Interim Report.

CloudCall Group Plc

6 Months Ended: 30 June 2020
Registered Number: 05509873

www.cloudcall.com

CloudCall

Contents

Financial highlights

- Total H1 revenues up 11% to £5.8m (H1 2019: £5.2m) with recurring and repeating revenues representing 95% of total revenues*
- Recurring revenues climb 20% to £5.1m (H1 2019: £4.3m)
    - US revenues increased 25% year-on-year, now accounting for 42% of global recurring revenue
- Total number of end-users up 19% to 43,815 (H1 2019: 36,936)
- R&D tax credit received during the period of £811k (H1 2019: £nil received)
- Gross cash of £8.3m with a further £1.5m available via the Group's existing debt facility with Shawbrook Bank
- Gross margin increased to 80% (H1 2019: 78%)
- Adjusted EBITDA** loss of £1.69m (H1 2019: loss of £1.24m)

Operational highlights

- New sales bookings recovering after initial COVID-19 impact with significant new opportunities arising from changes to working practices
- Net new user growth of 1,528 in H1 despite COVID-19 related losses with user growth recovering to pre-COVID levels in August
- A record 112 new customer sign-ups in Q2 with recruitment firms making up a significant portion
- Average customer size up 5% to 32.1 users (H1 2019: 30.5)
- Phase one of Microsoft Teams integration now complete and released in beta form
- Successful launch of CloudCall services in Australia, including a substantial new client win post period end
- New partnerships and/or integrations announced with Vincere, Zoho CRM and Informunity
- Net retention rate of 85% (H1 2019: 103%) impacted by COVID-19 losses and customer support schemes
- Executive management team significantly strengthened to execute the Group’s growth strategy
- Resilient trading during the period has continued into H2, with performance since the end of the period in line with management expectations

* Recurring revenue is that related to 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 earnings before interest, tax, depreciation, amortisation and share based payment expenses.

Chief Executive's review

Introduction and overview

The first half of 2020 has been a period of significant macroeconomic 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. In the face of these difficult circumstances, I have been hugely impressed by the resilience of both the Group and its customers and we are now witnessing a clear month-on-month recovery, particularly in the recruitment vertical, as many market participants look for strong communication solutions that help to improve remote worker productivity.

For the early part of H1 2020, trading was as expected but in April and May, 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 as businesses adjusted to the challenging economic conditions. Our account managers, onboarding and customer service teams did a superb job dealing with thousands of calls from customers seeking help with working from home, even though they were new to homeworking themselves.

Since May, as homeworking became more established, sales numbers have begun recovering and have steadily improved - largely driven by the recruitment sector. This upturn started with smaller businesses who tend to be more agile. Having managed to organise their staff's homeworking, many looked at their technology stack and realised they had limited tools available to train, assist or monitor the productivity of their newly disbursed workforces.

Whilst there are numerous communications platforms that facilitate remote working, CloudCall's platform is unique as it logs all activities within a company's CRM. It also has 'activity dashboards' that allow managers to visualise their staff's calls in real-time, seeing who's on the phone and to whom. Managers can simply click on any of these calls to listen in, or even 'whisper' training advice to the member of staff without the customer hearing.

This upturn in interest from smaller businesses, meant the Group signed a record 112 new customers in Q2.

By early June, the upturn had accelerated, and we began receiving enquiries from more sizeable organisations, including most of the large opportunities our sales teams were already working with before the pandemic started.

This decline and rebound is reflected in the communications traffic across the platform. In late-March, we saw the volume of call minutes and SMS dropping heavily in the UK as lockdown began, followed by the US in April. In May, metrics for both territories bottomed out and in June, we saw a strong recovery within both the UK and US with the US now back to pre-COVID-19 levels.

Whilst the broader impacts from COVID-19 for the rest of the year in the UK and US remain uncertain, the pandemic will undoubtedly have impacted this year's growth for CloudCall. However, I believe that the fundamentals remain very much intact, with modest growth still anticipated in FY20 despite these headwinds. As full or part-time homeworking becomes the norm, cloud-based communications will be a given and the integration of communications with CRM systems to provide more effective staff monitoring and to improve insight, productivity and the ability to train remote staff will increase exponentially in importance. Cloudcall's offering is already well ahead of many others in the market in terms of both the capabilities and services it can offer its customers and I believe the ongoing structural shifts in the way people work further plays to the Group's strengths.

