first half of 2020 does mean that CloudCall's growth strategy has essentially been delayed by approximately one year.

Given the growth momentum generated in H2 2020, the Board is confident that the Group will be able to deliver revenue of £14m in 2021 representing growth of 18%. In addition, the Company has provided guidance for 2021 operating expenditure which is expected to be approximately £16.9m compared to 2020 which was £13.9 million (including £1.3m of one-time COVID-19 related savings). The Board also remains confident in its ambition to now reach monthly EBITDA breakeven by mid-2023 and achieve a £50 million revenue run-rate during 2026.

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 2020**	**31 Dec 2019**	**Growth in 2020**
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 are revenue enhancing.	**£11.82m**	£11.40m	**4%**
Gross Margin	High gross margins within the Group's operating units are indicative of focus on multiple drivers, including: - delivering higher value implementation services - an effective mix of pre-paid vs pay-as-you-go telephony - effective partner management - effective discount management - additional chargeable features and services and - better procurement from upstream telecoms partners.	**80.7%**	78.9%	**1.8%**
EBITDA Loss (Loss from operating activities before depreciation, amortisation and share-based payment charges)	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. From the successful fundraise in late 2019, it was clearly signaled that fresh investment would lead to greater operating expenditure and this, combined with the impact of COVID-19, has widened losses in 2020.	**(£4.36m)**	(£2.16m)	**(102.1%)**
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 Group is investing for growth or managing itself towards profitability. Depreciation, amortisation, share-based payments, financing costs, taxation and other one-time non-operating costs will also impact bottom-line profitability.	**(£5.75m)**	(£2.95m)	**(95.1%)**

KPIs (continued)

KPI	Link to strategic goals	31 Dec 2020	31 Dec 2019	Growth in 2019
Net Cash outflow from Operating Activities	Cash outflow from operating activities typically reduces as revenues outgrow operating costs. However, it should be noted that periods of investment to facilitate further growth will temporarily increase cash burn until revenue growth catches up.	**(£3.32m)**	(£1.91m)	**(73.8%)**
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 in future periods.	**£5.68m**	£11.10m	**(£5.42m)**
No of End Users*	User counts are taken at the point they are "signed up" to CloudCall services which incorporates both users who are live and billing as well as those who are in the process of being onboarded or are part of a planned future roll out. Growth in user numbers 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.	**48,255**	42,348	**13.9%**
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 voice over internet protocol (VOIP) costs per user are typically lower in that more mature market. RRPU in H1 2020 was adversely impacted by the onset of COVID-19 as some customers were offered a short-term reduction in monthly fees.	**£26.50**	£28.00	**(5.4%)**
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. The onset of COVID-19 significantly impacted the Group's ability to obtain new users in H1 2020 with user numbers falling in April and May. However, net new user number growth quickly recovered in H2 returning to pre-COVID levels by the end of the year.	**492** **H1 245** **H2 740**	917 H1 932 H2 902	**(46.3%)**
Avg. Users Per Customer	Whilst the Group has pursued a strategy to drive the growth of the customer base towards larger and enterprise customers, many larger customers deferred investment decisions during the COVID-19 pandemic with revenue growth in H2 being generated from smaller more "agile" customers.	**31.0**	33.0	**(6.1%)**

KPIs (continued)				
KPI	**Link to strategic goals**	**31 Dec 2020**	**31 Dec 2019**	**Growth in 2019**
Net retention rate (NRR)	Net retention rate is the rate at which customers are renewing and expanding. Improving net renewal rates and minimising customer churn is key to long term success in an annuity revenue business and the Group continues to focus on providing the highest standards of customer service and support to increase customer satisfaction levels and potential upsell opportunities. The onset of COVID-19 significantly impacted this metric in H1 as it led to delayed investment from existing customers and a spike in churn as some customers encountered financial difficulties. As the initial impact of COVID subsided, the net renewal rate steadily recovered during H2 and is now in line with pre-COVID levels.	**100%**	105%	**(5%)**
Closing monthly recurring revenue (MRR)	The initial shock waves of the global COVID-19 pandemic materially slowed sales to larger prospects and increased churn levels, resulting in MRR at the half year dropping by 7% compared to the start of the year. Since then, churn rates have reduced and sales have materially increased, resulting in a 12% growth in MRR across the second half of 2020.	**£885k**	£877k	**0.9%**
Lifetime value: customer acquisition costs (LTV:CAC)	The LTV:CAC ratio measures the relationship between the lifetime value of a customer, and the cost of acquiring that customer. The metric is a signal of customer profitability, and of sales and marketing efficiency. The Group has continued to invest within its sales & marketing divisions and has maintained a strong LTV:CAC ratio which is reflective of the efficient go to market strategy.	**5.3**	5.4	**(1.9%)**

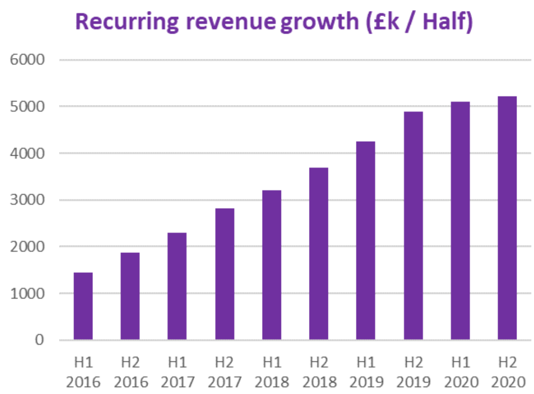
* The Board continually review the Group's KPIs to ensure that they are relevant and useful. The Board is currently reviewing how to improve user number reporting in order to better understand active users and the underlying relationship with revenue i.e. RRPU.

Financial review

Revenue

Revenues grew by 4% from £11.4m to £11.8m in 2020

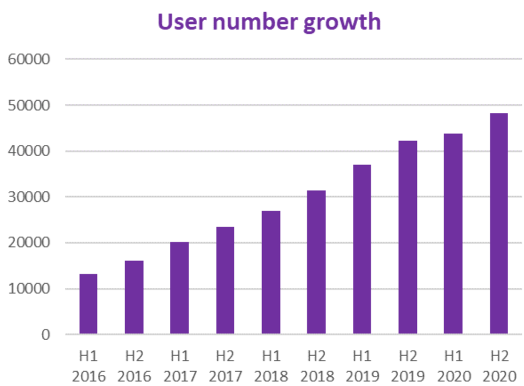
The Group started the year well with a significant sales pipeline and momentum garnered from 2019 producing strong sales in Q1. However, with the onset of COVID-19 in the UK and the global lockdown, new customer signups and existing customer call and SMS volumes reduced significantly in Q2 as businesses adjusted to the challenging economic conditions. These conditions led to a significant decline in net user growth which, in combination with existing customer user reductions and billing relief requests, led to a drop in Monthly Recurring Revenue (MRR) at the half year by 7% compared to the start of the year.



The second half of the year saw a "V-shaped" recovery as home working became more established and customers began to see the importance and value of cloud-based communications in a remote working environment. A rallying performance in H2 gave rise to a 12% growth in MRR (measured on a constant currency basis) across the half resulting in overall recurring revenues for the year increasing by 13% to £10,321k from £9,146k in 2019. The higher relative increase in recurring revenue compared to total revenue was due to lower non-recurring revenue (NRR) and pay-as-you-go telephony revenues (call minutes and SMS) as a direct consequence of COVID-19 and the related reduction in call volumes. These revenue streams started to recover towards the end of H1 and are now broadly in line with pre-COVID levels.

During the year, US operations continued to grow strongly despite the difficult macro-economic backdrop with a 25% growth in recurring revenue being achieved. The Group's Australian operation is now up and running with 18 customers and a combined annual recurring revenue of £175k coming on stream. These geographic locations are expected to continue their strong growth trajectories and contribute strongly to revenue performance in 2021 and beyond.

Over the year, monthly net user growth averaged 492, taking the total number of users to 48,255 (an increase of 14% compared to 2019). The onset of COVID-19 significantly impacted the Group's ability to obtain new users in H1 2020, however, since May, sales numbers have recovered with record customer sign-ups being achieved. This recovery has been driven predominantly by smaller businesses; however, the group is now receiving enquiries from more sizeable organisations, including most of the large opportunities our sales teams were already working with before the pandemic started.



Overall, recurring revenue per user ("RRPU") reduced by 5% to £26.50 compared to the prior period. RRPU was adversely impacted during the year by the onset of COVID-19 as some customers were offered a short-term reduction in monthly fees. Prior to the onset of COVID-19, RRPU was averaging around £28 per month and is therefore expected to gradually recover as customer billing relief continues to reverse and the Group is able to pursue its strategy to expand the product offering and thus upsell capability to existing customers.

Further analysis regarding revenues can be found in Note 4 to the financial statements.

Gross margin

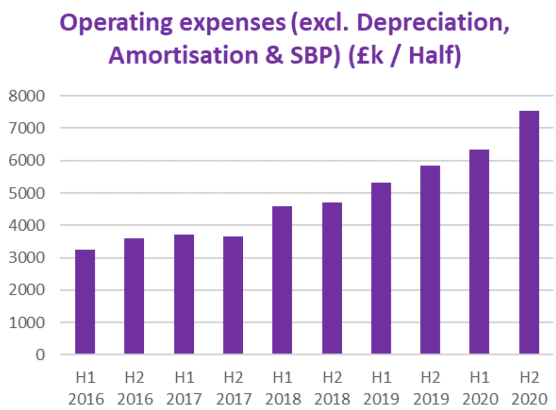
Gross margin increased from 78.9% in 2019 to 80.7%

Gross margin increased during the year because of the higher relative increase in recurring revenue compared to non-recurring revenue streams. Non-recurring revenue from hardware reselling continues to be highly competitive and thus attracts lower margins. The subscription-based nature of the Group's product offering means that recurring revenue will continue to represent a larger proportion of overall revenue as time goes on thus minimising the impact of low hardware margins.

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

Operating costs grew from £11.1m in 2019 to £13.9m

Growth in operating expenditure of 25% year-on-year should be viewed within the context of the Group's overall growth strategy and the increased investment within sales, marketing, product development, the new Australian operations and a bolstering of the executive management team. 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. The Group therefore entered 2020 with a higher cost base and further planned investment took place in Q1 to support future growth.



In April 2020, when the impact of the growing COVID-19 pandemic became clear, management implemented a number of cost-cutting measures including but not limited to: Voluntary salary reductions, redundancies, use of the UK Government Furlough Scheme and a reduction in the marketing and travel budget. These measures, along with additional expenditure grant funding received in the US of £337k via the Paycheck Protection Program, helped to reduce operating costs by approximately £1.3m from previously planned levels. However, despite these savings, given the significant impact COVID-19 had on 2020 revenue performance, EBITDA losses widened during the year from £2.2m in 2019 to £4.4m with the loss after tax increasing to £5.75m (2019: 2.95m).

Receipts from the UK government via the Furlough Scheme and from the US government via the Paycheck Protection Program have been offset against salary costs during the period. For further details please see note 6 to the financial statements.

