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

Final Results for the Year Ended 31 December 2020

A YEAR OF TWO HALVES WITH STRENGTHENING PRODUCT MARKET FIT UNDERPINNING A RETURN TO GROWTH IN H2

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 2020.

Financial highlights

- Total recurring revenues* up 13% compared to 2019 including growth in US recurring revenues of 25%
- Total revenues up 4% to £11.8m (2019: £11.4m) with recurring and repeating revenues* representing 95% of total revenues (2019: 89%)
- Total number of end-users up 14% to 48,255 (2019: 42,348)
- Gross margin increased to 81% (2019: 79%)
- Adjusted EBITDA** loss of £4.4m (2019: £2.2m)
- Loss after tax of £5.7m (2019: £2.9m)
- R&D tax credit received during the year of £811k (2019: £621k)
- Available gross cash of £5.7m as at 31 December 2020 (2019: £13.1m)
- Post the period-end, the Group raised gross proceeds of £7.5m via a share placing and secured an updated £5m debt facility with Shawbrook

Operational highlights

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

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

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

Simon Cleaver, Chief Executive Officer of CloudCall commented;

"Despite the challenges we faced in 2020 as the ramifications of COVID-19 became clear, I am delighted to report that the recovery from the initial impact to our customers and prospects was strong, effectively giving us a "deep V" shape to the year. Indeed, I was particularly pleased to note that many of our sales KPIs were stronger post-COVID than they were pre-COVID, demonstrating the effectiveness of CloudCall's CRM-based go-to-market strategy and increasing product market fit as the pandemic accelerates the trend towards remote working.

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

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

Given the growth momentum generated in H2 2020, the Board is confident that the Group will be able to deliver revenue of £14m in 2021 representing growth of 18%. This return to stronger growth, together with a strengthened balance sheet as a result of the recently completed placing, means that the Board also remains confident in its ambition to now reach monthly EBITDA breakeven by mid-2023 and achieve a £50m revenue run-rate during 2026."

This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

For further information, please contact:
CloudCall Group plc
Simon Cleaver, Chief Executive Officer
Paul Williams, Chief Financial Officer Tel: +44 (0)20 3587 7188

Canaccord Genuity Limited Tel: +44 (0)20 7523 8000
Simon Bridges
Richard Andrews
Thomas Diehl

Investor presentation webcast
Further to the completion of its recent placing on 29 March 2021, U.S. regulations prevent the Company from undertaking any marketing to US investors for a period of 40 days from completion of the placing. The Company therefore plans to host a live presentation for investors to discuss the 2020 results, and to provide a brief 2021 trading update in late May 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 2020 will be published on 31 March 2021, via the Company's website at www.cloudcall.com. 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

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

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

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

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

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

Key performance indicators

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

Working Capital

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

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

The rapidly implemented cost reduction measures, along with employee retention grant funding received in both the UK and the US, helped to reduce operating costs by approximately £1.3m from previously planned levels. However, despite these savings, adjusted EBITDA losses widened during the year from £2.2m in 2019 to £4.4m in 2020.

Although more severe cost reductions were contemplated and assessed, the Board ultimately considered that these other measures were not required given they could impact the ability of the business to regain its growth momentum once the world emerged from the initial shock of COVID-19 lockdowns.

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

Growth Strategy

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

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

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

Product Strategy

One of the keys to long term success in an annuity revenue business is maintaining a high Lifetime Value: Customer Acquisition Cost ratio, which clearly requires effective sales and marketing, client satisfaction and ongoing client revenue growth. The Cloudcall LTV:CAC ratio is estimated to be over 5, with the potential for this to improve over time as we see continued high net renewal rates and low churn.

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

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

People

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

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

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

Outlook

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

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

Peter Simmonds
Non-executive Chairman
CloudCall Group plc

Chief Executive's review

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

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

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

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

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

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

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

Performance overview and financial highlights

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

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

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

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

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

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

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

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

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

Our ongoing growth strategy

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

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

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

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

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

To further strengthen the Group's product offering and take advantage of the recent changes in global working practices, which has seen exponential growth in the use of collaboration platforms such as Microsoft Teams and Zoom, on the 25 November 2020, the Group launched an integration with

Microsoft Teams. Since the integration was launched with the capability to make calls and share CRM contacts via Teams, we have added SMS capabilities via our Microsoft Teams App. Whilst still early into the rollout, initial response rates have been encouraging and the Group is looking to add more flexibility and improve the Teams user experience over the coming months. More and more of our customers are finding themselves living within Teams and we are working hard to ensure that CloudCall is right there at their fingertips allowing them to work.

