5 August 2016
This announcement contains inside information

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

Interim results announcement

Cloudcall announces its unaudited interim results for the six-month period ended 30 June 2016 (the "Period").

Key financial highlights:

- Revenue up 62% to £2.3m (H1 2015: £1.4m)
- Recurring revenue up 24% compared to H2 2015 and now totals 84% of Group revenues
- Operating loss narrowed to £(1.8)m (H1 2015: £(2.5)m before non-recurring item)
- Recurring Revenue per User ("RRPU") from software subscriptions up 6% compared to the same point last year, and up a further 3% since the year-end
- Operating expenses stable
- Cash absorbed by operations down 40% compared to H1 2015 and 17% lower than H2 2015

Key operational highlights:

- User base up 35% to 13,299 (H1: 2015 9,881) and up 12% since the year-end
- Strategy to accelerate growth via key CRM channel partners and key customer relationships is gaining traction
- Significant progress with key partner, Bullhorn, particularly in the US, now crystallising
- Management focused on leveraging near term market opportunities and converting the Company's near term sales pipeline

Placing announced today to facilitate acceleration of growth:

- Placing announced today to raise approximately £2.1m (before expenses) to enable Cloudcall to accelerate growth and capitalise on near term revenue opportunities, with significantly reduced working capital constraints
    - The Company is making excellent progress with a key CRM partner, Bullhorn, which is driving Cloudcall's growth, and intends to expand its sales function (particularly in the US) to focus further on the transformational opportunity which Bullhorn represents
    - The Company also intends to invest part of the net proceeds from the Placing to capitalise on other existing pipeline opportunities and product development
- Further EIS / VCT placing to raise approximately £1.6m (before expenses) for product development (subject to HMRC clearance), including the development of a new messaging product

Peter Simmonds, Non–executive Chairman, commented:

"Our first half results demonstrate that Cloudcall's strategy to focus on key CRM partners and customers in a clearly defined sweetspot is working, with strong growth in recurring revenue over the period. The board has identified a number of opportunities for further accelerating growth. In particular, the strategic partnership with Bullhorn CRM represents a very real and immediate growth opportunity, particularly in the US. However, cost reductions and delayed investments driven by the focus on getting to cash flow break-even have constrained the business in the last six months from adding resources to fully exploit the potential customer and revenue growth opportunity.

"After careful consideration the board believes that, in the interest of long term value creation, now is the optimum time to raise further equity funding to capitalise on the opportunities that are immediately available and drive the business forward.

"This funding will be carefully targeted at additional sales, marketing and on-boarding resources to support the strategic partnership with Bullhorn, and to add further software engineering resource to ensure product features continue to meet the needs of the target clients.

"I am happy to report that the focused strategy implemented during 2016 is now delivering a much stronger sales pipeline, an increasing and reference-able client base and much greater clarity of product roadmap. With the additional funding enabling the business to invest in resources to deliver on this progress the board looks forward to the future with significantly increased confidence."

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Operational Review

Strategic Update

I am pleased to report strong revenue growth, stable operating expenses and underlying KPIs that are beginning to reflect positive results from the business' strategic focus on larger customers spending more on underlying subscription services. Moreover, the real progress in the relationship with our key CRM partner, Bullhorn, is now beginning to crystallise into new business sales activity and we believe, with the benefit of the proceeds of the Placing announced today, that this relationship could be transformational for our business.

Customer service remains at the heart of what we do, with high customer satisfaction levels that are being backed by positive ratings from customers within our key partner marketplaces, all of which is leading to increased reference-ability and lead-flow. Notwithstanding the cash working capital constraints which have hitherto restricted our rate of growth, we are successfully pursuing our strategy to focus on larger customers and key CRMs, whilst continuing to build a strong value proposition around the on-boarding services that deliver additional up-front revenues and an enhanced customer experience.