Revenue, churn, net new users and retention rates

Total revenues for the six-month period were £5.8 million, an increase of 11% against H1 2019, with recurring revenue increasing by 20%, to £5.1m, when compared to the same period last year. The higher relative increase in recurring revenue compared to total revenue was due to lower non-recurring (NRR) and pay-as-you-go telephony revenues (call minutes and SMS) as a direct consequence of COVID-19 and the related global lockdowns. Both of which started to recover towards the end of the half.

In March and April 2020, as some customers began to furlough or lay-off staff, we received cancellations for some out of contract user accounts. We also received requests for financial relief from some customers who now had excess in contract user accounts. Each request was considered on its own merits and some customers were offered a short-term reduction in monthly fees for these unused accounts.

The reduction in new customer signups and their non-recurring set-up fees, combined with the above, meant that revenues did fall in April and May. However, revenue growth quickly recovered in June and has continued to gain momentum throughout July and August.

In a similar vein, contract cancellations and the reduction in new customer signups led to a fall in overall user numbers in April and May before net user growth recovered in June and July leading to an overall increase in user numbers for the period of 1,528. Since the period end, net new user number growth has accelerated with growth in August returning to pre-COVID levels.

Historically, net retention rates, expressed in recurring revenue terms, have run at over 100%. The temporary relief given to some customers has temporarily depressed this number to 85% for the period. However, net retention rates expressed in terms of the numbers of users - which in effect strips out the effects of the temporary relief schemes - stands at 96% and is probably a clearer and more accurate reflection of the actual renewal rate.

Cash

As a result of the successful fundraise in October 2019, the Group remains in a healthy financial position, with gross cash of £8.3m and a further £1.5m available to be drawn via the Group's existing debt facility with Shawbrook Bank.

As the COVID-19 events unfolded, the Group proactively sought to reduce its operating cash-burn through a series of actions including voluntary salary reductions. The management team will continue to monitor the situation throughout the remainder of the year, with a view to prudently increasing investment as the improving market conditions persist. However, should the macro environment worsen for any reason, the Group will be ready to take further cost actions as necessary.

Key developments:

Microsoft Teams (Teams) integration

In April this year, working with several customers, we started building an integration with Microsoft Teams. This integration allows customers to search, call and SMS their CRM contacts from within Teams and, as with all CloudCall's products, log all relevant activity within the CRM. Our 'Activity Dashboards' have also been replicated in Teams so managers can assist and monitor remote staff from within the Teams interface.

The recent shift in working practices means there are now over 75 million daily Teams users. Therefore, it's not surprising that most of our large prospects are already using Teams and are, encouragingly, very interested in our integration, to the point that a number are actively engaged in advising on the development and priority of specific features and functionality.

We believe, and Microsoft have confirmed, this approach to integrating Teams with CRMs platforms is unique. They are being supportive of our plans and have been assisting our development team, including holding a 3 day 'hackathon'. Phase one of the development is now complete and was released in beta form in late August to a select number of trial customers, ahead of an anticipated commercial launch in Q4 2020.

Additional CRMs

The Group's differentiation comes from its tight integrations with CRM platforms, and leads from partner CRMs have a higher close ratio. During the period, CloudCall has continued to increase its addressable market by partnering with additional CRMs.

Most recently, new partnerships or new integrations have been announced with Vincere, Zoho CRM and Informunity, a Bitrix24 Gold Partner, which provide access to customer bases with millions of users in diverse industries. These new partnerships, together with Microsoft Dynamics CRM and Salesforce.com provide ample opportunity for the company to scale outside of the staffing and recruitment sector. The Group will continue to develop further integrations in H2 2020 which will be announced as they go live.

Australia launch

In March this year, we announced the launch of our services in Australia, together with the opening of a regional sales office in Sydney. This office will provide a launchpad for the expansion of operations into the wider APAC region.

Being able to provide our services in the region significantly strengthens the Group’s global footprint and leverages ongoing investment in its platform to service enterprise customers looking for a single global integrated communications provider. The Australian operation has already started to generate revenue for the Group with our first large contract win landing in August.