Operating costs for the year can be further analysed as follows:

	Year-ended 31 December 2020 (£'000)	Year-ended 31 December 2019 (£'000)
Sales & marketing expenses	3,769	2,865
Administrative expenses	8,552	6,899
Research & development expenses	1,578	1,382
Total	**13,899**	**11,146**

Research and development expenditure is shown in the financial statements net of £1.85m (2019: £1.43m) qualifying for re-classification to the balance sheet under IAS 38 (Capitalisation of Software Development Costs). The increased IAS 38 qualifying expenditure is reflective of ongoing investment being made in new product development. 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.

The Group confirms that, as a result of new products coming into service since the policy was implemented, IAS 38 related amortisation charged in 2020 was £766k (2019: £338k).

Further details can be found in Note 10 on intangibles.

Debt and financing expenses

The Group had outstanding debt as at 31 December 2020 of £3.7m (2019: £2.4m) and a financing expense of £325k (2019: £274k). Included in the debt position is the recognition of capitalised lease liabilities amounting to £1.6m (2019: £1.4m).

In September 2020 the Group drew down the remaining £1.5m of available funds within the term credit facility (the "Facility) with Shawbrook Bank which provided borrowing facilities 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.

As at 31 December 2020 the Group owed £2.1m under this facility and the additional drawdown during the year was the predominant driver behind the increased net finance expense of £325k.

As stated within note 25 to the Financial Statements, since the year-end, the Group has replaced the loan facility with Shawbrook Bank with a new £5m facility. The Group is committed to an initial drawdown of £3m in April 2021 having repaid the previous facility balance of £1.9m in March 2021. The facility has been negotiated on similar terms to the previous facility with the £2m undrawn element available for draw down before April 2022 subject to covenants adherence.

Cash and working capital

The Group had £5.7m net cash at the end of the year (2019: £11.1m).

The Group's balance sheet also includes an R&D tax credit receivable of £1m (2019: £0.8m). As has been the case in recent years, this is expected to be received in cash in June 2021.

Net cash outflow from operating activities was £3.3m, up from £1.9m in 2019. This increase in cash absorption is attributed to a combination of the lower than anticipated revenue growth during the year alongside continuing investment for growth as detailed above.

In February 2020, the Group entered into a new 7-year lease for additional office space within the head-office in Leicester which led to an IFRS 16 right of use asset of £836k being recognised. This transaction, combined with investment in the Group's Australian operations saw an increase in capital expenditure from £573k in 2019 to £1,498k in 2020.

Share capital

Total issued share capital at the year-end comprised 38,810,826 ordinary shares of 20 pence each.

During the year, the Company received £38k gross proceeds from exercised share options.

Post year-end, the Company has allotted and issued 9,202,453 new ordinary shares at a price of 81.5 pence raising gross proceeds of £7.5m. The fundraise was required to recapitalise the Group's balance sheet and provide the necessary funds to pursue the near-term growth strategy.

Further details can be found in Note 25 to the Financial Statements.

Loss per share and dividends

Loss per share for the year was 14.8 pence (2019: 10.3 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 (2019: nil).

Going concern

The Directors confirm that, as disclosed in Note 1 on page 77, 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

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. The Group is also exposed to a number of potential risks which may have a material effect on its reputation, financial or operational performance. The Board works diligently to identify, monitor and mitigate all risks and uncertainties.

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 Group with growth prospects lower than the Board's more ambitious plans. Whilst the Group develops the revenue model within the constraints of working capital resources, competitors may develop increased financial, technological or market capability. This could adversely affect the Group's turnover and margins in the future.

  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 onboard. The Group is also committed to delivering new product features, industry sector expertise, best-in-class customer support and service offerings, improved service delivery and global expansion to attract new customers.

- **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. There is a risk that these systems may be adversely affected by a number of factors, including damage, equipment faults, power failure or natural disasters. Events of that nature may cause all or part of the Group's technology platform or website to become unavailable. This in turn could reduce the Group's ability to generate income, impact client service levels and cause damage to the Group's reputation and, potentially, have a material adverse effect on its financial position and performance. The Group's information technology infrastructure may also be damaged by computer viruses, computer hackers, and organised activities among groups of persons designed to breach security systems. Privacy breaches may expose the Group to additional liability and result in the loss of customers and users, or an inability to conduct business. Any inability on the Group to protect the privacy or security of its electronic transactions or systems could have a material effect on profitability.

  In response to these risks, the Group regularly reviews business requirements for equipment and security systems operating a number of back-up facilities to ensure that disaster recovery plans can be maintained. Going forward, management are seeking to migrate key hosted services to third parties thus minimising the level of internal capital investment and maintenance which is required. 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, it has the capability for all staff to be able to work from home, or other remote locations as required, and at short notice. This capability has been successfully proven during 2020 as the COVID-19 pandemic and resulting lockdowns necessitated remote working. During the bulk of 2020, full business operations have been provided by staff working remotely, and systems and protocols have been 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 sustained disruption to its core services.

- **Staff retention and recruitment** – The performance of the Group is dependent upon the continued services, expertise, experience and the performance of the senior management and other key personnel. The Group depends on qualified and experienced employees to enable it to bid for new business and develop new software. The recent acceleration of the trend towards home working and distributed workforces gives rise to the potential risk of salary inflation as individuals are able to work remotely for organisations within areas of the UK that attract higher salary levels such as London and the South-East of England. This also gives rise to the risk of employee attrition levels increasing. Should the Group be unable to attract new employees, or retain existing employees, this could have a material adverse effect on the Group's ability to grow or maintain its business.

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 is provided wherever necessary and appropriate. In response to the trend towards home working, the Group has implemented a flexible work from home policy to ensure that the preferences of our workforce are accommodated where appropriate.

- **Overseas operations** – The Group has overseas operations in the US, Belarus and Australia. Whilst all entities operate within the same sector, and are centrally managed and controlled in the UK, each country of operation has its own legislative and political environment which gives rise to additional risks of non-compliance with laws and regulations and/or exposure to political unrest. There is also a risk that the Group will fail to effectively monitor and control activities in the overseas entities leading to financial loss or reputational damage. This risk is more acute in the current environment as the onset of COVID-19 and subsequent travel restrictions have led to overseas travel being curtailed thus restricting senior management from visiting Group locations.

  The Group mitigates these risks through: i) Ensuring that oversight roles and responsibilities are spread across Group locations to enable strong and effective management within the overseas entities; As an example, the Chief Revenue Officer for the Group is based within the US. ii) Maintaining Group wide financial and operational controls which are operated in a consistent manner. iii) Utilising third-party specialists in each country of operation to ensure compliance with local laws and regulations. iv) Holding regular remote meetings to ensure that effective communication and oversight is maintained. The management team also works hard to ensure that any communication difficulties arising from differing time zones are addressed via careful timing of meetings and the recording and dissemination of Group-wide communications.

- **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 including key vendors such as Bullhorn and Salesforce. 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 choose 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. The Group is continually seeking to add new CRM partners and integrations to further develop our addressable market and reduce reliance upon larger CRM partners.

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 political unrest in Belarus, the ongoing development of the post-Brexit relationship between the UK and the EU and the continuing impact of COVID-19 on 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. In particular, the Board made the difficult decision early on during the political unrest in Belarus to migrate its existing offshore software development capability from Belarus (Minsk) to an external provider based in Poland. This transfer is currently in process and has been carefully planned to ensure minimal disruption to the Group's software development activities. Where possible, the relevant staff of the Group's offshore software development centre in Belarus have been offered a new equivalent role at the new external provider in Poland. This migration of software development capability was a decision made by the Board to mitigate the risks posed to the Group's software development capability by the political unrest in Belarus. To date, the Group's commercial activities are largely unaffected by the post-Brexit relationship between the UK and EU (see Brexit 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 continue to adapt (see Coronavirus section below).

Brexit

Following the UK's official exit from the EU ("Brexit") on 31 January 2020 and the Brexit trade deal agreed between the UK and the EU during December 2020, the Board has promptly taken the necessary actions to make the changes required for compliance with the post-Brexit rules set out under the Brexit trade deal. Actions that have been taken include:

- Appointing a GDPR representative in the EU;
- Appointing an NIS (Network and Information Systems) Directive representative in the EU;
- Implementing appropriate policy and procedure changes to address the post-Brexit restrictions applicable to staff visits to EU customer locations. However, such visits are rarely required as the

Group's products, services and related support can usually be delivered remotely for customers without the need for physical visits to customer locations;

- Implementing appropriate adjustments to our data protection policies and procedures, data transfers, and to our contractual instruments; and
- Continuing to follow prudent and proactive currency management practices, in the best interests of the Group to mitigate the potential impact on the Group of post-Brexit related volatility in exchange rates.

The above actions are a non-exhaustive summary of the measures taken as a Group in response to the post-Brexit rules. The Board obtained legal advice in respect of the post-Brexit rules insofar as such rules are applicable to the Group and then accordingly formulated and implemented the measures above based on that advice.

While the UK's exit from the EU is now complete, there is still speculation about how post-Brexit rules and the post-Brexit relationship between the UK and the EU are going to operate and develop in practice and to what extent these factors may impact on the UK economy. The post-Brexit environment is likely to lead to some short-term volatility in exchange rates. However, while some minor changes have had to be made within the Group to address post-Brexit rules (as mentioned above) the Board does not foresee post-Brexit rules or the post-Brexit relationship between the UK and the EU presenting any material risks specifically to the Group.

The Group 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 as well as within the APAC region, sales will not be significantly impacted by any post-Brexit related volatility.

In summary, we have considered the potential effects of the post-Brexit rules and relationships on the future performance of the Group and have not identified any material/specific risks to the Group. If post-Brexit rules or relationships lead to an economic downturn, the Group has a resilient business model, with our product/services very likely to remain in high demand by our customers, which should enable us to continue our future growth journey.

The Board will continue to monitor the development of the post-Brexit rules and relationship between the UK and the EU very closely and will take further necessary actions if and when required.

Coronavirus

The impact of the coronavirus (COVID-19) outbreak and the speed of transmission around the globe has caused extensive disruption to businesses of all nationalities. Whilst the longer-term implications of the coronavirus pandemic are still relatively unknown, the Group acknowledges that there continues to be significant financial and operational risks in 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.

- 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 are updated on a regular basis. Cash levels and financial covenants on debt facilities are reviewed on a weekly basis with the overall working capital requirements of the group being regularly reviewed with early strategic plans put in place to adapt business spend levels or raise additional funds from share placings if considered necessary. 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.

In March 2021 the Group successfully completed an equity fundraise raising net proceeds of £7m alongside increasing the debt facility with Shawbrook Bank to £5m. The Group will use these resources for general working capital purposes and to deliver its near-term growth plan.

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. 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. This sensitivity also applies to key performance metrics such as Revenue and EBITDA with, for example, a weakening of the US dollar having a detrimental impact on Group revenue.

Cash flow risk is predominantly addressed by matching income and costs denominated in US dollars and, as the Group's US entity is operating at a level around cash break-even, this natural hedging is effective with little need for cash to be transferred to or from this entity. With regards to foreign exchange translation risk, Management closely monitors exchange rate fluctuations and will consider mitigating policies such as constant currency reporting or the use of forward contracts if deemed appropriate.