Continued strong growth

Revenues are up 62% compared to the first half of last year and, importantly, recurring revenues are 24% higher than H2 2015. User numbers are just over 13,000, up from 11,800 at the turn of the year, and 9,900 at the same time last year. Beneath this headline growth, we are seeing a significant uplift in revenues from our US operations (up threefold compared to H1 2015) as we begin to gain traction with our key partners Bullhorn and Salesforce. Revenue growth overall, despite being strong, remains a little weaker than anticipated as we pass through the half-year point but this is largely the result of the significant amount of work that has gone into the product to deepen its functionality to better suit the needs of larger customers and more demanding CRM partners, all of which took a little longer than planned. On a positive note, we feel that this is now starting to bear fruit in terms of lead flow and increased sales activity.

Deeper focus

The Company remains firmly of the view that success will ultimately be achieved by continuing to focus on larger sweet-spot customers (within the confines of our resource capacity), but also on those key CRMs which represent the most effective routes to meaningful customer markets. There is tangible evidence of this transition in Average Users per Customer, which rises to 17.8 at 30 June 2016 (31 December 2015: 15.5), clearly demonstrating that customers are getting larger. Despite a headline drop in Recurring Revenue per User (RRPU) from £32.74 at 31 December 2015 to £30.67 at 30 June 2016, we can see that the subscription services element of this measure has in fact risen from £24.00 to £24.73 over the same period. Customers are spending more on subscription based products as Cloudcall's feature list grows. Across the last 3 months, this figure is approximately £29 from new customers being added and existing customers expanding. Pay-As-You-Go (PAYG) switched telecom minutes income has decreased from £8.74 per user to £5.94 per user between 31 December 2015 and 30 June 2016 as a result of improvements made to our "All Inclusive" call packages designed to make them more competitive for our customers, particularly in the US.

We continue to see growth in our non-recurring income streams as H1 2016 revenues from set-up and on-boarding services increased by 115% over the same period last year. This willingness of larger customers to pay more up-front fees for strong and effective solution implementation services is enabling us to invest in more on-boarding and customer service resources which in turn is driving increasing customer satisfaction levels and reducing churn.

Bullhorn partnership

Since making the transition to head up the US operation, Andrew Jones (formerly UK Sales Director) has brought much needed leadership and drive to the US team, whilst at the same time building a mutually beneficial partnership with Bullhorn, themselves based in Boston. Bullhorn has a global customer base in excess of 80,000 users, mostly in the US. Currently Cloudcall is used by less than 5% of those users globally, which represents a huge opportunity to increase penetration on the back of a strong and still strengthening strategic alliance and a new Cloudcall product for Bullhorn that has been designed by Bullhorn customers for

Bullhorn customers. It is highly encouraging to note that Bullhorn has itself committed to using Cloudcall internally, and is already starting to recognise first-hand the enhanced value that CRM with integrated voice communications functionality can bring to its’ customers. Sales teams are aligning and starting to work together in approaching existing and potential Bullhorn customers with a Cloudcall enhanced offering which is endorsed by Bullhorn as the best Bullhorn VOIP integration on the market by a long way. Bullhorn represents an extremely exciting growth opportunity for Cloudcall.

Constraints

Whilst it is clear that the results of these significant forward steps are now beginning to show themselves around the business, the impacts in terms of financial performance are marginally behind our expectations for the year to date. We believe this is substantially as a result of having had limited cash resources to invest in future growth opportunities during the last 9-12 months as we focused on reaching break-even as soon as possible. Given the size of the opportunity described above with Bullhorn, and the traction that is beginning to show with other partners, the board felt that the time was right to raise further funding that would remove this hindrance and enable the Company to fully exploit its opportunities.

To that end, we are very pleased to announce alongside these interim results, the conditional placing of approx. 6.6m ordinary shares at a price of 57.5 pence per share for total gross proceeds in the region of £3.8m. This money has been raised primarily to provide growth funding for the US operation to strengthen its’ Bullhorn partner relationship with much needed sales and on-boarding resources. Additionally, the additional funds will be used to deliver further existing and new product development and to provide some further some working capital cover for the business.

