8 April 2020

CloudCall Group plc

("CloudCall", "The Group" or the "Company")

Final Results for the Year Ended 31 December 2019

INVESTMENTS DRIVING ACCELERATION IN USER GROWTH

CloudCall (AIM: CALL), a leading cloud-based software business that integrates communications technology into Customer Relationship Management (CRM) platforms, is pleased to announce its full year results for the year ended 31 December 2019.

Key financial highlights

- Recurring revenues up 33% compared to 2018
- Total revenues up 30% to £11.4m (2018: £8.8m)
  - US revenues increased 56% year-on-year
- Annualised revenue run-rate surpasses £13m
- Total number of end-users up 35% to 42,348 as at 31 December 2019 (2018: 31,343)
- Net new monthly users added in H2 2019 accelerated to 902 on average (of which Q3 = 643 and Q4 = 1,162)
- Gross margin increased from 78.4% in 2018 to 78.9%, with gross profit up 31% to £9.0m (2018: £6.9m).
- EBITDA loss (excl. share-based payments and exceptional items) reduces to £2.2m (2018: £2.5m)
- Loss per share reduces to 10.3 pence (2018: 12.9 pence loss per share)
- £13.1 m available cash (including the debt facilities) at year-end (2018: £0.9m)
- Successful October placing raised £11.3m (net proceeds)
- Net cash absorbed by operating activities down by 8% year on year to £1.9m

Key operational highlights

- The Group continues to make strong progress on its strategy based around 4 key pillars of growth
  - To continue developing relevant new products, services and features for our customers
  - To deepen relationships with existing partners, while integrating with more recruitment CRMs and become the "go-to" integrated communications provider for the sector
  - To expand both our geographic and sector reach
  - To engage with larger enterprise customers
- Average customer size increases by 22% to 33 users
- Record breaking Q4 2019 sales performance assisted by 2 enterprise deals expected to go live in 2020
- Greater collaboration with key partners is improving large and enterprise customers pipeline
- 4 new CRM integrations added in 2019, significantly expanding the number of companies able to benefit from CloudCall's deeply integrated communications
- Broadcast and template SMS capabilities rolled out to all our CRM integrations
- First CRM integration delivered using CloudCall's new rapid integration toolkit

Coronavirus Statement
Simon Cleaver, Chief Executive Officer of CloudCall commented;

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

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

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

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

In the current medical crisis and with our strong balance sheet, the Board is keen to stand by our excellent staff as much as possible, however we have already taken numerous decisive measures to significantly reduce current operating cash burn down to around £250k per month by May 2020 based on current activity levels and will continue to keep our operating costs under close review in the coming months.

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

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Investor presentation webcast
In addition, the Company will host a live presentation for investors at 2.00pm on Tuesday 14 April 2020 via the Investor Meet Company communications platform.

Investors can sign up to **Investor Meet Company** for free. Simply register using the link below and add a request to meet Cloudcall to be invited to the next meeting.

https://www.investormeetcompany.com/register

Investors that have already registered and added to meet the Company, will be automatically invited. There will be an opportunity to ask questions directly to the team.

Annual Report
The Annual Report for the year ended 31 December 2019 will be published on the Company's website at www.cloudcall.com on **April 8th 2020**. The Annual Report will be posted to shareholders that have requested hard copies in due course and the Company will notify its shareholders once this has occurred.

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.

Chairman's Statement

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

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

Financial highlights

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

Four Pillars of Growth
During 2019 the business continued to focus its growth objectives concentrated around four growth pillars:

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

Good progress was made against each of these growth objectives during the year and will continue to be the focus as we move into 2019.

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

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

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

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

People

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

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

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

Outlook

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

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

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

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

Peter Simmonds
Non-executive Chairman
CloudCall Group plc

Chief Executive's review

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

However, I also feel it is worth noting that this review needs to be put into context with the evolving coronavirus pandemic and the uncertainty that this is causing to many businesses in the early part of 2020. The specific impacts to CloudCall and its outlook for 2020 and 2021 have been set out in greater detail in both the coronavirus section and the Chairman's outlook above.

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

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

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

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

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

Strong growth metrics

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

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

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

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

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

Our ongoing growth strategy

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

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

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

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

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

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

In H2 2019, the Company announced several new integrations with other recruitment and staffing CRMs and is now pleased to see lead-flow and new customer acquisitions from these new partners contributing towards Q4's excellent new business bookings. These new CRM partnerships are still in a relatively early stage and Board expects they will have a greater contribution in 2020 as the relationships develop. Further CRM integrations and partnerships continue to be actively worked on, and in February 2020, we were delighted to announce a new integration partnership with Vincere, a recruitment CRM with more than 1,000 customers from 50+ countries, including a significant presence in the APAC region.

3. Expanding geographic and sector reach

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

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

4. Engaging with and serving larger enterprise customers

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

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

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

In February 2020, we announced a second major win with Vaco, a global talent & solutions firm with annual revenues of more than $750 million. The three-year contract will see CloudCall providing its integrated telephony service to Vaco's thousand plus employees in quarterly tranches over the coming

18 months. The extended implementation period for this contract means that the resulting revenues will be spread throughout 2020 and into 2021.