Market focus

The Group has accelerated its plans to add additional verticals, but the strategy is to open up more markets rather than to pivot away from the staffing and recruitment industry. Numerous commentators have been quick to write off staffing and recruitment as a sector which has been significantly impacted by COVID-19, however, this is not what we are seeing.

Staffing and recruitment firms are well known for being 'first in and first out of a recession' but the COVID-19 pandemic is not a classic recession. There are segments of the economy that are in trouble and are being forced to reduce their workforces, but there are also segments of the economy that are thriving and excited about the opportunity to recruit some of this newly available talent. High quality recruitment companies can thrive in this scenario.

Several recruitment CRM partners are reporting a similar shaped drop-off and recovery as CloudCall has seen. We have access to call volume data, but they have all the recruitment activity data including placements and new searches. The general view is the market was hit hard in the early part of the lockdown, particularly in UK permanent recruitment, but started to recover in May. Like the broader economy, there are winners and losers, but on balance, we believe that the market is back to about ~80% of pre COVID-19 levels and continues to improve week-by-week.

They are also reporting that many recruitment agencies are using this time to refresh their technology stack, further illustrating CloudCall's strong opportunity and well-placed market positioning.

Internal strengthening

Since raising funds back in October 2019, the Group has invested significantly in building its' executive management team to bring the experience and skills necessary to execute the plans and fully capitalise on the opportunities for growth into the future. Since joining, James Maloney (CRO), Abigail Wilkinson (CPO) and Paul Clark (CTO) have hit the ground running, and despite having to work remotely from the offset, they have already made significant impacts and improvements to the Group's operations.

People

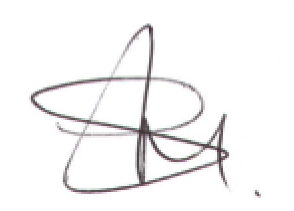
I would like to take this opportunity to thank our staff and partners for their hard work, during what has undoubtedly been a very challenging few months. I continue to be impressed by how our team have adapted to home working, and the continued high satisfaction ratings for our customer services teams proves that our customers also appreciate this.

Outlook

The Board believes COVID-19 will have long lasting effects on how businesses operate, where the staff are based and what they require from their communications provider. The influx of new customer sign-ups in June, July and August clearly signposts that location flexibility, productivity monitoring and improvement tools and 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. We're already well placed and have plans to further capitalise on this structural market shift which we look forward to detailing later this year.

The Group has already returned to monthly recurring revenue growth, and if market conditions continue to improve, the Board fully expects the Group to return to its previous levels of growth in due course. As a result of this, and assuming a continuation of the current trends, the Group is now confident that it can expect to deliver modest revenue growth for 2020, which will continue to build in 2021. However, with the continuing uncertainty surrounding the speed of any recovery and the possibility of a second wave of the virus, the Board feels it remains prudent to withhold guidance for 2021 at this stage.



Simon Cleaver
Chief Executive Officer
CloudCall Group plc

23 September 2020

Key performance indicators

Key Performance Indicators (KPIs)				
KPI	**Link to strategic goals**	**6 months to 30 Jun 2020**	**6 months to 30 Jun 2019**	**Growth vs H1 2019**
Revenue	Growth in revenues, and particularly recurring revenues, demonstrates effective and targeted new customer acquisition and greater upsell and retention within existing customers. Quality and focus within service delivery and customer support, drives more efficient implementation, reduces churn and better customer satisfaction, all of which are revenue enhancing.	**£5.81m**	£5.25m	**11%**
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.	**80.2%**	77.6%	**3%**
Loss from operating activities before depreciation, amortisation and share-based payment charges	Operating losses reduce as revenue growth exceeds the operating cost increases needed to sustain that growth. However, periods of high investment can lead to increasing operating losses as costs are incurred in pursuit of growth.	**(£1.69m)**	(£1.24m)	**(37%)**
Net Loss after Tax	Losses and ultimately profits are reflective of policies focused on revenue growth, cost of sales efficiencies and operating expenditure containment. Depreciation, amortisation, financing costs, taxation and other one-time non-operating costs will also impact bottom-line profitability.	**(£2.14m)**	(£1.55m)	**(38%)**