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. The Group is in the process of implementing a solution to integrate direct debit collections with billing to account in order to minimise the number of customers who pay via non-automated routes. 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.

Whilst the Group has not suffered historically from any significant bad debts, management recognise the difficulties which many of our customers are facing as a result of the continuing Coronavirus pandemic and we continue to work closely with them to provide support where possible. In addition to the credit loss allowance calculated via the Group's provision matrix, a further provision has been recognised this year to reflect the increased risk of debtor recoverability arising from the COVID-19 pandemic.

As at 31 December 2020, 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. There is also a risk that the transfer from LIBOR to the replacement benchmark SOFR will introduce an element of interest rate variability.

The Board notes, however, that interest rate risk is not anticipated to be material given that a significant increase in the UK base rate is not expected within the foreseeable future.

By order of the Board

Simon Cleaver
Chief Executive Officer

Paul Williams
Chief Financial Officer

Date: 31 March 2021

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 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

Legal counsel

CloudCall Group plc employs an in-house commercial lawyer who also acts as the data protection officer for the Group. Among many other duties and areas, this lawyer has continued throughout 2020 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 2020 to assist this lawyer in doing this. This lawyer also advises the Board and the Group 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 33), 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 are fully aware of their responsibility to promote the success of the Company in this manner and 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 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 key governance matters and decisions made to promote the success of the Group during 2020 are as follows:

- During 2020, the Board appointed three new members to the Executive Management team to improve and enhance the quality of the overall management and governance of the Group's activities. All three appointees have deep and vast experience operating at the Executive Management level and the Group anticipates that their appointments will all produce wide ranging benefits to support and facilitate the Group's long-term success. These three appointments were as follows:

    1. Appointment of a Chief People Officer to strengthen the Group's HR systems and processes (including employee engagement). This is an important strengthening of the Group's HR function which is intended to provide robust, scalable and appropriate internal systems and processes necessary to properly support the Group's growth and long-term success from a workforce perspective. To date, the Chief People Officer has guided some key and substantial improvements for the Group's HR function, including the following examples: procurement and implementation of a new and improved user friendly digital HR system capable of central management of all employee records worldwide, the introduction of expanded central HR resources for improved employee welfare and engagement (such as wellbeing resources, corporate gifts for employees, events and collaboration, peer recognition and corporate brand values), and the implementation of a formal career banding structure and performance management framework.

    2. Appointment of a new Chief Revenue Officer to improve the following departments: Sales, Customer Account Management, and Internal Business Systems. The Chief Revenue Officer has already provided the necessary direction to achieve some very significant and valuable improvements to these departments, particularly regarding increased efficiency and quality of the Group's sales cycle and customer on-boarding processes. These improvements will help to increase sales deal velocity and reduce the overall sales cycle and on-boarding turn-around time, which will consequently provide a great amount of support to the Group's ability to achieve its revenue growth targets and long-term success.

    3. Appointment of a new Chief Technology Officer to refine and enhance the following departments: Software Development & Engineering, Infrastructure Engineering (including Internal IT), and Product Development & Management. So far, the new Chief Technology Officer has ushered in some profound enhancements to these departments, most noticeably in respect of the increased focus on systematic and detailed analysis of user experience and

insight as the underlying driving factor to inform the Group's development and improvement of the functionality and quality of its products and services, together with a prudent continuation of the improvement of the stability, resilience and scalability of both our internal infrastructure and our customer facing infrastructure. These enhancements will help the Group to satisfy and retain existing customers with ongoing improvements to the products and services they use, along with supporting the Group's ability to attract new customers with an impressive, cutting edge, and highly useful functionality offering. These intelligent improvements to our portfolio of products and services will have a direct and positive impact on the Group's revenue growth and long-term success.

- The Board reacted swiftly in response to the onset of Covid-19 implementing a cost cutting initiative whilst at the same time supporting both employees and customers and thus acting in a fair manner whilst safeguarding the future of the Group. The Board also reviewed the Group's financial facilities and working capital position and successfully carried out an equity fundraise and debt refinance to strengthen the balance sheet and to provide liquidity to enable the drive for future growth.

- The Group obtained the ISO27001 certification (the international standard for information security management) during 2020 and also began working towards SOC2 compliance (another international information security standard). As a software and integrated communications business, continuous improvement of (and maintaining excellent standards of) information security is of paramount importance to the Group and is an important consideration at the core of all relevant decision making. The crucial importance of this area to the Group has been demonstrated by the commitment and resource dedicated to obtaining the ISO27001 certification and the willingness of the Board to continue with equivalent efforts to achieve SOC2 compliance. This is indicative of the Board's commitment to "take into account the desirability of the Company maintaining a reputation for high standards of business conduct".

- The Group defined and launched its brand values towards the end of 2020. The 5 brand values are as follows:

  1. We Work Together.
  2. We Play to Win.
  3. We Are Change Makers.
  4. We Embrace Diversity.
  5. We Love Our Customers.

  These brand values are designed to provide all employees within the Group with a core and central set of standards to use to guide their behaviour and performance in their role at CloudCall. This helps to align the various departments within the Group so that they can collaborate and perform in line with these shared values as necessary to support the achievement of the Group's vision and mission (which were also defined and launched as part of these brand values) along with other corporate goals of the Group (such as financial targets). The Group's vision is "to find simple truths in communications complexity" and the Group's mission is "to build an intelligent communications platform that captures the value of business conversations".

- During 2020 the Company successfully registered the word "CloudCall" as a trademark (in trademark classes 9, 38 and 42) in two of the operational jurisdictions where the Group has an active trading entity (USA & Australia). The initial applications were made in 2019, but the registrations were granted in 2020. The Company had already registered the word "CloudCall" as a trademark (in trademark classes 9, 38, and 42) in the UK during 2019. This means that the Company has now successfully obtained registered trademarks of the word "CloudCall" in all three of the operational jurisdictions where the Group has an active trading entity (UK, USA, & Australia). Obtaining these trademarks required substantial effort and commitment in the form of various complex appeals following initial refusal based on the perceived descriptiveness of the mark. Regardless of the significant effort required in the short-term, the Board remained committed to obtaining these registered trademarks to secure protection of the Group's brand globally going forwards and to support the long-term success of the business. This demonstrates an example of the fulfilment of the duty to "take into account the likely consequences of decisions in the long-term".

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. As a result of the Covid-19 pandemic, the Group wide meetings (via video conferencing) became much more frequent in 2020. The Board felt this was necessary in order to keep employees up to date on progress and to keep employees closely connected with each other and the business. 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. This has included the introduction of increased ability for employees to put questions to senior management members during Group wide meetings and has also included the introduction of various digital surveys issued to employees throughout 2020 so that they can give their views and feedback on relevant Group wide matters. CloudCall Group plc ensures that it communicates clear and appropriate policies to employees setting out data protection rules, information security rules, commercial contract rules (e.g. sales contracts, procurement contracts and partner contracts), commercial dispute resolution rules, share dealing rules, anti-bribery rules, anti-bullying/harassment rules and anti-discrimination rules and codes of conduct. These policies and procedures are made available to employees via the Group intranet and are regularly reviewed and updated as necessary. During 2020, the Group's in-house commercial lawyer implemented a legal induction process for all new employees. This requires all new employees who join the Group to attend a 30-minute induction which explains some of the key policies, rules, and procedures they must follow when carrying out their role within the Group (including areas such as data protection, information security, commercial contracts and commercial dispute resolution). 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 the Group.

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. For example, Group employees participated in the following charity related activities throughout 2020: 'Cycle for Africa' project, Christmas jumper day to support the Save the Children charity, Christmas charity activities to support children's homes in Leicester and Saffron Acres in Leicester, and a Virtual Coffee Morning and Bake Off to support the MacMillan charity.

Environmental

Towards the end of 2019, the Board approved and initiated a project for the Group to become carbon neutral and designated a member of staff responsible for leading this long-term project to a successful conclusion. This project has remained in progress throughout 2020 (including the Company being given the "Green Economy Mark" by the London Stock Exchange) and will involve a continued 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 remains the main area targeted by this project, along with the way in which such activities are recorded and reported. This project and its continuation throughout 2020 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 thirteen Board Meetings were held in 2020. 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 2020.

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 2020:

- Debt structuring
- Investor relations matters
- US telecoms regulatory landscape and ongoing compliance
- Employee share schemes and bonus schemes
- Brexit
- ISO27001
- SOC2
- Marketing Strategy
- Trademarks
- Corporate changes required to address the political unrest in Belarus (referenced in the Political Risks section earlier in this report)

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:

An independent third party issues a questionnaire to each Board member for them to complete and return. 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 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 2020 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;
- The 2020 evaluation results indicate that there are many aspects of Board performance where there is a high level of satisfaction, particularly in the following areas:
  1. Understanding of individual roles: all Directors gave this question a top rating of 5.
  2. Commitment shown by directors: all Directors gave this question a top rating of 5.
  3. Understanding of strategy and the resources needed to meet objectives: all Directors gave this question a high rating of either 4 or 5.
  4. Objective decision making: all Directors gave this question a high rating of either 4 or 5; and
  5. Committee effectiveness: all Directors gave this question a high rating of either 4 or 5.
- 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, and improving communications with internal stakeholders. The 2020 evaluation indicates that there has been improvement in some of these areas in comparison to 2019, although the Board continues to plan and strive to implement further improvements in these areas. For example, the scores given in 2020 in response to the questions around both succession planning and the Board's own internal

performance evaluation and target setting process were higher than the scores given in 2019, and the supporting comments provided were also more positive in the 2020 evaluation in comparison to 2019. On the succession planning front, the improvement is partly connected to additional senior resource now being available within the Group. Additionally, the 2020 evaluation indicated that, although the Board's approach to risk is viewed as appropriate and sufficiently probing, the Board recognise that further structuring and formalisation of risk management processes may be beneficial and plan to implement measures to further improve this area. Finally, the Board also plans to introduce new software during 2021 to improve the Board's own meeting materials and meeting management. This was not noted as a key area of concern in the 2020 evaluation, but this is still an area where the Board are keen to enhance their current processes.

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 and 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 and 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:

Peter Simmonds
Simon Cleaver
Paul Williams
Sophie Tomkins
Gary Browning

Simon Cleaver, 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, 62
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 Non-Executive Chairman of both D4T4 plc and Gresham Technologies plc and on the Board of the Quoted Companies Alliance.

Simon Cleaver, 60
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 the Group now employing approximately 170 employees across four countries.

Paul Williams, 51
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, 51
Non-Executive Director

Sophie is a qualified Chartered Accountant, with nearly two decades of experience 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 Hotel Chocolat Group PLC (retail and manufacturing), System1 Group PLC (advertising effectiveness) and Virgin Wines UK plc (Online retail).

Gary Browning, 60
Non-Executive Director

Gary is a qualified Chartered Accountant who is experienced in both corporate transformation work and Mergers and Acquisitions. After a career leading, building and acquiring companies, Gary 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.