Outlook

While the board is pleased with the progress being made in all areas of the business, within the confines of our resource restraints, what we are most excited about are the accelerated growth opportunities that will now be available to us as we leverage the funds from the Placing announced today and upscale our resource, particularly in the US, as we focus on key channel partners and larger customers.

Simon Cleaver
Chief Executive Officer

Financial Overview

	Unaudited Six Months to 30 June 2016 £000	Unaudited Six Months to 30 June 2015 £000	Audited Year ended 31 December 2015 £000
Revenue	**2,269**	1,403	3,299
Operating Loss (before non-recurring items)	**(1,823)**	(2,511)	(3,726)
Cash and Cash Equivalents	**860**	3,034	1,524
Total Equity Attributable to Shareholders	**1,866**	3,746	3,288

Revenues grew 62% compared to the same period last year, rising from £1.40m for the period to 30 June 2015 to £2.27m. Compared to the H2 2015, recurring revenues were 24% higher. Growth continues to be strong, although the impact of resource constraint can be seen as the headline rate of customer additions reduced in the Period. We expect the proceeds from the Placing announced today will substantially remove the working capital constraints which have hitherto restricted our rate of customer acquisition growth and allow us to improve significantly on this key performance indicator.

Operating losses (before non-recurring items) for the period to 30 June 2016 have reduced to £1.83m from £2.51m (period to 30 June 2015). The reduced operating losses for the period are in line with the board's expectations and reflect both growing revenues and slightly reduced operating expenses as the Group continues to exert tight controls over its cost base as cash management continues to lead to constraints on the resources available to the business.

Period-end cash and cash equivalents at 30 June 2016 were £0.85m. Operating cash outflows of £1.53m were offset by £0.9m of net cash inflows from financing activities as the Group's loan facility with Barclays was drawn. The Balance Sheet also reflects an R&D tax credit receivable of £0.48m at 30 June 2016. This was received into the Group's bank account on 12 July 2016.

The Group's operating cash outflow is reduced by 40% compared to the period to 30 June 2015, and a further 17% reduction can be seen compared to the operating cash outflow for the six months to 31 December 2015. This is consistent with the level of revenue growth being seen in conjunction with stable operating expenses.

The Company has today announced, alongside its interim results, a conditional Firm Placing to raise up to £2.1 million (net of expenses) by the issue and allotment by the Company of up to 3,700,960 new Ordinary Shares at the Offer Price of 57.5 pence per Ordinary Share.

In addition, the Company has conditionally raised approximately £1.6 million (net of expenses) through the VCT/EIS Placing by the issue and allotment by the Company of 2,854,521 new Ordinary Shares at the Offer Price. The VCT/EIS Placing is conditional upon, inter-alia, the Company receiving clearance from HMRC that the Company's business will qualify for the relevant tax reliefs in connection with the VCT/EIS Placing. The Company has submitted an application for clearance to HMRC and it is expected that such clearance will be granted, if at all, following completion of the Firm Placing.

This transaction is conditional upon shareholder approval at a forthcoming General Meeting to be held at 10:00am on 24 August 2016 at the offices of the Company. Shares placed to EIS / VCT scheme investors will be further conditional upon receipt of the necessary qualification clearance from HMRC.

Key Performance Indicators

	Unaudited Six Months to 30 June 2016	Unaudited Six Months to 30 June 2015	Audited Year ended 31 December 2015
No of End Users	13,299	9,881	11,836
Average New Users per Month	244	363	344
Average Users Per Customer	17.8	13.7	15.5
Annualised Recurring Revenue	£4,895,126	£3,878,555	£4,649,572
Recurring Revenue Per User	£30.67	£32.71	£32.74
RRPU (Service Subscriptions)	£24.73	£23.24	£24.00
RRPU (PAYG Telco)	£5.94	£9.47	£8.74

Number of End Users – number of end users of 13,299, up 35% compared to 30 June 2015 and a further 12% higher than 31 December 2015.