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

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

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

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

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

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

	Lead to Close %	**Demo to Close %**	**New customers (1)**	**Year 1 Revenue Closed (2)**
All CRMs	14%	52%	459	£2.8m
Large Recruitment CRM	28%	63%	195	£1.6m
New CRMs in 2020	27%	43%	91	£0.4m
Conversion metrics from leads generated in 2020 should continue to grow as those leads continue to be worked on.				

(1) New customers signed up in 2020

(2) Year 1 revenue refers to the first year of revenue expected from customers signed. Depending upon signing date, this revenue will potentially be delivered across more than one financial period.

(3) The above metrics have been disclosed for illustrative purposes to provide further context to the narrative. The Company does not propose to provide all of these performance metrics in future periods.

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

Expanding geographic reach

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

Engaging with and serving larger customers

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

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

Our customers

Our strategy is based around a desire to help customers get more from their commercial data by providing easy to use and powerful communications tools that are deeply integrated into their CRM systems. To that end, we work hard to ensure that we take the time to understand our customers' businesses and pride ourselves on being able to react quickly and effectively to all their needs. Despite being a technology company, CloudCall prides itself on being a caring, customer-focused services company first and foremost, and our staff are encouraged and trained to act accordingly.

Customer case studies

Huffmaster – US

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

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

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

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

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

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

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

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

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

e-Careers - UK

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

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

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

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

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

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

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

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

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

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

Our culture

CloudCall's core values place our staff, customers and local community at the heart of what we do. We strongly believe that looking after and supporting our staff, and the communities that we work in, creates a strong platform from which to delight our customers.

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

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

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

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

We continue to focus on creating a caring and inclusive culture and improvements we have made, and continue to make, in staff mentoring, training and ongoing support mechanisms are contributory to improved skill levels, higher staff satisfaction levels and good staff retention. Our charity and community initiatives continue to be highly valued and well supported by our staff and we remain keen to ensure all staff have equal opportunity to participate in these worthwhile activities.

As the global climate emergency continues to develop, the Group has set itself the target of becoming carbon neutral. Whilst this project is ongoing, we have already made some initial headway including being given the "Green Economy Mark" by the London Stock Exchange. The Group has designated a member of staff responsible for leading this long-term project to a successful conclusion with a number of additional staff members keen to help take this initiative forward. A study of our current carbon footprint and ways in which this can be improved towards eventual carbon neutrality has been commissioned and the management team is keen to commit to adopting its recommendations going forward.

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

Outlook

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

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

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

Simon Cleaver
Chief Executive Officer
Cloudcall Group plc

Financial review

Revenue

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

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

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

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

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

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

Gross margin

Gross margin increased from 78.9% in 2019 to 80.7%

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

Operating costs excluding depreciation, amortisation, share based payments and exceptional items grew from £11.1m in 2019 to £13.9m

Growth in operating expenditure of 25% year-on-year should be viewed within the context of the Group's overall growth strategy and the increased investment within sales, marketing, product development, the new Australian operations and a bolstering of the executive management team. From the successful fundraise in late 2019, it was clearly signalled that fresh investment would lead to greater operating expenditure and operating losses in the short-term, as the investment took time to flow through to increased revenue. The Group therefore entered 2020 with a higher cost base and further planned investment took place in Q1 to support future growth.

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

Receipts from the UK government via the Furlough Scheme and from the US government via the Paycheck Protection Program have been offset against salary costs during the period.

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

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

Research and development expenditure is shown in the financial statements net of £1.85m (2019: £1.43m) qualifying for re-classification to the balance sheet under IAS 38 (Capitalisation of Software Development Costs). The increased IAS 38 qualifying expenditure is reflective of ongoing investment being made in new product development. Investment in the development of new and improved products, features and applications and the integral intellectual property of such development work is considered key to the preservation of CloudCall's competitive position.

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

Debt and financing expenses

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

In September 2020 the Group drew down the remaining £1.5m of available funds within the term credit facility (the "Facility) with Shawbrook Bank which provided borrowing facilities for a 3.5-year term set to expire in March 2023. Interest is set out below as the aggregate of:

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

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

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

Cash and working capital

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

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

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

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

Share capital

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

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

Post year-end, the Company has allotted and issued 9,202,453 new ordinary shares at a price 0f 81.5 pence raising gross proceeds of £7.5m. The fundraise was required to recapitalise the Group's balance sheet and provide the necessary funds to pursue the near-term growth strategy.

Loss per share and dividends

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

As the business continues to be in a pre-profit, high-growth, investment phase, the Board does not recommend the payment of a dividend (2019: nil).