Gary is currently Non-Executive Chairman of Harvey Nash Group Holdings Ltd, Employment Conditions Abroad Ltd, Eton Bridge Partners Ltd, and Protocol Holdings Ltd.

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 2020 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.

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 2020, three meetings were held, and each member of the Committee was in attendance for all meetings.

Sophie is a Chartered Accountant and is also Chair of the Audit Committee at Hotel Chocolat Group plc, System1 Group plc and Virgin Wines UK plc.

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 2020 comprised the following;

- Ensuring the financial performance of the Company is being properly measured and reported on;
- Review of the FY20 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 5 of the Group's financial statements. The non-audit fees incurred during 2020 primarily relate to tax, share scheme and ISO 27001 accreditation advice for the Group. The introduction of the FRC's revised Ethical Standard which took effect in March 2020 has significantly reduced the number of services which the Group's auditor is able to provide, and as such, the committee anticipates that future advisory work will be performed by separate independent parties. 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 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.

By order of the Board

Sophie Tomkins
Chair of the Audit Committee

Cloudcall Group plc

Remuneration Committee Report

Annual Statement

Composition and Role

All members of the Remuneration Committee are independent Non-Executive Directors in line with QCA policy with the committee members being Gary Browning (as Chair), Sophie Tomkins and Peter Simmonds. During 2020 a number of informal meetings were held alongside one formal meeting; each member of the Committee was in attendance for this meeting. The work carried out by the Remuneration Committee during 2020 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 senior management team may be invited to attend meetings. The Remuneration Committee will also make recommendations to the Executive Directors concerning the allocation of share options to senior management and other 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.

Remuneration committee decisions must be unanimous.

Significant Remuneration Matters during the year

During 2020, the Remuneration Committee carried out a benchmarking exercise on the salaries of the Executive Directors and the fees of the Non-Executive Directors. Executive salaries were last increased in

July 2018 and Non-Executive fees had not been increased for 4 years. The exercise reviewed salaries and fees of executives and non-executives in similar sized businesses on AIM with the intended policy to set these at the medium for Executives and at the upper end of the lower quartile for Non-Executive fees.

As a result, in January 2020, Executive salaries were increased by 13% in respect of the CEO and 23% in respect of the CFO. Non-Executive fees in respect of the Chairman were increased from £40k to £60k per annum and in respect of the Non-Executive Directors from £25k to £40k.

During the year, the Board accepted a voluntary and temporary Covid related reduction in salary and fees in line with the policy adopted for all employees. This resulted in a 10% reduction in remuneration for the period from May to August.

Annual Report

Directors' remuneration

Details of Key Management's remuneration (including employer's NICs) are set out in Note 6; full details of directors' remuneration, shareholdings and share options and service contracts are set out below.

	Year ended 31 December 2020					2019
	Salaries and other £'000	Bonus £'000	Pension* £'000	Other benefits £'000	Total £'000	Total £'000
Simon Cleaver	226	-	-	22	248	226
Paul Williams	188	-	-	10	198	179
Andrew Jones**	-	-	-	-	-	319
Peter Simmonds	58	-	-	-	58	40
Sophie Tomkins	39	-	-	-	39	25
Gary Browning	39	-	-	-	39	25
Total	550	-	-	32	582	814

*None of the directors participate within the Group pension scheme.

****Andrew Jones** was included in 2019 until 25 November 2019 when he resigned as Chief Revenue Officer. Included within Salaries and other during 2019 are exceptional costs of £145k in relation to compensation for loss of office. Andrew Jones' interest in the Long-term Incentive Plan lapsed upon his resignation.

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. During the year Vikaas Talent Ltd was paid £39,000 (2019: £25,000).

No bonuses were awarded to the directors during 2020 as the applicable targets were not met.

Long-term Incentive Plan

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

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	0.5%
£5.00	60,000	2.25	5.5%

* 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 2020. 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 2019	Granted	Surrendered	At 31 December 2020	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	-	**(40,000)**	**60,000**	**268**

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

Remuneration policy for 2021

Base salaries

The Executive Director salaries for 2021 have been set at the same rate as 2020 as follows:

Simon Cleaver (CEO) – £220,000

Paul Williams (CFO) - £185,000

Pension

The Executive Directors have opted out of the Group's Pension Scheme.

Annual Bonus

A review of the Annual Performance related bonus scheme was undertaken during 2020 and a new 2021 scheme has been introduced which better aligns each Executive to the annual goals of the company, specifically Revenue growth, whilst also introducing specific role related objectives. All annual bonuses are capped at a percentage of the Executive's salary.

Long-term Incentive Plan

Following a detailed review, conducted with advice from independent professional advisers, the Remuneration Committee has decided to overhaul the Company's share incentive remuneration policy. The Committee believes that current long-term incentives for executive directors, senior management and other key employees are no longer aligned with the Company's strategy and are not providing an appropriate incentive to grow the business for the benefit of all stakeholders.

Therefore, the Remuneration Committee intends to seek shareholders' approval, at the annual general meeting in May, for a new long-term incentive plan for executive directors and other key executives, who strongly influence the success of the business.

The new plan will be designed in accordance with QCA guidance to align executives' rewards with the long-term interests of shareholders and to be consistent with the Company's strategy and culture. Vesting of awards will be conditional on both demanding operating performance and shareholder return metrics.

Plan design will also recognise the Company's growing US presence and the recent hiring of senior US executives, who will be eligible to participate.

This, together with the Company's history of making share awards to employees on joining the Company and the requirement to allow participants, if they wish, to exercise their rights under existing plans has placed strain on the number of shares available for the current executive team and employee share plans. As a result, the proposals will contain a request to increase the number of new shares which may be issued under employees' share plans in any 10-year period from 10 per cent. to 15 per cent. of the Company's issued share capital.

The Remuneration Committee continues to support participation in the Company's shares by executive directors, senior managers and employees and believes that the proposed new plan will be in the best interests of the Company and its stakeholders.

Full details of the proposed new plan will be published in advance of the AGM and the Committee will engage in a consultation programme with shareholders on its proposals before publication.

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.

By order of the Board

Gary Browning

Gary Browning
Chair of the Remuneration Committee

Cloudcall Group plc

Directors' report

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

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 45.

Results for the year and dividends

The results for the year are disclosed on page 69 and are discussed in the strategic report on pages 5 to 33. The Directors do not recommend the payment of a dividend (2019: 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 17 February 2021.

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 17 February 2021:

	2020 Number	2019 Number
Simon Cleaver	**854,344**	839,344
Paul Williams	**130,947**	130,947
Peter Simmonds	**266,875**	266,875
Sophie Tomkins	**52,987**	52,987
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 2020 was 38,755,839.

During 2020, the Board approved the issue of 54,987 new ordinary shares for total gross consideration amounting to approximately £38k 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 2020 was 38,810,826.

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 17 February 2021 were as follows:

	Shares	% of Issued Share Capital
Gresham House Asset Management Limited	**5,120,019**	13.2%
Canaccord Genuity Wealth Management	**4,101,537**	10.6%
West Elk Capital	**3,737,210**	9.6%
Herald Investment Management Limited	**3,405,986**	8.8%
Goudy Park Capital LP	**2,180,048**	5.6%
Lightsail Capital Management LLC	**2,039,000**	5.3%
Burgundy AM	**1,960,523**	5.1%
Long Path Partners	**1,959,000**	5.0%
Richard H. Witmer Jr	**1,762,500**	4.5%
Hargreaves Lansdown AM Limited	**1,399,753**	3.6%
	27,665,576	**71.3%**

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 33.

Events after the reporting period

On 26 March 2021, the company allotted and issued 5,521,472 ordinary shares under an EIS/VCT share placing at a price of 81.5 pence per share. On 29 March, a further 3,680,981 ordinary shares were allotted and issued under a share placing at a price of 81.5 pence per share. The total monies raised of £7.5m before costs will allow the Group to strengthen its balance sheet and pursue the Growth Strategy.

The Group has also replaced the loan facility with Shawbrook Bank with a new £5m facility. The Group is committed to an initial drawdown of £3m in April 2021 having repaid the previous facility balance of £1.9m in March 2021. The facility has been negotiated on similar terms to the previous facility with the £2m undrawn element available for draw down until April 2022 subject to covenants adherence.

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.

By order of the Board

Simon Cleaver
Chief Executive Officer

Date: 31 March 2021

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

The Group and Company financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position of the Group and the Company and the financial performance of the Group and the Company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

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

- 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 international accounting standards in conformity with the requirements of the Companies Act 2006; 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's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of 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 website www.cloudcall.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2020 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. For an explanation of how we evaluate management's assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting and our key observations arising in respect to that evaluation, please see the going concern key audit matter.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition • Development costs • Impairment • Going concern **Parent Company** • Impairment • Going concern
Materiality	**Group** • Overall materiality: £233,000 (2019: £206,000) • Performance materiality: £175,000 (2019: £154,500) **Parent Company** • Overall materiality: £78,300 (2019: £65,000) • Performance materiality: £58,700 (2019: £48,750)
Scope	Our audit procedures covered 99% of revenue, 97% of total assets and 88% of the results before taxes.

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 - Revenue recognition

Key audit matter description	The group's accounting policy for revenue recognition is set out in the accounting policy notes on page 78. Revenue is the largest figure in the Consolidated Statement of Comprehensive Income. An error in this balance could significantly affect a user's interpretation of the financial statements. The group has a number of different revenue streams and the recognition criterion is different for each income stream, and as such, there is an inherent risk in the use of management judgement which is required to determine revenue recognition around the year end.

How the matter was addressed in the audit	We focused on the recognition of revenue as the timing of revenue recognition and its presentation in the statement of comprehensive income. We performed cut-off testing and substantive testing, utilising data analytic procedures to validate the recognition of revenue throughout the year and around the year end. We also substantively tested the accounting for set-up costs to ensure a suitable deferral of the associated 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 has also been considered.

Group - Development costs

Key audit matter description	The group's accounting policy for development costs is set out in the accounting policy notes on page 81. The group has incurred expenditure on development of new products which are capitalised if certain criteria are met in line with IAS 38. The capitalisation of development costs has a direct impact on reported earnings and judgements are involved in assessing whether the IAS 38 criteria for capitalisation have been suitably met.
How the matter was addressed in the audit	We confirmed 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 considered the adequacy of the Group's research and development accounting policy.

Group - Impairment

Key audit matter description	The group's accounting policy on impairment is set out in the accounting policy notes on page 81. The group has significant non-current assets, namely property, plant and equipment, goodwill and other intangible assets.

	The recoverability of these assets is dependent upon the future profitability of the group and the assessment thereof incorporates a significant level of management judgement.
How the matter was addressed in the audit	We critically assessed the impairment review performed by management over the carrying value of these non-current assets. Our work included a review of the client's Board approved forecasts and discounted cashflow calculations to assess whether the assumptions appeared reasonable. We 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. We also considered the adequacy of the disclosures in this area.