Average New Users per Month – average net monthly user growth of 244 across the first half of 2016, represents a 29% reduction from the 344 reported at 31 December 2015. User growth has been slightly behind management expectations as the strategy to focus on larger customers by strengthening relationships with key CRM partners continues to gain traction, whilst some of the smaller, less profitable customers drop away. Furthermore, cash constraints within the business have restricted management's ability to invest in the sales and marketing resources necessary to execute its strategy more quickly – a limitation we expect to be substantially lifted as the proceeds from the Placing announced today allow us to add more sales, marketing and on-boarding resources to capitalise on the growth opportunities immediately available.

Av Users Per Customer – continuing the upward trend from 15.5 at the end of 2015 to 17.8 for the period ended 30 June 2016, showing clearly that the strategy to focus the business towards larger customers is beginning to have a positive effect on the average size of the customer base.

Annualised Recurring Revenue (ARR) – this forward looking measure shows the projected recurring revenue expected from existing customers and signed new orders over the coming 12 months. Between 31 December 2015 and 30 June 2016, ARR increased by just over 5% from £4.6m to £4.9m. Within that headline figure, an increase of 15% in the component related to subscription services is partially offset by a 24% reduction in contribution from per minute telephony. This reduction is being driven in part by lower average "per minute" telephony fees in the US having a greater impact as the US operation grows. This is further exacerbated by the impact of enhancements to bundled call plans which allow customers to benefit from a more competitive telephony service, a strong value point for Cloudcall.

Recurring Revenue Per User (RRPU) – has decreased 6% from £32.74 at the end of 2015, to £30.67 at the end of the period to 30 June 2016.

Within this movement is an increase of more than 3% in the RRPU related to service subscriptions, from £24.00 to £24.73. This is more than offset by a decrease in pay-as-you-go telephony from £8.74 to £5.94 (-32%). (1H 2015: +6% and -37% respectively).

Looking at recurring revenue growth from new and existing customers in the last 3 months of the period, average monthly RRPU from service subscriptions is in fact in excess of £29, indicating that new / upgrading customers are now spending more for subscription services as the newer product includes more chargeable functionality.

Consolidated Income Statement and Statement of Comprehensive Income

	Notes	Unaudited Six months to June 30 2016 (After non-recurring item) £000	Unaudited Six months to June 30 2015 (After non-recurring item) £000	Audited Year ended 31 December 2015 (After non-recurring item) £000
Revenue		**2,269**	**1,403**	3,299
Cost of sales		**(527)**	**(325)**	(763)
Gross profit		**1,742**	**1,078**	2,536
Sales and marketing expenses		**(726)**	**(828)**	(1,589)
Administrative expenses		**(2,093)**	**(1,233)**	(3,188)
Share based payments		**(49)**	**(126)**	(166)
Total administrative expenses		**(2,142)**	**(1,359)**	(3,354)
Research & development expenses		**(697)**	**(639)**	(1,319)
Operating loss		**(1,823)**	**(1,748)**	(3,726)
Net financing income		**11**	**11**	17
Loss before tax		**(1,812)**	**(1,737)**	(3,709)
Taxation	3	**332**	**11**	833
Loss from the period attributable to owners of the parent		**(1,480)**	**(1,726)**	(2,876)
Other comprehensive income				
Foreign exchange translation differences		**12**	**1**	5
Other comprehensive income		**12**	**1**	5
Total comprehensive loss for the period attributable to owners of the parent		**(1,468)**	**(1,725)**	(2,871)
Loss per share (£)				
Basic & fully diluted loss per share	**4**	**(0.11)**	**(0.17)**	(0.25)