KPIs (continued)				
KPI	**Link to strategic goals**	**6 months to 30 Jun 2020**	**6 months to 30 Jun 2019**	**Growth vs H1 2019**
Net Cash Absorbed by Operating Activities	In maturing pre-profit SaaS businesses, cash outflows from operating activities, (sometimes referred to as cash burn) reduce as revenues outgrow operating costs. SaaS companies tend to see new customer acquisitions increase cash burn in the short-term as most customer acquisition costs are incurred before a new customer is implemented. Once implemented and billing, a customer will generate cash monthly, usually recovering the initial outflow in a 7-10-month period. Focus on maximising professional services income, delivery efficiencies and billing and credit management tools helps to reduce operating cash outflows and shorten working capital cycles. It should be noted that periods of investment to facilitate further growth will temporarily increase cash burn in the short term.	**(£1.33m)**	(£1.24m)	**(7%)**
Cash and Cash Equivalents	The Group needs to ensure that it has sufficient cash reserves to support its operations through to break-even at which point it becomes cash generative and self-funding. Cash balances need to be considered in the context of any debt that may mature during the fiscal period.	**£8.32m**	£0.82m	**£7.5m**
No of End Users	User counts are taken at the point an order is signed, and growth is indicative of both strong sales activity into larger new clients, as well as successful customer account management driving uplifts from the current customer base.	**43,815**	36,936	**19%**
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, however, this will be naturally diluted as larger customers negotiate better pricing arrangements, and geographic expansion into the US will also dilute as VOIP costs per user are typically lower in a 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.	**£25.98**	£27.40	**(5%)**

KPIs (continued)				
KPI	**Link to strategic goals**	**6 months to 30 Jun 2020**	**6 months to 30 Jun 2019**	**Growth vs H1 2019**
Avg. New Users per Month	Net new user growth provides an indication of 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, since May, net new user number growth has quickly recovered with growth in August returning to pre-COVID levels.	**255**	932	**(73%)**
Avg. Users Per Customer	Increasing average users per customer shows clearly the impact of the strategy to increase the average size of our customers by actively driving the growth of the customer base towards larger companies, offering greater economies of scale and reduced churn, resulting in enhanced margins and cost efficiencies as well as greater opportunities for expansion of revenues.	**32.1**	30.5	**5%**

Key Performance Indicators - Note

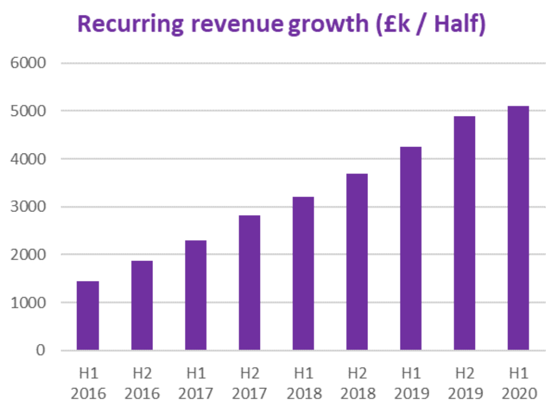
The board considers the key performance indicators (KPIs) identified above as key to understanding the performance of the business and reports these KPIs externally as part of its half yearly updates. When calculating its KPIs, the Group considers the receipt of a signed order for a minimum 12-month subscription as a "sale".

Financial review

Revenue

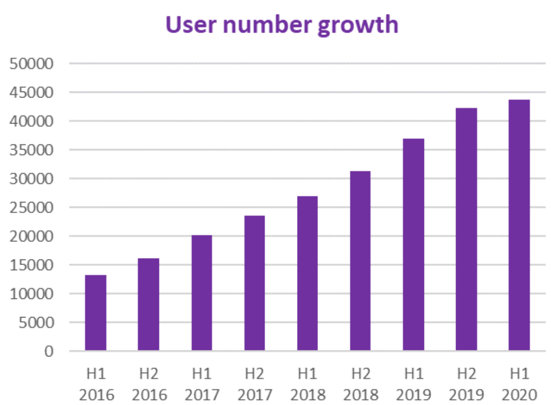
Revenues grew by 11% from £5.2m to £5.8m in H1 2020

Recurring revenues from subscription-based services grew 20% in H1 2020 compared to the same period last year. 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 global lockdowns. These revenue streams started to recover towards the end of the half with this recovery continuing into July and August. During the period US operations continued to grow strongly generating 42% of the Group's global recurring revenue.