Group and Parent Company – Going Concern

Key audit matter description	The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Parent Company. That judgement is based on an evaluation of the risks and future forecasted financial performance of the Group and Parent Company, in order to assess whether the Group and Parent Company have sufficient resources and the ability to continue operations over a period of at least 12 months from the date of approval of the financial statements. The risks most likely to adversely affect the availability of the Group and Parent Company's financial resources over this period are: • The impact of the Coronavirus Pandemic on the demand for the Group's products; and • The availability of funding.
How the matter was addressed in the audit	The group successfully raised net proceeds of £7m in March 2021, as disclosed as an event after the reporting period in Note 25. We have verified the receipt of these funds. We reviewed management's going concern assessment and the associated forecasts, which included a number of sensitised, worst-case scenarios. We evaluated and challenged the key assumptions in management's forecasts, including those considered in the worst-case scenarios. We examined the available working capital in management's forecasts, including the worst-case scenarios and evaluated whether sufficient working capital remained in all but the most remote events. We evaluated the adequacy and appropriateness of management's going concern basis of preparation disclosure.

Parent Company – Impairment	
Key audit matter description	The Parent Company's accounting policy on impairment is set out in the accounting policy notes on page 81. The Parent Company has significant non-current assets, namely property, plant and equipment and investments in subsidiaries. There is also management judgement involved in assessing the recoverability of intragroup debtor balances. The recoverability of these assets is dependent upon the future profitability of the subsidiaries.
How the matter was addressed in the audit	We critically assessed the impairment review performed by management over the carrying value of non-current assets and group debtor balances. 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 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. We also considered the adequacy of the disclosures on the impairment recognised.

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. Based on our professional judgement, we determined materiality as follows:

	Group	Parent Company
Overall materiality	£233,000 (2019: £206,000)	£78,300 (2019: £65,000)
Basis for determining overall materiality	5% of the 3 year average result before taxes	10% of result before taxes
Rationale for benchmark applied	Result before taxes is considered to be the metric used by users of the financial statements to review the performance of the Group.	Result before taxes is considered to be the metric used by users of the financial statements to review the performance of the Parent Company.

Performance materiality	£175,000 (2019: £154,500)	£58,700 (2019: £48,750)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £11,600 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £3,910 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 5 components, located in the following countries:

- United Kingdom
- United States of America
- Australia
- Belarus

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Results before taxes
Full scope audit	3	99%	97%	68%
Specific audit procedures	1	-	-	20%
Total	**4**	**99%**	**97%**	**88%**

Analytical procedures at group level were performed for the remaining component.

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 59, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the audit engagement team included:
IFRS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; and Completion of disclosure checklists to identify areas of non-compliance.
Government grant compliance	Inspection of correspondence to confirm the associated grant conditions; and Review of supporting documentation to confirm compliance with grant conditions.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	Reviewing the design and implementation of key controls in relation to revenue recognition; Transactions posted to nominal ledger codes outside of the normal revenue cycle were identified using a data analytic tool and investigated; and Performance of the audit procedures referred to within the key audit matter section above.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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.

Richard Bartlett-Rawlings (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
The Pinnacle, 170 Midsummer Blvd, Milton Keynes MK9 1BP
31 March 2021

Consolidated Statement of Comprehensive Income

For year ended 31 December 2020

	Notes	Group 2020 £000	Group 2019 £000
Revenue	4	**11,820**	11,396
Cost of sales		**(2,279)**	(2,406)
Gross profit		**9,541**	8,990
Sales & marketing expenses	5	**(3,769)**	(2,865)
Administrative expenses	5	**(8,552)**	(6,899)
Research & development expenses	5	**(1,578)**	(1,382)
Operating loss before depreciation, amortisation, share-based payment charges and exceptional items		**(4,358)**	(2,156)
Depreciation and amortisation	5	**(1,649)**	(930)
Share based payment charges	20	**(412)**	(171)
Exceptional items	5	**-**	(145)
Operating loss		**(6,419)**	(3,402)
Finance expense	7	**(325)**	(274)
Loss before tax		**(6,744)**	(3,676)
Taxation	8	**998**	731
Loss for the year attributable to owners of the parent		**(5,746)**	(2,945)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(34)**	65
Other comprehensive income		**(34)**	65
Total comprehensive income for the year attributable to owners of the parent		**(5,780)**	(2,880)
Loss per share		**Pence**	Pence
Basic and fully diluted loss per share	22	**(14.8)**	(10.3)

The notes on pages 77 to 114 are an integral part of these consolidated financial statements.

Consolidated and Company Statements of Financial Position

At 31 December 2020

	Notes	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Non-current assets					
Property, plant and equipment	9	**2,274**	1,854	**1,430**	792
Goodwill	10	**339**	339	**-**	-
Other intangible assets	10	**4,076**	2,992	**-**	-
Investment in subsidiaries	11	**-**	-	**3,250**	2,971
		6,689	5,185	**4,680**	3,763
Current assets					
Trade and other receivables	14	**2,779**	2,760	**30,378**	24,235
Research and development tax credit receivable		**1,000**	760	**-**	-
Cash and cash equivalents	15	**5,676**	11,101	**4,378**	10,164
		9,455	14,621	**34,756**	34,399
Total assets		**16,144**	19,806	**39,436**	38,162
Current liabilities					
Borrowings	17	**(1,044)**	(517)	**(925)**	(272)
Trade and other payables	16	**(2,388)**	(2,162)	**(848)**	(712)
		(3,432)	(2,679)	**(1,773)**	(984)
Non-current liabilities					
Borrowings	17	**(2,696)**	(1,862)	**(2,696)**	(1,588)
Provisions for liabilities	19	**(91)**	-	**(91)**	-
Total liabilities		**(6,219)**	(4,541)	**(4,560)**	(2,572)
Net assets		**9,925**	15,265	**34,876**	35,590
Equity attributable to shareholders					
Share capital	21	**7,763**	7,751	**7,763**	7,751
Share premium account		**77,101**	77,085	**77,101**	77,085
Translation reserve		**4**	38	**-**	-
Warrant reserve		**29**	29	**29**	29
Retained earnings		**(74,972)**	(69,638)	**(50,017)**	(49,275)
Total equity attributable to shareholders		**9,925**	15,265	**34,876**	35,590

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 £1,154,000 for the year (2019: £1,971,000).

The notes on pages 77 to 114 are an integral part of these consolidated financial statements.

These financial statements were approved by the Board on 31 March 2021 and were signed on its behalf by:

Simon Cleaver
Chief Executive Officer

Consolidated and Company Statements of Changes in Equity

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		2,915	11,635	-	-	-	14,550
Issue costs of equity shares		-	(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

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 2020		**7,751**	**77,085**	**38**	**29**	**(69,638)**	**15,265**
Loss for the year		**-**	**-**	**-**	**-**	**(5,746)**	**(5,746)**
Other comprehensive income:							
Exchange differences on translation of foreign operations		**-**	**-**	**(34)**	**-**	**-**	**(34)**
Total comprehensive income for the year		**-**	**-**	**(34)**	**-**	**(5,746)**	**(5,780)**
Transactions with owners recognised in equity:							
Equity settled share based payments	20	**-**	**-**	**-**	**-**	**412**	**412**
Issue of equity shares	21	**12**	**26**	**-**	**-**	**-**	**38**
Issue costs		**-**	**(10)**	**-**	**-**	**-**	**(10)**
Total transactions with owners recognised in equity		**12**	**16**	**-**	**-**	**412**	**440**
Balance at 31 December 2020		**7,763**	**77,101**	**4**	**29**	**(74,972)**	**9,925**

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 2019		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		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
Loss for the year		**-**	**-**	**-**	**(1,154)**	**(1,154)**
Transactions with owners recognised in equity:						
Equity settled share based payments	20	**-**	**-**	**-**	**412**	**412**
Issue of equity shares	21	**12**	**26**	**-**	**-**	**38**
Issue costs		**-**	**(10)**	**-**	**-**	**(10)**
Total transactions with owners recognised in equity		**12**	**16**	**-**	**412**	**440**
Balance at 31 December 2020		**7,763**	**77,101**	**29**	**(50,017)**	**34,876**

The notes on pages 77 to 114 are an integral part of these consolidated financial statements.

Consolidated and Company Cash Flow Statements

For year ended 31 December 2020

	Notes	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Cash flows from operating activities					
Loss for the year after tax		**(5,746)**	(2,945)	**(1,154)**	(1,971)
Adjustments for:					
Depreciation and amortisation		**1,649**	930	**253**	101
Foreign exchange losses on operating activities		**8**	92	**-**	-
Financial expenses	7	**325**	274	**281**	217
Equity settled share-based payment expenses	20	**412**	171	**132**	49
Taxation	8	**(998)**	(731)	**-**	-
Operating loss before changes in working capital		**(4,350)**	(2,209)	**(488)**	(1,604)
Decrease/(increase) in trade and other receivables		**17**	(903)	**(6,038)**	(2,883)
Increase in trade and other payables		**202**	591	**64**	284
Cash outflow from operations		**(4,131)**	(2,521)	**(6,462)**	(4,203)
Tax received		**811**	611	**-**	-
Net cash outflow from operating activities		**(3,320)**	(1,910)	**(6,462)**	(4,203)
Cash flows from investing activities					
Acquisition of property, plant and equipment	9	**(663)**	(449)	**(110)**	(70)
Development expenditure capitalised	10	**(1,850)**	(1,433)	**-**	-
Net cash outflow from investing activities		**(2,513)**	(1,882)	**(110)**	(70)
Cash flows from financing activities					
Repayment of lease liability	18	**(542)**	(439)	**(249)**	(128)
Interest paid		**(161)**	(150)	**(161)**	(146)
Net proceeds from the issue of share capital		**28**	13,616	**28**	13,616
Proceeds from new loans	17	**1,609**	1,500	**1,609**	1,500
Repayment of loans	17	**(441)**	(527)	**(441)**	(527)
Net cash inflow from financing activities		**493**	14,000	**786**	14,315
Net (decrease)/increase in cash and cash equivalents		**(5,340)**	10,208	**(5,786)**	10,042
Cash and cash equivalents at start of the year		**11,101**	927	**10,164**	122
Effect of exchange rate fluctuations on cash held		**(85)**	(34)	**-**	-
Cash and cash equivalents at end of year	15	**5,676**	11,101	**4,378**	10,164

The notes on pages 77 to 114 are an integral part of these consolidated financial statements.

Consolidated and Company Movements in Net Cash/ (Debt)

For year ended 31 December 2020

Group	At 1 January 2019 £'000	Cash flow £'000	Interest on lease liabilities £'000	New lease liabilities £'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 2020 £'000	Cash flow £'000	Interest on lease liabilities £'000	New lease liabilities £'000	Exchange and other non-cash movements £'000	At 31 December 2020 £'000
Cash and cash equivalents	11,101	(5,340)	-	-	(85)	**5,676**
Bank loan	(973)	(1,181)	-	-	-	**(2,154)**
Lease liabilities	(1,406)	542	(152)	(775)	204	**(1,587)**
Net cash at end of year	8,722	(5,979)	(152)	(775)	119	**1,935**

Company	At 1 January 2019 £'000	Cash flow £'000	Interest on lease liabilities £'000	New lease liabilities £'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 2020 £'000	Cash flow £'000	Interest on lease liabilities £'000	New lease liabilities £'000	Exchange and other non-cash movements £'000	At 31 December 2020 £'000
Cash and cash equivalents	10,164	(5,786)	-	-	-	**4,378**
Bank loan	(973)	(1,181)	-	-	-	**(2,154)**
Lease liabilities	(887)	249	(119)	(775)	65	**(1,467)**
Net cash at end of year	8,304	(6,718)	(119)	(775)	65	**757**

The notes on pages 77 to 114 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 2020 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 2.