Going concern

The Directors confirm that 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 2020

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

Consolidated Statement of Financial Position
At 31 December 2020

	Notes	2020 £000	2019 £000
Non-current assets			
Property, plant and equipment	7	**2,274**	1,854
Goodwill	8	**339**	339
Other intangible assets	8	**4,076**	2,992
		6,689	5,185
Current assets			
Trade and other receivables		**2,779**	2,760
Research & development tax credit receivable		**1,000**	760
Cash and cash equivalents		**5,676**	11,101
		9,455	14,621
Total assets		**16,144**	19,806
Current liabilities			
Borrowings	9	**(1,044)**	(517)
Trade and other payables		**(2,388)**	(2,162)
		(3,432)	(2,679)
Non-current liabilities			
Borrowings	9	**(2,696)**	(1,862)
Provision for liabilities		**(91)**	-
Total liabilities		**(6,219)**	(4,541)
Net assets		**9,925**	15,265
Equity attributable to shareholders			
Share capital	10	**7,763**	7,751
Share premium account		**77,101**	77,085
Translation reserve		**4**	38
Warrant reserve		**29**	29
Retained earnings		**(74,972)**	(69,638)
Total equity attributable to shareholders		**9,925**	15,265

Consolidated Statement of Changes in Equity

For year ended 31 December 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	4,386	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
Loss for the year	**-**	**-**	**-**	**-**	**(5,746)**	**(5,746)**
Other comprehensive income						
Exchange differences on translation of foreign operations	**-**	**-**	**(34)**	**-**	**-**	**(34)**
Total comprehensive income for the year	**-**	**-**	**(34)**	**-**	**(5,746)**	**(5,780)**
Transactions with owners recognised in equity:						
Equity settled share based payments	**-**	**-**	**-**	**-**	**412**	**412**
Issue of equity shares	**12**	**26**	**-**	**-**	**-**	**38**
Issue costs of equity shares	**-**	**(10)**	**-**	**-**	**-**	**(10)**
Total transactions with owners recognised in equity	**12**	**16**	**-**	**-**	**412**	**440**
Balance at 31 December 2020	**7,763**	**77,101**	**4**	**29**	**(74,972)**	**9,925**

Consolidated Cash Flow Statement

For year ended 31 December 2020

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

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 2020 or 2019 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 2020 and 2019 is unqualified and does not contain statements under s498(2) or (3) of the Companies Act 2006.

The accounting policies used for the year ended 31 December 2020 are unchanged from those used for the statutory financial statements for the year ended 31 December 2019. The 2020 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.

No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 January 2020, or later periods, have been adopted early.

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 £4,076,000 (2019: £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 the Group's intangible assets and property, plant and equipment at the Statement of Financial Position date was £4,415,000 and £2,274,000 respectively (2019: £3,331,000 and £1,854,000 respectively).

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

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

Revenue by type

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

Timing of revenue recognition

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

Revenue by product

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

Information about major customers

The Group had no customers for continuing operations which represented more than 10% of sales in the year to 31 December 2020. There were no customers which represented more than 10% of sales in the year to 31 December 2019.

5. Operating costs

	2020 £000	2019 £000
Wages and salaries (*)	**9,549**	7,208
Foreign exchange (gains)/losses	**(63)**	92
Expected credit losses	**294**	131
Low value and short-term leases	**140**	100
Other operating costs	**3,979**	3,615
	13,899	11,146

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

6. Taxation

Recognised in the Consolidated Statement of Comprehensive Income

	2020 £000	2019 £000
Current tax income		
Overseas income tax charge for the current year	**(3)**	(10)
UK research and development tax credit	**1,000**	760
Adjustments in respect of prior year	**1**	(19)
	998	731
Deferred tax for the current year	**-**	-
Total tax credit recognised in current year	**998**	731

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

8. Intangible assets

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

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

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

The carrying amount of ongoing development projects on which amortisation has not yet commenced was £1,120k (2019: £1,480k). The weighted average remaining amortisation period for software is 4.1 years (2019: 4.4 years).

9. Borrowings

Current borrowings

	2020	2019
	£000	£000
Bank loan	**789**	160
Lease liabilities	**255**	357
	1,044	517

Non-current borrowings

	2020	2019
	£000	£000
Bank loan	**1,365**	813
Lease liabilities	**1,331**	1,049
	2,696	1,862

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

10. Share capital

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

Number of shares	**2020 (000)**	2019 (000)	**2020 £000**	2019 £000
Allotted, called up and fully paid Ordinary shares of £0.20 each	**38,811**	38,756	**7,763**	7,751

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

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

11. Loss per share

Basic loss per share

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

Number of shares	**2020 (000)**	**2019 (000)**
Issued ordinary shares at start of year	**38,756**	24,181
Issued for cash on 5 February 2019	**-**	2,163
Issued for cash on 23 October 2019	**-**	2,280
Issued in respect of warrants and options	**19**	8
Weighted average number of ordinary shares	**38,775**	28,632

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.