Overall, recurring revenue per user ("RRPU") has reduced by 5% to £25.98 compared to the prior period. RRPU has been adversely impacted 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 over £28 per month and thus is expected to rebound strongly as customer support is curtailed.

Over the full six-month period, monthly net user growth averaged 245, taking the total number of users to 43,815 (an increase of 19% against H1 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 new customer sign-ups in Q2. 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.



Gross margin

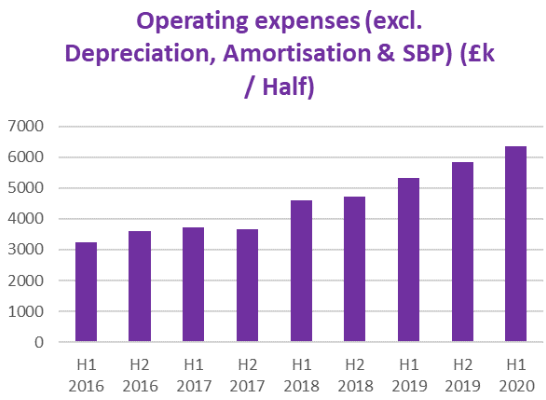
Gross margin increased from 77.6% for the corresponding period in 2019 to 80.2% in H1 2020

Gross margin increased in H1 2020 mainly due to 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.

Operating costs (excluding depreciation, amortisation and share-based payments)

Operating costs grew from £5.3m in H1 2019 to £6.4m in H1 2020

Growth in operating costs of 20% compared to the same period last year is to be viewed in the context of increased investment in sales, marketing, product development and a bolstering of the executive management team. Whilst cost cutting measures were implemented in April as a direct result of COVID-19, the Group entered 2020 with a higher cost base and further planned investment took place in Q1 to support future growth. From the successful fundraise in late 2019, it was clearly signalled that fresh investment would lead to greater operating expenditure and hence widen losses in the short-term as this investment takes time to flow through to increased revenue.



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

	Six months ended 30 June 2020 (£'000)	Six months ended 30 June 2019 (£'000)
Sales & marketing expenses	1,754	1,509
Administrative expenses	3,641	3,135
Research & development expenses*	957	668
Total	**6,352**	**5,312**

Whilst operating costs have increased during the period, it should be noted that planned spend has been offset by the receipt of COVID related government support within both the UK and US. The Group utilised the UK government furlough scheme with 11 employees furloughed in March and $431k of grant funding was received from the US treasury via the Paycheck Protection Program in May. This support funding has been offset against salary costs during the period. All furloughed employees have now returned to work.

*Research and development expenditure is shown in the financial statements net of the amount qualifying for re-classification to the balance sheet under IAS 38 (Capitalisation of Software Development Costs). In H1 2020 this amounted to £750k (H1 2019: £700k).

Losses from operating activities before depreciation, amortisation and share-based payments were (£1.69m), up 37% from (£1.24m) in H1 2019.

Research and development costs

Development costs capitalised in H1 2020 £0.75m (H1 2019: £0.7m)

The Group is committed to developing relevant new products, services and features to ensure that current and future customers can benefit from an exceptional value-adding experience. To that end, the Group continues to invest in product development and continued to adopt the accounting treatment set out in IAS 38 (Intangible Assets) for the ongoing capitalisation of research and development costs through H1 2020. Further to the adoption of IAS 38, the Group confirms that, as a result of new products coming into service since the adoption of the policy, IAS 38 related amortisation charged in H1 2020 was £240k (H1 2019: £95k).

Debt and financing expenses

The Group had outstanding debt as at 30 June 2020 of £3m (H1 2019: £1.6m) and a net financing expense of £114k (H1 2019: £112k).

The Group's credit facility with Shawbrook Bank was opened on 9 September 2019 with £1m of debt currently drawn down and a further £1.5m available. Interest is charged at 9% plus the higher of either LIBOR or 0.5% per annum.

Other borrowings constitute the Group's lease liabilities accounted for in accordance with IFRS 16. There were no lease additions during the period. Lease additions during the period resulted in the recognition of a lease liability of £775k and a right of use asset of £835k.

Cash and working capital

The Group had £8.3m cash at the end of the period (H1 2019: £0.8m).

The Group's balance sheet includes an R&D tax credit receivable of £0.45m (H1 2019: £0.92m) with £0.81m received from HMRC during the period (H1 2019: £nil).