Going concern

The accounts have been prepared on a going concern basis.

The Group made a loss of £5,746k (2019: £2,945k) in the year ended 31 December 2020. As at 31 December 2020 the Group had cash reserves of £5,676k (2019: £11,101k). Since the balance sheet date, the Group has seen a significant cash injection from a successful share placing of £7m after issue costs. The Group has also replaced its loan facility with Shawbrook Bank with a new £5m facility. The initial drawdown of £3m on this new facility will provide a net cash injection of £0.9m when compared to the balance outstanding at 31 December 2020 of £2.1m. The facility has been negotiated on similar terms to the previous facility with the £2m undrawn element available for draw down until April 2022 subject to covenants adherence.

As noted within the risks and uncertainties section on page 30, 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. Whilst acknowledging the uncertain economic environment caused by the ongoing pandemic, the Directors remain confident in their assertion that the current trajectory of the Group's recurring revenue streams, the nature of the product portfolio being conducive to home-based working and the Group's current strong cash position are key factors in demonstrating that the Group has the necessary means to execute its strategy and meet its financial commitments.

When the scale of the COVID 19 pandemic became clear, the Group implemented a number of cost cutting measures. Cost reductions were focused on both staff and non-staff costs with the Group making use of the UK government's furlough scheme and the US government's Payment Protection Program. These actions temporarily reduced costs by approx. £250k per month from previously planned levels demonstrating the Group's ability to flex costs in the short-term without adversely impacting revenue generation. As revenue growth recovered in the second half of the year, these measures meant the Group was able to resume its strategic growth plans.

The Directors have prepared detailed cashflow projections covering the period up to December 2025. Such forward looking projections are inevitably subjective and sensitive to changes in underlying assumptions and the Directors have therefore sensitised these projections accordingly, in particular to factor in a delay in the growth of revenue as this assumption incorporates greater uncertainty than expenditure assumptions. In the sensitised scenarios where revenue growth is significantly weaker than anticipated, the Directors have considered the mechanisms by which costs can be curtailed in order to ensure that the Group can react appropriately and continue to operate within the resources at its disposal. These measures include but are not limited to: personnel cuts, marketing and other cost centre reductions, a reduction in capital spend and the deferral of project spend with third parties. The projections, as sensitised, indicate that, based on the assumptions underlying the projections, and the mitigating actions which could be taken by management in the event of lower than anticipated revenue growth, sufficient resources will be available to settle the Group's liabilities as they fall due for a period of at least 12 months from the date of approving these accounts.

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, which are considered to be distinct in nature, 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 as this revenue is not considered to be distinct from the overall customer contract. Set up fees revenue is therefore 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the income statement in the period in which they become receivable. In accordance with the provisions of IAS 20, non-asset related grants are deducted from the related expense to which they relate.

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.

Leases

At inception of the contract, the Group assesses whether a contract is, or contains, a lease. It recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less

Lease liabilities are recognised at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case, the Group's incremental borrowing rate on commencement of the lease is used. The incremental borrowing rate is the rate that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar nature and value to the right-of-use asset in a similar economic environment. The incremental borrowing rate for each lease is calculated by adjusting the Group's incremental borrowing rate for the applicable conditions of each lease. The lease term is determined by considering the contract terms and the Group strategy for each lease. This review considers any available extension and termination options, applying judgement on whether the Group intends to utilise any options to extend.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made on or before the commencement day, initial direct costs and restoration costs less any lease incentives received. They are subsequently measured at cost less accumulated depreciation.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lease termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments which will be made over the revised term with these payments being discounted at a revised discount rate. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being depreciated over the remaining (revised) lease term.

Payments associated with short term leases of equipment and all leases of low value assets are recognised on a straight-line basis as an expense in the profit and loss.

Exceptional Items

The Group presents as exceptional items on the face of the Statement of Comprehensive Income those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior years.

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 depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

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.

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.

Contract assets

Certain contract costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the Company 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 including sales commissions and "free-month" incentives 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.

Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into consideration the risks and uncertainties surrounding the obligation. Anticipated cashflows are only discounted when the effect of the time value of money is considered material.

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.

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 2020. 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.

2. 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 £4,076,000 (2019: £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 10). 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 the Group's intangible assets and property, plant and equipment at the Statement of Financial Position date was £4,415,000 and £2,274,000 respectively (2019: £3,331,000 and £1,854,000 respectively). The carrying value of the Company's investment in subsidiary entities at the Statement of Financial Position date was £3,250,000 (2019: £2,971,000).

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. Further information is given in Note 14.

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 £2.1m (2019: £1.5m) has been recognised in line with the requirements of IFRS 9.

3. 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 31-33.

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.

In September 2020, the Group drew down a further £1.5m on the term credit facility (the "Facility") with Shawbrook Bank. The amount repayable at 31 December 2020 was £2,063k (31 December 2019: £973k). The loan attracted interest at a rate of 9.0% plus the higher of either LIBOR or 0.5% per annum and was repayable in monthly instalments until March 2023. The Facility was secured over the assets of the Group.

On 26 March, the company allotted and issued 5,521,472 ordinary shares under an EIS/VCT share placing at a price of 81.5 pence per share. On 29 March, a further 3,680,981 ordinary shares were allotted and issued under a share placing at a price of 81.5 pence per share. The total monies raised of £7.5m before costs will allow the Group to strengthen its balance sheet and pursue the Growth Strategy.

The Group has also replaced the loan facility with Shawbrook Bank with a new £5m facility. The Group is committed to an initial drawdown of £3m in April 2021 having repaid the previous facility in March 2021. The facility has been negotiated on similar terms to the previous facility with the £2m undrawn element available for draw down before April 2022 subject to covenants adherence.

The Group currently has no plans to make dividend payments.

4. 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 2020 £'000	Group 2019 £'000
United Kingdom	**5,936**	5,961
North America	**4,926**	4,453
Europe	**913**	982
Rest of the World	**45**	-
Total revenues	**11,820**	11,396

Revenue by type

	Group 2020 £'000	Group 2019 £'000
Recurring subscriptions	**10,321**	9,146
Pay As You Go Telephony	**852**	977
Non-recurring services and hardware	**647**	1,273
Total revenues	**11,820**	11,396

Timing of revenue recognition

	Group 2020 £'000	Group 2019 £'000
Goods transferred at a point in time	**192**	347
Services transferred over time	**11,628**	11,049
Total revenues	**11,820**	11,396

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 2020. There were no customers which represented more than 10% of sales in the year to 31 December 2019.

5. Expenses and auditor's remuneration

Expenses before non-recurring items and share based payments	Group 2020 £'000	Group 2019 £'000
Wages and salaries (Note 6) (*)	**9,549**	7,208
Foreign exchange (gains)/losses	**(63)**	92
Expected credit losses	**294**	131
Low value and short-term leases	**140**	100
Other operating costs	**3,979**	3,615
	13,899	11,146

(*) included in wages and salaries above is £1,111k (2019: £956k) relating to research and development costs expensed.

Exceptional costs in the prior year of £145k related to termination payments in respect of Andrew Jones who resigned as Chief Revenue Officer on 25 November 2019.

Depreciation and amortisation	Group 2020 £'000	Group 2019 £'000
Amortisation of intangible assets	**766**	338
Depreciation of property, plant and equipment	**882**	592
	1,648	930

Auditor's remuneration	Group 2020 £'000	Group 2019 £'000
Amounts receivable by auditors and their associates in respect of:-		
Audit of these financial statements	**48**	27
Audit of financial statements of subsidiaries pursuant to legislation	**26**	23
Other assurance services	**10**	10
Other services relating to taxation - compliance services	**-**	26
Tax advisory services	**9**	14
Accounting services	**5**	12
Other services	**17**	-
	115	112

6. 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 2020	Group 2019	Company 2020	Company 2019
Engineering	**31**	16	**-**	-
Development	**40**	49	**-**	-
Customer support	**15**	31	**-**	-
Sales and marketing	**50**	41	**-**	-
Product	**10**	5	**-**	-
Admin and finance	**25**	18	**5**	6
Total	**171**	160	**5**	6

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

Aggregate payroll costs (all employees)	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Wages and salaries	**10,088**	7,563	**588**	657
Social security costs	**907**	649	**74**	83
Share based payments (note 20)	**412**	171	**132**	49
Other pension costs	**318**	210	**1**	6
Sub-total	**11,725**	8,593	**795**	795
UK Furlough Scheme receipts	**(67)**	-	**-**	-
US government grant receipts	**(337)**	-	**-**	-
Capitalised wages and salaries	**(1,772)**	(1,385)	**-**	-
Total	**9,549**	7,208	**795**	795

During the year the Group utilised the Furlough Scheme introduced by the UK government as a result of the COVID-19 pandemic. Claims were submitted during the period from April 2020 to July 2020 with total receipts amounting to £67k. In addition to this, $431k (£337k) of grant funding was received from the US treasury via the Paycheck Protection Program in May 2020. The Group does not have any unfulfilled obligations in relation to this grant funding.

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 £318k (2019: £210k) were charged during the year and an amount of £44k (2019: £55k) 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)	2020 £'000	2019 £'000
Wages and salaries	**2,784**	1,945
Share based payments	**314**	83
Other pension costs	**71**	68
Sub-total	**3,169**	2,096
Social security costs	**214**	202
Total	**3,383**	2,298

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

Directors remuneration	2020 £'000	2019 £'000
Directors' remuneration	**582**	663
Compensation for loss of office	**-**	145
Directors' pension contributions	**-**	6
Total	**582**	814
Number of directors accruing benefits under defined contribution schemes	**-**	1

The total remuneration of the highest paid director during the year ended 31 December 2020 was £248k (2019: £319k) which included pension contributions of £nil (2019: £6k) and compensation for loss of office of £nil (2019: £145k). Further details of Directors' emoluments and share interests is shown on pages 51 to 55.