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

Our culture

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

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

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

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

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

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

Outlook

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

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

Simon Cleaver
Chief Executive Officer
Cloudcall Group plc

Financial review

Revenue
Revenues grew by 30% from £8.8m to £11.4m in 2019
The Group derives all its revenues from the provision of integrated communications software and services to customers in the UK, mainland Europe and North America. In 2019, the Group's North American operation delivered strong growth with revenues up 56% to £4.5m (from £2.9m in 2018). The UK and mainland Europe operation grew by 18% to £6.9m (from £5.9m in 2018). The Group's recently announced new operations in APAC will begin to contribute revenues in 2020. Recurring revenue from subscription-based software services grew by 33% in 2019 compared to the prior year. Based on an extrapolation of Q4 revenues, the annualised revenue run rate is now around £13m.

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

Gross margin
Gross margin increased from 78.4% in 2018 to 78.9% in 2019
Gross margin increased slightly year on year driven by three key factors. Firstly, customer set-up fees, one-off fees and professional services, which are effectively reported at 100% gross margin, increased year on year in absolute terms and are the main contributing factors for the overall gross margin increase. Secondly, hardware sales margins reduced slightly in the year as they continue to be undertaken on an "at cost" basis. CloudCall is not a pure-play hardware vendor, and for the most part simply looks to use its buying power to source and supply cost effective hardware on behalf of its customers. Although customers that require hardware are increasingly able to source that equipment at competitive prices elsewhere, purchasing their hardware from CloudCall enables it to be configured correctly by CloudCall

engineers on installation, and returned in the event of any issues. Finally, partner commissions are slightly higher as an overall percentage of recurring revenues compared to last year as we continue to grow business from our core partner, Bullhorn, and as the new referral partner program began to establish itself in the latter part of 2018.

Operating costs grew from £9.3m to £11.1m in 2019
Growth in operating expenditure of 19% year-on-year in the context of a 30% growth in revenues for the same period is the result of continued investment in infrastructure and resources deployed to generate accelerated revenue growth in the future. From the successful fundraise in late 2019, it was clearly signalled that fresh investment would lead to greater operating expenditure and operating losses in the short-term, as the investment took time to flow through to increased revenue.

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

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

Research and development costs
Development costs capitalised £1.43m (2018: £1.12m)
Investment in the development of new and improved products, features and applications and the integral intellectual property of such development work is considered key to the preservation of CloudCall's competitive position.

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

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

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

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

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

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

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

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

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

Cash and working capital

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

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

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

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

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

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

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

Share capital

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

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

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

In October 2019, the Company successfully raised £12.1m of additional new capital (before fees and expenses), fulfilled by the issue of 12,081,685,000 new ordinary shares in the Company at a price of 100.0 pence per share. The fundraise is required to best position the company to exploit and deliver on future revenue growth through the enhancement of platforms, products & services and greater sales & marketing capabilities.

Loss per share and dividends

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

As the business continues to be in a pre-profit, high-growth, investment phase, the Board does not recommend the payment of a dividend (2017: nil).

Going concern

The Directors confirm that 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.

Paul Williams
Chief Financial Officer
Cloudcall Group plc

Financial Statements

Consolidated Statement of Comprehensive Income

For year ended 31 December 2019

	Notes	2019 £000	2018 (restated) £000
Revenue	4	**11,396**	8,751
Cost of sales		**(2,406)**	(1,889)
Gross profit		**8,990**	6,862
Operating costs	5	**(11,146)**	(9,347)
Loss from operating activities before depreciation, amortisation, share based payment charges and exceptional items		**(2,156)**	(2,485)
Depreciation and amortisation		**(930)**	(816)
Share based payment charges		**(171)**	(224)
Exceptional items		**(145)**	-
Operating loss		**(3,402)**	(3,525)
Finance expense		**(274)**	(227)
Loss before tax		**(3,676)**	(3,752)
Taxation	6	**731**	630
Loss for the year attributable to owners of the parent		**(2,945)**	(3,122)
Other comprehensive income			
Exchange differences on translation of foreign operations		**65**	(50)
Other comprehensive income		**65**	(50)
Total comprehensive income for the year attributable to owners of the parent		**(2,880)**	(3,172)
Loss per share		**Pence**	Pence
Basic and fully diluted loss per share	11	**(10.3)**	(12.9)

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 £000	2018 (restated) £000
Non-current assets			
Property, plant and equipment	7	**1,854**	1,897
Goodwill	8	**339**	339
Other intangible assets	8	**2,992**	1,897
		5,185	4,133
Current assets			
Trade and other receivables		**2,760**	1,857
Research & development tax credit receivable		**760**	640
Cash and cash equivalents		**11,101**	927
		14,621	3,424
Total assets		**19,806**	7,557
Current liabilities			
Borrowings	9	**(517)**	(265)
Trade and other payables		**(2,162)**	(1,602)
		(2,679)	(1,867)
Non-current liabilities			
Borrowings	9	**(1,862)**	(1,332)
Total liabilities		**(4,541)**	(3,199)
Net assets		**15,265**	4,358
Equity attributable to shareholders			
Share capital	10	**7,751**	4,836
Share premium account		**77,085**	66,384
Translation reserve		**38**	(27)
Warrant reserve		**29**	29
Retained earnings		**(69,638)**	(66,864)
Total equity attributable to shareholders		**15,265**	4,358