Share capital

Total issued share capital at the period-end comprised 38,768,429 ordinary shares of 20 pence each.

During the half year period, the Company received new capital amounting to £10k in relation to exercised share options, resulting in the issue of 12,590 ordinary shares.

Earnings per share and dividends

Loss per share for the half year period was 5.5 pence (H1 2019: 5.9 pence)

Going concern

Whilst the current trading environment is difficult to forecast given the continuing impact of COVID-19 and the uncertainty surrounding future lockdowns or restrictions, the Directors confirm that, based on current trading performance and projections, 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. Please see Note 2 on page 20 for further details.

By order of the board

Simon Cleaver
Chief Executive Officer

Paul Williams
Chief Financial Officer

Consolidated Statement of Comprehensive Income

For the 6 months ended 30 June 2020

	Notes	Unaudited Six months ended 30 June 2020 £000	Unaudited Six months ended 30 June 2019 £000	Audited Year ended 31 December 2019 £000
Revenue		**5,807**	5,245	11,396
Cost of sales		**(1,149)**	(1,173)	(2,406)
Gross profit		**4,658**	4,072	8,990
Operating costs		**(6,352)**	(5,312)	(11,146)
Loss from operating activities before depreciation, amortisation and share-based payment charges		**(1,694)**	(1,240)	(2,156)
Depreciation and amortisation		**(671)**	(366)	(930)
Share-based payment charges		**(161)**	(116)	(171)
Exceptional items		**-**	-	(145)
Operating loss		**(2,526)**	(1,722)	(3,402)
Financing expense		**(114)**	(112)	(274)
Loss before tax		**(2,640)**	(1,834)	(3,676)
Taxation	3	**497**	280	731
Loss for the year attributable to owners of the parent		**(2,143)**	(1,554)	(2,945)
Other comprehensive income				
Exchange differences on translation of foreign operations		**(65)**	(5)	(65)
Other comprehensive income		**(65)**	(5)	(65)
Total comprehensive income for the year attributable to owners of the parent		**(2,208)**	(1,559)	(2,880)
Loss per share	5	**Pence**	Pence	Pence
Basic and fully diluted loss per share		**(5.5)**	(5.9)	(10.3)

Consolidated Statement of Financial Position

At 30 June 2020

	Notes	Unaudited Six months ended 30 June 2020 £000	Unaudited Six months ended 30 June 2019 £000	Audited Year ended 31 December 2019 £000
Non-current assets				
Property, plant and equipment		**2,776**	1,959	1,854
Goodwill	4	**339**	339	339
Other intangible assets	4	**3,502**	2,502	2,992
		6,617	4,800	5,185
Current assets				
Inventories		**-**	5	-
Trade and other receivables		**2,847**	1,361	2,760
Research and development tax credit receivable		**450**	921	760
Cash and cash equivalents		**8,319**	823	11,101
		11,616	3,110	14,621
Total assets		**18,233**	7,910	19,806
Current liabilities				
Borrowings		**(642)**	(335)	(517)
Trade and other payables		**(1,980)**	(1,119)	(2,162)
		(2,622)	(1,454)	(2,679)
Non-current liabilities				
Borrowings		**(2,383)**	(1,225)	(1,862)
Total liabilities		**(5,005)**	(2,679)	(4,541)
Net assets		**13,228**	5,231	15,265
Equity attributable to shareholders				
Share capital		**7,754**	5,326	7,751
Share premium		**77,092**	68,174	77,085
Translation reserve		**(27)**	(32)	38
Warrant reserve		**29**	29	29
Retained earnings		**(71,620)**	(68,266)	(69,638)
Total equity attributable to shareholders		**13,228**	5,231	15,265

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	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	(66,828)	4,394
Loss for the period	-	-	-	-	(1,554)	(1,554)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	(5)	-	-	(5)
Total comprehensive income for the period	-	-	(5)	-	(1,554)	(1,559)
Transactions with owners recognised in equity:						
Equity settled share-based payments	-	-	-	-	116	116
Issue of equity shares	490	1,942	-	-	-	2,432
Issue costs of equity shares	-	(152)	-	-	-	(152)
Total transactions with owners recognised in equity	490	1,790	-	-	116	2,396
Balance at 30 June 2019	5,326	68,174	(32)	29	(68,266)	5,231