7. Finance expense

Finance expenses	Group 2020 £'000	Group 2019 £'000
Loan interest and arrangement fees	**173**	150
Interest on lease liabilities	**152**	124
Total finance expense	**325**	274

8. Taxation

Recognised in the Consolidated Statement of Comprehensive Income

	Group 2020 £000	Group 2019 £000
Current income tax		
Overseas income tax charge for the current year	**(3)**	(10)
UK research and development tax credit	**1,000**	760
Adjustments in respect of prior year	**1**	(19)
	998	731
Deferred tax for the current year	**-**	-
Total tax credit recognised in the current year	**998**	731
Reconciliation of effective tax rate		
Loss before tax	**(6,744)**	(3,676)
Tax credit using the Group's effective tax rate of 19% (2019: 19%)	**1,281**	698
Tax losses not recognised	**(880)**	(430)
Non-deductible expenses	**(102)**	(95)
Deferred tax not recognised	**377**	292
Effect of R&D tax credits	**430**	349
Amortisation	**(146)**	(64)
Different tax rates in overseas jurisdictions	**37**	-
Adjustments in respect of prior years	**1**	(19)
Total tax	**998**	731

9. 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 2019	1,020	662	1,887	3,569
Additions	239	210	124	573
Disposals	-	-	-	-
Exchange rate translation difference	-	-	(48)	(48)
Balance as at 31 December 2019	1,259	872	1,963	4,094
Additions	**337**	**325**	**836**	**1,498**
Disposals	**-**	**-**	**(85)**	**(85)**
Remeasurements	**-**	**-**	**(161)**	**(161)**
Exchange rate translation difference	**(7)**	**(17)**	**(2)**	**(26)**
Balance as at 31 December 2020	**1,589**	**1,180**	**2,551**	**5,320**
Depreciation				
Balance at 1 January 2019	(762)	(438)	(472)	(1,672)
Depreciation charge for the year	(125)	(131)	(336)	(592)
Eliminated in respect of disposals	-	-	-	-
Exchange rate translation difference	-	-	24	24
Balance as at 31 December 2019	(887)	(569)	(784)	(2,240)
Depreciation charge for the year	**(244)**	**(173)**	**(465)**	**(882)**
Eliminated in respect of disposals	**-**	**-**	**30**	**30**
Exchange rate translation difference	**12**	**5**	**29**	**46**
Balance as at 31 December 2020	**(1,119)**	**(737)**	**(1,190)**	**(3,046)**
Net Book Value				
At 31 December 2019	372	303	1,179	1,854
At 31 December 2020	**470**	**443**	**1,361**	**2,274**

Company	Office and business £'000	Right-of-use assets £'000	Total £'000
Cost			
Balance at 1 January 2019	18	846	864
Additions	70	124	194
Balance as at 31 December 2019	88	970	1,058
Additions	**110**	**836**	**946**
Disposals	**-**	**(85)**	**(85)**
Balance as at 31 December 2020	**198**	**1,721**	**1,919**
Depreciation			
Balance at 1 January 2019	(5)	(160)	(165)
Depreciation charge for the year	(6)	(95)	(101)
Balance as at 31 December 2019	(11)	(255)	(266)
Depreciation charge for the year	**(34)**	**(219)**	**(253)**
Eliminated in respect of disposals	**-**	**30**	**30**
Balance as at 31 December 2020	**(45)**	**(444)**	**(489)**
Net Book Value			
At 31 December 2019	77	715	792
At 31 December 2020	**153**	**1,277**	**1,430**

10. Intangible assets

Group	Goodwill £'000	Patents & trademarks £'000	Acquired IPR £'000	Software development costs £'000	Total £'000
Cost					
Balance at 1 January 2019	339	12	1,448	2,208	4,007
Additions	-	-	-	1,433	1,433
Balance at 31 December 2019	339	12	1,448	3,641	5,440
Additions	**-**	**-**	**-**	**1,850**	**1,850**
Balance as at 31 December 2020	**339**	**12**	**1,448**	**5,491**	**7,290**
Amortisation					
Balance at 1 January 2019	-	(12)	(1,448)	(311)	(1,771)
Amortisation for the year	-	-	-	(338)	(338)
Balance at 31 December 2019	-	(12)	(1,448)	(649)	(2,109)
Amortisation for the year	**-**	**-**	**-**	**(766)**	**(766)**
Balance as at 31 December 2020	**-**	**(12)**	**(1,448)**	**(1,415)**	**(2,875)**
Net Book Value					
At 31 December 2019	339	-	-	2,992	3,331
At 31 December 2020	**339**	**-**	**-**	**4,076**	**4,415**

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

Amortisation on intangible assets has been separately disclosed in combination with depreciation on the face of the Consolidated Statement of Comprehensive Income. Amortisation is considered to be part of research and development expenditure so would be included within that expenditure category were it not separately disclosed.

The carrying amount of ongoing development projects on which amortisation has not yet commenced was £1,120k (2019: £1,480k). The weighted average remaining amortisation period for software is 4.1 years (2019: 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 2020 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 2025 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 20% - 38% (2019: 25% - 42%) over the 5-year budget period.

(ii) No growth in operating cash flows has been assumed for the remainder of the value in use calculation period (2019: No growth);

(iii) A pre-tax discount rate of 10.5% (2019: 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)	36,763	20,802	10,448
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.	17%	13%	8%

11. Investment in subsidiaries

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of share held	Ownership 2020	2019
Cloudcall Limited	England and Wales	Ordinary	100%	100%
Cloudcall BY. LLC	Belarus	Ordinary	100%	100%
Cloudcall, Inc. *	USA	Ordinary	100%	100%
Cloudcall AU PTY Ltd *	Australia	Ordinary	100%	100%

* Cloudcall, Inc. and Cloudcall AU PTY Ltd are indirectly owned, being 100% subsidiaries 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
Cloudcall AU PTY Ltd	Level 8, 419 Collins St, Melbourne VIC 3000, Australia

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

	Shares in subsidiaries £'000
Balance at 1 January 2019	2,848
Capital contributions to subsidiary companies	123
Balance at 31 December 2019	**2,971**
Capital contributions to subsidiary companies	279
Balance at 31 December 2020	**3,250**

12. 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 2020 £'000	Group 2019 £'000
Accelerated capital allowances	**(142)**	(71)
Share based payments	**251**	101
Intangible assets	**(774)**	(509)
Trading losses	**3,969**	3,045
	3,304	2,566

13. Non-current assets by location

	Group 2020 £'000	Group 2019 £'000
UK	**6,398**	4,562
USA	**199**	298
Europe	**43**	325
Rest of the World	**49**	-
	6,689	5,185

14. Trade and other receivables

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Trade receivables	**1,264**	1,607	**-**	-
Other receivables and prepayments	**1,515**	1,153	**451**	303
Amounts receivable due from group undertakings	**-**	-	**29,927**	23,932
	2,779	2,760	**30,378**	24,235

All trade and other receivables are expected to be recovered in less than 12 months. Amounts owed by group undertakings are unsecured and repayable on demand.

The Group has recognised a loss of £295,000 (2019: £131,000) in profit or loss in respect of the expected credit losses for the year ended 31 December 2020 in relation to trade receivables. See Note 23 for further details.

All trade receivables recognised in the year are generated from contracts with customers. Other receivables and prepayments include contract assets arising from deferred set-up fee costs, directly attributable sales commissions and "free month" incentives of £682k (2019: £371k). Contract asses have increased primarily as a result of further investment in the Group's customer provisioning resources.

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 £2.1m (2019: £1.5m) has been recognised in line with the requirements of IFRS 9. The provision has been calculated utilising an expected credit loss rate commensurate with the prior year and has increased by £600k given the increase in the inter-company debt receivable balance of £5,995k.

15. Cash and cash equivalents

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Bank - current account	**5,676**	3,601	**4,378**	2,664
Bank - deposit account	**-**	7,500	**-**	7,500
	5,676	11,101	**4,378**	10,164

16. Trade and other payables

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Trade payables	**702**	432	**252**	25
Non-trade payables and accrued expenses	**915**	1,033	**193**	430
Contract liabilities	**173**	252	**-**	-
Other taxes and social security	**598**	445	**333**	257
Amounts payable owed to group undertakings	**-**	-	**70**	-
	2,388	2,162	**848**	712

All trade and other payables are repayable in less than 12 months and are unsecured. Amounts owed to group undertakings are unsecured and repayable on demand.

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was £173,000 as at 31 December 2020 (£252,000 as at 31 December 2019) and is expected to be recognised as revenue in future periods as follows:

	2020 £000	2019 £000
Within 6 months	**92**	137
6 to 12 months	**45**	51
12 to 18 months	**19**	21
18 to 24 months	**14**	17
Over 24 months	**3**	26
	173	252

17. Borrowings

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Current borrowings				
Bank loan	**789**	160	**789**	160
Lease liabilities (note 18)	**255**	357	**136**	112
	1,044	517	**925**	272
Non-current borrowings				
Bank loan	**1,365**	813	**1,365**	813
Lease liabilities (note 18)	**1,331**	1,049	**1,331**	775
	2,696	1,862	**2,696**	1,588

The Group's Bank borrowings at 31 December 2020 included a term facility with Shawbrook Bank with the amount repayable being £2,063k (31 December 2019: £973k). The loan attracted interest at a rate of 9.0% plus the higher of either LIBOR or 0.5% per annum and was repayable in monthly instalments until March 2023. The Facility was secured over the assets of the Group. Post year-end the Group has replaced this facility with a new £5m facility with Shawbrook Bank. Please see note 25 for further details. The remaining borrowings constitute a motor vehicle finance loan with Barclays Bank and amounted to £91k as at 31 December 2020 (31 December 2019: nil). The loan is secured against the motor vehicles to which it relates, attracts interest at an implicit rate of 4.9% and is repayable in monthly instalments until June 2023.

18. Leases

Group	Land and buildings £'000	Vehicle leases £'000	Total £'000
Cost			
At 1 January 2019	1,887	-	1,887
Additions		124	124
Exchange rate translation difference	(48)	-	(48)
At 31 December 2019	1,839	124	1,963
Additions	836	-	836
Disposals		(85)	(85)
Remeasurements	(161)		(161)
Exchange rate translation difference	(2)	-	(2)
At 31 December 2020	2,512	39	2,551
Depreciation and impairment			
At 1 January 2019	(472)	-	(472)
Depreciation charge	(321)	(15)	(336)
Exchange rate translation difference	24	-	24
At 31 December 2019	(769)	(15)	(784)
Depreciation charge	(436)	(29)	(465)
Eliminated in respect of disposals	-	30	30
Exchange rate translation difference	29	-	29
At 31 December 2020	(1,176)	(14)	(1,190)
Net carrying amount			
At 1 January 2019	1,415	-	1,415
At 31 December 2019	1,070	109	1,179
At 31 December 2020	1,336	25	1,361

	Group **2020** **£'000**	Group 2019 £'000	Company **2020** **£'000**	Company 2019 £'000
Carrying amount of right-of-use assets included within:				
- Land and buildings	1,336	1,070	1,252	606
- Vehicles	25	109	25	109
Total carrying amount presented within 'property, plant and equipment'	1,361	1,179	1,277	715

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Effect of leases on financial performance:				
Depreciation charge for the year included in 'administrative expenses' for right-of-use assets:				
- Land and buildings	436	321	190	80
- Vehicles	29	15	29	15
Total depreciation charge on leased assets	465	336	219	95
Interest expense for the year on lease liabilities recognised in 'finance costs'	152	124	119	71
Effect of leases on cash flows:				
Total cash outflow for leases in the year	542	439	249	128

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 2020 £'000
Property leases	238	117	1,259	353	1,967
Vehicle leases	6	7	3	-	16
	244	124	1,262	353	1,983

The group has engaged in the following leasing activities:

- The group leased office premises in Leicester for 10 years from March 2017 to March 2027. Additional office space was taken out in Leicester during the year for 7 years from February 2020 to February 2027.
- The group leased office premises in Boston for 4 years from June 2017 to May 2021.
- The group initially leased office premises in Belarus for 5 years from January 2018 to December 2022. As a result of the strategic decision to wind down the Group's Belarussian operations, management have exercised a break clause to terminate this Lease in June 2021.
- The group leased motor vehicles for periods of 3-4 years from April 2019.