Consolidated Statement of Changes in Equity

For year ended 31 December 2019

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

Consolidated Cash Flow Statement

For year ended 31 December 2019

	2019	2018 (restated)
	£000	£000
Cash flows from operating activities		
Loss for the year after tax	**(2,945)**	(3,122)
Adjustments for:		
Depreciation and amortisation	**930**	816
Foreign exchange losses/(gains) on operating activities	**92**	(67)
Financial expenses	**274**	227
Equity settled share-based payment expenses	**171**	224
Taxation	**(731)**	(630)
Operating loss before changes in working capital	**(2,209)**	(2,552)
Increase in trade and other receivables	**(903)**	(393)
Increase in trade and other payables	**591**	302
Cash absorbed by operations	**(2,521)**	(2,643)
Tax received	**611**	570
Net cash absorbed by operating activities	**(1,910)**	(2,073)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(449)**	(450)
Development expenditure capitalised	**(1,433)**	(1,118)
Net cash absorbed by investing activities	**(1,882)**	(1,568)
Cash flows from financing activities		
Repayment of lease liability	**(439)**	(310)
Net interest paid	**(150)**	(88)
Net proceeds from the issue of share capital	**13,616**	77
Proceeds from new loan	**1,500**	-
Repayment of new loan	**(527)**	-
Net cash from financing activities	**14,000**	(321)
Net increase in cash and cash equivalents	**10,208**	(3,962)
Cash and cash equivalents at start of year	**927**	4,872
Effect of exchange rate fluctuations on cash held	**(34)**	17
Cash and cash equivalents at end of year	**11,101**	927

Notes to the financial statements

1. Preliminary announcement

The preliminary announcement set out above does not constitute the Group's statutory financial statements for the years ended 31 December 2019 or 2018 within the meaning of section 434 of the Companies Act 2006 but is derived from those audited financial statements. The auditor's report on the consolidated financial statements for the year ended 31 December 2019 and 2018 is unqualified and does not contain statements under s498(2) or (3) of the Companies Act 2006.

Except as noted below, the accounting policies used for the year ended 31 December 2019 are unchanged from those used for the statutory financial statements for the year ended 31 December 2018. The Group has adopted IFRS 16 Leases. The effect of initially applying this standard is noted below. The 2019 statutory financial statements will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

2. Compliance with accounting standards

While the financial information included in this preliminary announcement has been computed in accordance with IFRSs as adopted by the EU, this announcement does not itself contain sufficient information to comply with IFRSs as adopted by the EU.

Accounting standards adopted in the year

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases. The group previously split leases between ‘finance leases’ that transferred substantially all the risks and rewards incidental to ownership of the asset to the group, and ‘operating leases’. As a result of the adoption of IFRS 16 the Group has adopted consequential changes to IAS 1 Presentation of Financial Statements.

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

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

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

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

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

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

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

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

Group

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

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

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

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

Reconciliation of equity

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

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

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

3. Critical accounting estimates and judgements

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

Development costs

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

Impairment

The requirement for the Directors to ensure that the Group'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'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. Based on the historic sales performance of the business and actions being taken to grow the business further, the directors do not currently assess any of these assets as impaired. The carrying value of intangible assets and property, plant and equipment at the Statement of Financial Position date was £3,331,000 and £1,854,000 respectively.

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

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

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

Revenue by type

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

Timing of revenue recognition

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

Revenue by product
All revenue is attributable to the Group's main activity, the provision of hosted telecoms solutions.

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

5. Operating costs

	2019	2018 restated
	£000	£000
Wages and salaries (*)	**7,208**	6,565
Foreign exchange losses and (gains)	**92**	(67)
Expected credit losses	**131**	115
Other operating costs	**3,715**	2,734
	11,146	9,347

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

6. Taxation

Recognised in the Consolidated Statement of Comprehensive Income

	2019	2018 restated
	£000	£000
Current tax income		
Overseas income tax charge for the current year	**(10)**	(8)
UK research and development tax credit	**760**	640
Adjustments in respect of prior year	**(19)**	(2)
	731	630
Deferred tax for the current year	**-**	-
Total tax credit recognised in current year	**731**	630

7. Property, plant and equipment

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

8. Intangible assets

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

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

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

9. Borrowings

Current borrowings	**Group 2019 £000**	Group 2018 restated £000
Bank loan	**160**	-
Lease liabilities	**357**	265
	517	265

Non-current borrowings	**Group 2019 £000**	Group 2018 restated £000
Bank loan	**813**	-
Lease liabilities	**1,049**	1,332
	1,862	1,332

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

10. Share capital

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

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

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

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

11. Loss per share

Basic loss per share

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

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

Diluted loss per share

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