	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 July 2019	5,326	68,174	(32)	29	(68,266)	5,231
Loss for the period	-	-	-	-	(1,427)	(1,427)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	70	-	-	70
Total comprehensive income for the period	-	-	70	-	(1,427)	(1,357)
Transactions with owners recognised in equity:						
Equity settled share-based payments	-	-	-	-	55	55
Issue of equity shares	2,425	9,693	-	-	-	12,118
Issue costs of equity shares	-	(782)	-	-	-	(782)
Total transactions with owners recognised in equity	2,425	8,911	-	-	55	11,391
Balance at 31 December 2019	7,751	77,085	38	29	(69,638)	15,265

	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 period	-	-	-	-	(2,143)	(2,143)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	(65)	-	-	(65)
Total comprehensive income for the period	-	-	(65)	-	(2,143)	(2,208)
Transactions with owners recognised in equity:						
Equity settled share-based payments	-	-	-	-	161	161
Issue of equity shares	3	7	-	-	-	10
Issue costs of equity shares	-	-	-	-	-	-
Total transactions with owners recognised in equity	3	7	-	-	161	171
Balance at 30 June 2020	7,754	77,092	(27)	29	(71,620)	13,228

Consolidated Cash Flow Statement

For the 6 months ended 30 June 2020

	Unaudited Six months ended 30 June 2020 £000	Unaudited Six months ended 30 June 2019 £000	Audited Year ended 31 December 2019 £000
Cash flows from operating activities			
Loss after tax for the period	**(2,143)**	(1,554)	(2,945)
Adjustments for:			
Depreciation and amortisation	**671**	366	930
Unrealised currency translation (gains)/losses	**(191)**	(5)	92
Financial expenses	**114**	112	274
Equity settled share-based payment expenses	**161**	116	171
Taxation	**(497)**	(280)	(731)
Operating loss before changes in working capital and provisions	**(1,885)**	(1,245)	(2,209)
Decrease/(increase) in trade and other receivables	**41**	496	(903)
Increase in inventory	**-**	(5)	-
Increase/(decrease) in trade and other payables	**(289)**	(482)	591
Cash absorbed by operations	**(2,133)**	(1,236)	(2,521)
Tax received	**807**	-	611
Net cash absorbed by operating activities	**(1,326)**	(1,236)	(1,910)
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(474)**	(203)	(449)
Development expenditure capitalised	**(750)**	(700)	(1,433)
Net cash absorbed by investing activities	**(1,224)**	(903)	(1,882)
Cash flows from financing activities			
Repayment of lease liability	**(266)**	(198)	(439)
Net interest paid	**(36)**	(47)	(150)
Net proceeds from the issue of share capital	**10**	2,280	13,616
Proceeds from new loans	**109**	-	1,500
Repayment of loans	**(80)**	-	(527)
Net cash (absorbed by)/from financing activities	**(263)**	2,035	14,000
Net (decrease)/increase in cash and cash equivalents	**(2,813)**	(104)	10,208
Cash and cash equivalents at start of period	**11,101**	927	927
Effect of exchange rate fluctuations on cash held	**31**	-	(34)
Cash and cash equivalents at end of period	**8,319**	823	11,101

Consolidated Movement in Net Cash/(Debt)

For the 6 months ended 30 June 2020

Group	At 1 January 2019 £'000	Cash flow £'000	Interest on lease liabilities £'000	Lease liabilities taken out £'000	Exchange and other non-cash movements £'000	At 30 June 2019 £'000
Cash and cash equivalents	927	(104)	-	-	-	**823**
Bank loans	-	-	-	-	-	**-**
Lease liabilities	(1,597)	198	(65)	(124)	28	**(1,560)**
Net (debt)/cash at end of period	(670)	94	(65)	(124)	28	**(737)**

Group	At 30 June 2019 £'000	Cash flow £'000	Interest on lease liabilities £'000	Lease liabilities taken out £'000	Exchange and other non-cash movements £'000	At 31 December 2019 £'000
Cash and cash equivalents	823	10,312	-	-	(34)	**11,101**
Bank loans	-	(973)	-	-	-	**(973)**
Lease liabilities	(1,560)	241	(59)	-	(28)	**(1,406)**
Net cash/(debt) at end of period	(737)	9,580	(59)	-	(62)	**8,722**