An incremental borrowing rate of 8.35% was used to calculate the present value of the land and buildings lease liabilities taken out in 2017 and 2018. An incremental borrowing rate of 7.5% was used to calculate the present value of the land and buildings lease liabilities taken out in 2020. An incremental borrowing rate of 6.9% was used to calculate the present value of all vehicle lease liabilities.

19. Provisions for liabilities

Provisions for liabilities consists of:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Dilapidation provisions	91	-	91	-
	91	-	91	-

Movements in the dilapidations provision during the year were as follows:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
At 1 January 2020	-	-	-	-
Provision created	91	-	91	-
At 31 December 2020	91	-	91	-

The dilapidation provision arises from the Group's legal obligation to restore office premises to their original condition upon exit of the applicable lease. The quantum and timing of the amount payable is uncertain until the point in time at which the Group exits the office premises. The Group's current lease for these premises expires in February 2027.

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 £412k (2019: £171k) for the Group in the year and a charge of £132k (2019: £49k) 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 employees 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 £165k (2019: £38k) for the Group and £128k (2019: £38k) for the Company 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
29 February 2020	350,000	1 year
29 February 2020	350,000	2 years
29 February 2020	350,000	3 years
22 April 2020	6,667	1 year
22 April 2020	6,667	2 years
22 April 2020	6,666	3 years
1 May 2020	49,000	1 year
1 May 2020	49,000	2 years
1 May 2020	49,000	3 years
31 May 2020	36,667	1 year
31 May 2020	36,667	2 years
31 May 2020	36,666	3 years
31 August 2020	86,667	1 year
31 August 2020	86,667	2 years
31 August 2020	86,666	3 years
30 November 2020	30,000	1 year
30 November 2020	30,000	2 years
30 November 2020	30,000	3 years
	1,677,000	

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 – 0% - 0.1%
Expected volatility – 40.7% - 42.7%
%-age employees expected to stay over the life of the plan – 60%

The expected volatility is based on 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.

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

Year ended 31 December 2020	No. of instruments	Weighted average exercise price Pence
Outstanding at the beginning of the period	**1,027,902**	120
Granted during the period	**1,667,000**	86
Exercised during the period	**(54,987)**	(69)
Surrendered during period	**(274,077)**	(113)
Outstanding at the end of the period	**2,365,838**	98
Exercisable at the end of the period	**602,562**	130

The options outstanding at the year-end have an exercise price in the range of 57.5 to 292 pence and a weighted average contractual life of 8.3 years.

Warrants

	Group		Company	
Year ended 31 December 2020	No. of instruments	Weighted average exercise price Pence	No. of instruments	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 2020 or 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	2020 (000)	2019 (000)	2020 £'000	2019 £'000
Allotted, called up and fully paid Ordinary shares of £0.20 each	**38,811**	38,756	**7,763**	7,751

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

Number of shares	Ordinary shares (000)
In issue at 31 December 2019 - fully paid	38,756
Issued in respect of warrants and options	**55**
In issue at 31 December 2020 - fully paid	**38,811**

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 21 January 2020, 8,216 ordinary shares were issued in respect of share options exercised.

On 3 June 2020, 4,374 ordinary shares were issued in respect of share options exercised.

On 24 September 2020, 13,513 ordinary shares were issued in respect of share options exercised.

On 13 October 2020, 10,670 ordinary shares were issued in respect of share options exercised.

On 19 October 2020, 10,000 ordinary shares were issued in respect of share options exercised.

On 30 October 2020, 3,473 ordinary shares were issued in respect of share options exercised.

On 24 November 2020, 4,741 ordinary shares were issued in respect of share options exercised.

The total share issue costs during the year ended 31 December 2020 of £10k (2019: £934k) 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 2020 of 14.8 pence (2019: 10.3 pence) was based on the loss for the year attributable to owners of the parent of £5,746k (2019: £2,945k) and a weighted average number of Ordinary Shares outstanding during the period of 38,775,000 (2019: 28,632,000), calculated as follows:

(Thousands of shares)	2020 (000)	2019 (000)
Issued ordinary shares at start of year	**38,756**	24,181
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	**19**	8
Weighted average number of ordinary shares	**38,775**	28,632

As detailed further within note 25, in March 2021 the company allotted and issued a further 9,202,453 ordinary shares. It is anticipated that this issue will have a significant impact on the loss per share calculation in 2021.

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 3**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 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Bank - current account	**5,676**	3,601	**4,378**	2,664
Bank - deposit account	**-**	7,500	**-**	7,500
	5,676	11,101	**4,378**	10,164

Debt instruments measured at amortised cost

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Trade receivables	**1,264**	1,607	**-**	-
Other receivables	**157**	181	**85**	114
Amounts receivable due from group undertakings	**-**	-	**30,528**	23,932
	1,421	1,788	**30,613**	24,046

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 2020 £000	Carrying amount 2019 £000
Not yet overdue	**1,169**	1,326
1 – 30 days overdue	**51**	114
30 – 60 days overdue	**13**	29
60+ days overdue	**382**	194
	1,615	1,663
Allowance for expected credit losses	**(351)**	(56)
	1,264	1,607

Expected credit loss rates have been calculated utilising a provision matrix which incorporates both ageing and geographic location of trade receivables. The rates utilised within the provision matrix are based on historical credit losses experienced over the previous 2 years. For trade receivables due from UK and EU customers, the expected credit loss rate is 10% for balances not yet overdue and 20% - 75% for overdue balances depending on ageing. For trade receivables due from US and other global customers, the expected credit loss rate is 10% for balances not yet overdue and 30% for overdue balances. In addition to the credit loss allowance calculated via the Group's provision matrix, an allowance of £51k has been included to incorporate a further 5% provision against UK and EU customers and 2.5% provision against US and other global customers to reflect the increased risk of debtor recoverability arising from the COVID-19 pandemic.

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

	Group 2020 £000	Group 2019 £000
Opening balance	**56**	79
Additional provisions recognised	**295**	131
Receivables written off during the year as uncollectable	**-**	(154)
Closing balance	**351**	**56**

Liquidity risk

The contractual maturity of trade payables, other payables, bank borrowings and inter-group debt approximates to carrying value. The contractual maturity of lease liabilities is detailed in note 18 with the contractual cash outflows of £1,983k exceeding the carrying value of these liabilities by £397k. The significant balance of lease liabilities is repayable over the next 7 years, and as such, the Directors do not consider that this gives rise to significant liquidity risk.

Financial liabilities measured at amortised cost

	Group 2020 £000	Group 2019 £000	**Company 2020 £000**	Company 2019 £000
Trade payables	**702**	432	**252**	25
Other payables	**943**	1,021	**284**	430
Amounts payable owed to group undertakings	**-**	-	**70**	-
Bank loans	**2,154**	973	**2,154**	973
Lease liabilities	**1,586**	1,406	**1,467**	887
	5,385	3,832	**4,227**	2,315

Interest rate risk

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

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Variable rate instruments				
Cash and cash equivalents	**5,676**	11,101	**4,378**	10,164
Bank loans	**2,154**	973	**2,154**	973

The Group and Company invest surplus cash in short term money market or deposit accounts to achieve the highest possible interest rates whilst having regard to the credit rating of the banking institutions and the currencies required by the Group. The Group has in place a term loan with Shawbrook Bank and asset backed financing with Barclays Bank; details of these loans can be found within note 17. As the Shawbrook facility is linked to LIBOR, and in the future SOFR, which are reflective of underlying base rates, the interest margin is expected to remain low for the foreseeable future and thus interest rate risk is considered low for the Group.

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.

The Group is exposed to foreign exchange risk, principally through cash flows generated in US dollars by the Group's US subsidiary. The foreign exchange risk is predominantly addressed via natural hedging with US dollar receipts used to settle US dollar costs. As the Group's US entity is operating at a level around cash break-even, this natural hedging is effective with little need for cash to be transferred to or from this entity. As the Group's overseas operations continue to grow, the directors will continue to monitor exposure to foreign exchange risk and will consider the use of forward contracts and other available instruments if considered appropriate to reduce this risk.

Most of the Group's inter-company debt is denominated in Sterling (between Cloudcall Group plc and Cloudcall Limited), however, there exists a net inter-company debt of £7,600k (2019: £6,470k) payable by Cloudcall, Inc. to Cloudcall Limited and an inter-company debt of £732k (2019: nil) payable by Cloudcall AU PTY Ltd 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 £52k (2019: £92k debit) and a debit to other comprehensive income of £105k (2019: £155k debit).

Fair values

Due to the short-term nature of trade and other receivables and payables, it is considered that the carrying amounts equal fair value. The substantial proportion of Bank Borrowings at the year-end relate to the Shawbrook term loan facility which has been renegotiated post year-end on similar terms. As such, the year-end bank borrowings are considered to equate to fair value. The directors do not consider that there has been any significant change in the Group's circumstances which would warrant materially different incremental borrowing rates being applied to lease liabilities since original inception, and as such, the carrying value of these liabilities is also considered to equate to 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 £1,629k (2019: £1,446k).

The balances due to/(owed by) the Company at the year-end are as follows:

	2020 £000	2019 £000
Cloudcall Limited	**29,927**	25,395
Cloudcall, Inc.	**(70)**	37
	29,857	25,432

During the year, the Group incurred costs of £39k (2019: £25k) in respect of services provided by Vikaas Talent Limited, a company in which G Browning is a director. No amounts were outstanding at the year-end (2019: nil).

During the year, the Group incurred costs of £72k (2019: nil) in respect of services provided by Eton Bridge Partners Ltd, a company in which G Browning is a director. No amounts were outstanding at the year-end (2019: nil).

During the year, the Group incurred costs of £131k (2019: nil) in respect of services provided by Spyrosoft S.A., a company in which Paul Clark (Chief Technical Officer) is a member of the Supervisory Board. £23k was outstanding at the year-end and is included within trade payables (£2019: nil).

25. Events after the reporting period

On 26 March, the company allotted and issued 5,521,472 ordinary shares under an EIS/VCT share placing at a price of 81.5 pence per share. On 29 March, a further 3,680,981 ordinary shares were allotted and issued under a share placing at a price of 81.5 pence per share. The total monies raised of £7.5m before costs will allow the Group to strengthen its balance sheet and pursue the Growth Strategy.

The Group has also replaced the loan facility with Shawbrook Bank with a new £5m facility. The Group is committed to an initial drawdown of £3m in April 2021 having repaid the previous facility in March 2021. The facility has been negotiated on similar terms to the previous facility with the £2m undrawn element available for draw down before April 2022 subject to covenants adherence.

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