Consolidated Statement of Financial Position

	Notes	Unaudited Six months to 30 June 2016 £000	Unaudited Six Month to 30 June 2015 £000	Audited Year Ended 31 December 2015 £000
Non-current assets				
Property, plant and equipment		**439**	580	510
Goodwill		**339**	339	339
Other intangible assets		**366**	656	507
		1,144	1,575	1,356
Current assets				
Inventories		**27**	52	44
Trade and other receivables		**764**	489	620
Research & Development tax credit receivable		**700**	-	400
Cash and cash equivalents		**860**	3,034	1,524
Assets classified as held for sale		**-**	-	-
		2,351	3,575	2,588
Total assets		**3,495**	5,150	3,944
Current Liabilities				
Trade and other payables		**(649)**	(616)	(544)
Contingent consideration			(645)	-
		(649)	(1,261)	(544)
Non-current Liabilities				
Deferred tax liabilities		**(80)**	(143)	(112)
Bank loan > 12 months		**(900)**	-	-
Total Liabilities		**(1,629)**	(1,404)	(656)
Net assets		**1,866**	3,746	3,288
Equity attributable to shareholders				
Share capital		**2,701**	2,426	2,701
Share premium		**59,604**	59,097	59,607
Translation reserve		**5**	1	(7)
Warrant reserve		**29**	29	29
Retained loss		**(60,473)**	(57,807)	(59,042)
Total equity attributable to owners of the parent		**1,866**	3,746	3,288

Consolidated Statement of Changes in Equity

	Share Capital	Share Premium	Translation reserve	Warrant reserve	Retained Earnings	Total equity attributable to owners of the parent
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2015	1,686	56,761	-	29	(56,208)	2,268
Loss for the period	-	-	-	-	(1,726)	(1,726)
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	-	-	1	-	-	1
Total comprehensive income for the period	-	-	1	-	(1,726)	(1,725)
Equity settled share based payments transactions	-	-	-	-	126	126
Issue of equity shares	740	2,336	-	-	-	3,076
Balance at 30 June 2015	2,426	59,097	1	29	(57,807)	3.746
Balance at 1 July 2015	2,426	59,097	1	29	(57,807)	3,746
Loss for the period	-	-	-	-	(1,151)	(1,151)
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	-	-	(8)	-	4	(4)
Total comprehensive income for the period	-	-	(8)	-	(1,147)	(1,155)
Equity settled share based payments transactions	-	-	-	-	(89)	(89)
Issue of equity shares	275	510		-	-	785
Balance at 31 December 2015	2,701	59,607	(7)	29	(59,042)	3,288
Balance at 1 January 2016	**2,701**	**59,607**	**(7)**	**29**	**(59,042)**	**3,288**
Loss for the period	**-**	**-**		**-**	**(1,480)**	**(1,480)**
Other comprehensive Income						
Foreign exchange differences on translation of foreign operations	**-**	**-**	**12**	**-**	**-**	**12**
Total comprehensive income for the period	**-**	**-**	**12**	**-**	**(1,480)**	**(1,468)**
Equity settled share based payments transactions	**-**	**-**	**-**	**-**	**49**	**49**
Costs of issue of equity shares	**-**	**(3)**	**-**	**-**	**-**	**(3)**
Balance at 30 June 2016	**2,701**	**59,604**	**5**	**29**	**(60,473)**	**1,866**

Consolidated Cash-flow Statement

	Unaudited Six months to 30 June 2016 £000	Unaudited Six month to 30 June 2015 £000	Audited Year Ended 31 December 2015 £000
Cash flows from operating activities			
Loss for the period	**(1,812)**	(1,737)	(3,709)
Adjustments for:			
Depreciation and amortisation	**274**	252	511
Fair value of contingent consideration	**-**	(763)	(748)
Foreign exchange losses/(gains)	**(6)**	-	-
Loss on disposal of property, plant and equipment	**-**	-	-
Financial income	**(11)**	(11)	(17)
Financial expenses	**-**	-	-
Equity settled share-based payment expenses	**49**	126	166
Operating cashflow before changes in working capital and provisions	**(1,506)**	(2,133)	(3,797)
(Increase) in trade and other receivables	**(144)**	(10)	(140)
(Increase)/decrease in inventory	**17**	17	26
Increase/(decrease) in trade and other payables	**110**	(421)	(495)
Cash absorbed by operations	**(1,523)**	(2,517)	(4,406)
Tax received	**-**	181	565
Net cash absorbed by operating activities	**(1,523)**	(2,366)	(3,841)
Cash flows from investing activities			
Interest received	**11**	12	17
Acquisition of property, plant and equipment	**(55)**	(48)	(81)
Net cash absorbed by investing activities	**(44)**	(36)	(64)
Cash flows from financing activities			
Proceeds from the issue of share capital	**-**	3,076	3,074
Proceeds from new loan	**900**	-	-
Net cash from financing activities	**900**	3,076	3,074
Net (decrease) / increase in cash and cash equivalents	**(666)**	674	(831)
Cash and cash equivalents at start of period	**1,524**	2,359	2,359
Effect of exchange rate fluctuations in cash held	**3**	1	(4)
Cash and cash equivalents at end of period	**860**	3,034	1,524