Group	At 1 January 2020 £'000	Cash flow £'000	Interest on lease liabilities £'000	Lease liabilities taken out £'000	Exchange and other non-cash movements £'000	At 30 June 2020 £'000
Cash and cash equivalents	11,101	(2,813)	-	-	31	**8,319**
Bank loans	(973)	(30)	-	-	-	**(1,003)**
Lease liabilities	(1,406)	(509)	(78)	-	(29)	**(2,022)**
Net cash/(debt) at end of period	8,722	(3,352)	(78)	-	2	**5,294**

Notes to the Financial Statement

1. Accounting policies and basis for preparation

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with the presentation, recognition and measurement requirements of applicable International Financial Reporting Standards adopted by the European Union ('IFRS') except that the Group has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK Groups listed on AIM.

The financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2019 which are prepared in accordance with International Financial Reporting Standards and International Reporting Interpretations Committee pronouncements as adopted by the European Union.

The accounting policies applied in the condensed consolidated interim financial information for the six months ended 30 June 2020 are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

The Group's 2019 annual report provides full details of significant judgements and estimates used in the application of the Group's accounting policies. There have been no significant changes to these judgements and estimates during the period.

The financial information included in this document is unaudited and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2019 are the Group's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Going concern

The Group made a loss of £2,143k in the six months ended 30 June 2020 and, as at 30 June 2020, had cash reserves of £8,319k.

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.

When the scale of the 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 have extended the life of existing cash resources whilst still allowing the Group to maintain those investments that will enable it to resume its' strategic growth plans. The management team will continue to monitor the situation with a view to prudently increasing investment as the improving market conditions persist. However, should the macro environment worsen for any reason, the Group will be ready to take further cost actions.

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

Whilst acknowledging the uncertain economic environment caused by the ongoing COVID-19 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 strong cash position of £8.3m are key factors in demonstrating that the Group has the necessary means to execute its strategy and meet its financial commitments. In addition, the Group will utilise the remaining £1.5m credit facility with Shawbrook Bank to bolster cash reserves in the short to medium-term.

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

3. Taxation

Recognised in the Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June 2020 £000	Unaudited Six months ended 30 June 2019 £000	Audited Year ended 31 December 2019 £000
Current income tax			
Overseas income tax charge for the current year	**(4)**	-	(10)
Current year research and development tax credit	**450**	299	760
Adjustments in respect of prior periods	**51**	(19)	(19)
	497	280	731
Total tax credit recognised in the current period	**497**	280	731

4. Intangible assets

	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
Internally developed	-	-	-	700	700
Balance at 30 June 2019	339	12	1,448	2,908	4,707
Internally developed	-	-	-	733	733
Balance at 31 December 2019	339	12	1,448	3,641	5,440
Internally developed	**-**	**-**	**-**	750	750
Balance at 30 June 2020	**339**	**12**	**1,448**	**4,391**	**6,190**
Amortisation					
Balance at 1 January 2019	-	(12)	(1,448)	(311)	(1,771)
Amortisation for the period	-	-	-	(95)	(95)
Balance at 30 June 2019	-	(12)	(1,448)	(406)	(1,866)
Amortisation for the period	-	-	-	(243)	(243)
Balance at 31 December 2019	-	(12)	(1,448)	(649)	(2,109)
Amortisation for the period	**-**	**-**	**-**	(240)	(240)
Balance at 30 June 2020	**-**	**(12)**	**(1,448)**	**(889)**	**(2,349)**
Net Book Value					
At 30 June 2019	339	-	-	2,502	2,841
At 31 December 2019	339	-	-	2,992	3,331
At 30 June 2020	**339**	**-**	**-**	**3,502**	**3,841**

5. Loss per share

	Unaudited Six months ended 30 June 2020 000's	Unaudited Six months ended 30 June 2019 000's	Audited Year ended 31 December 2019 000's
Issued ordinary shares at start of period	**38,756**	24,181	24,181
Shares issued for cash	**12**	1,951	4,451
Weighted average number of ordinary shares	**38,768**	26,132	28,632
	£000	£000	£000
Loss attributable to ordinary shareholders (£000)	**(2,143)**	(1,554)	(2,945)
	Pence	Pence	Pence
Loss per share			
Basic and fully diluted loss per share	**(5.5)**	(5.9)	(10.3)

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