Notes

1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with the presentation, recognition and measurement requirements of applicable International Financial Reporting Standards adopted by the European Union ('IFRS') except that the Group has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK Groups listed on AIM, in the preparation of the condensed consolidated interim financial information.

The financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2015 which are prepared in accordance with International Financial Reporting Standards and International Reporting Interpretations Committee pronouncements as adopted by the European Union.

The accounting policies used in the preparation of condensed consolidated interim financial information for the six months ended 30 June 2016 are in accordance with the presentation, recognition and measurement criteria of IFRS and are consistent with those which are expected to be adopted in the annual statutory financial statements for the year ending 31 December 2016.

There are no new IFRSs and Interpretations that have been endorsed by the EU that will apply for the first time in the period to 30 June 2016.

The Group's 2015 annual report provides full details of significant judgements and estimates used in the application of the Group's accounting policies. There have been no significant changes to these judgements and estimates during the period.

The financial information included in this document is unaudited and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2015 are the Group's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Going Concern

The Group made a loss of £1,480,000 after non-recurring items for the six months ended 30 June 2016. As at 30 June 2016, the Group had cash reserves of £860,000, and an average monthly cash absorption by operations for the half-year to date of £255,000. The Group balance sheet at 30 June 2016 shows an outstanding R&D tax credit receivable of £480,000, which was received into the Company's bank account on 12 July 2016.

In addition to actual cash absorbed by operations, the Group also prepares and monitors the annualised monthly cash absorbed by operations, which adjusts for the impact of timing differences that arise from the prepayment of goods and services received.

The Company has today announced, alongside these interim results, that it had conditionally placed a further 6.6 m new Ordinary shares in the Company at a price of 57.5 pence each to raise a total of £3.8m before fees and expenses. This is conditional upon shareholder approval at a forthcoming General Meeting to be held on 24 August 2016. Shares placed to EIS / VCT scheme investors will be further conditional upon receipt of the necessary qualification clearance from HMRC.

The Directors consider that, assuming shareholder approval of the placing, which they expect to receive, the Group has sufficient funds to enable it to meet its liabilities as they fall due for at least the next 12 months from the date of approval of these results.

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

3. Taxation

	Unaudited six months to 30 June 2016 000's	**Unaudited Six Months to 30 June 2015 000's**	**Audited Year ended 31 December 2015 000's**
Current year tax credit	**220**	-	400
Adjustments in respect of prior year	**80**	11	369
Origination and reversal of temporary differences	32	-	64
Total tax income	**332**	11	833

4. Loss per Share

	Unaudited Six Months to 30 June 2016 000's	**Unaudited Six Months to 30 June 2015 000's**	**Audited Year ended 31 December 2015 000's**
Issued ordinary shares at start of period	**13,505**	8,431	8,431
Share options exercised	**-**	2	2
Shares issued for cash	**-**	1,675	2,695
Share issued in settlement of fees	**-**	-	-
Shares issued in respect of contingent consideration	**-**	-	177
Shares issued in respect of long-term management incentives	**-**	-	151
Weighted average number of ordinary shares	**13,505**	10,108	11,456
	£000	£000	£000
Loss attributable to ordinary shareholders (£000)	**(1,480)**	(1,726)	(2,876)
	£	£	£
Earnings/(loss) per share (£)			
Basic and fully diluted loss per share	**(0.11)**	(0.17)	(0.25)