Annual Report & Financial Statements

CloudCall Group Limited

(previously: CloudCall Group plc)

Year ended: 31 December 2021

Registered Number: 05509873

CloudCall

Contents

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Strategic Report

The Directors present the strategic report for the year ended 31 December 2021.

Group overview and principal activity

Cloudcall Group Limited ("CloudCall" or the "Company") is a UK registered company which, during 2021, was quoted on the AIM market of the London Stock Exchange (LSE: CALL). The Company's shares also cross-traded publicly on the OTCQX® Best Market ("OTCQX Market") in the United States, under the ticker "CLLLF".

On the 26th January 2022, the whole of the issued share capital of the Company was acquired by Xplorer Capital Growth 1, LLC by way of a scheme of arrangement under Part 26 of the Companies Act 2006. On the 8th February 2022, the Company changed its name from CloudCall Group plc to CloudCall Group Limited and re-registered from a public company to a private limited company.

The principal activity of the Company is to act as a holding company for the Group.

CloudCall and its subsidiaries (the "Group") operate as a software and integrated communications business that has developed and provides a suite of cloud-based integrated software and communications products and services under the name "CloudCall". The Group's principal activity is to provide products and services designed to improve business performance by enabling multi-channel client communications to be driven from a single user interface by the data held within Customer Relationship Management ("CRM") software.

The CloudCall product suite which spans voice, SMS, instant messaging from desktops and mobile devices allows companies to fully integrate their business communications tools into their CRM software, enabling all customer communications to be made, recorded, logged and categorised from within the CRM system from which detailed activity reports, analysis and follow-up actions can be easily generated.

CloudCall works closely with key CRM partners through which it reaches most of its end customers and their users. CloudCall's current geographic reach extends from North America, through the UK and mainland Europe to Australia and parts of the Asia Pacific ("APAC") region. CloudCall operates directly in North America through its office in Boston, MA, in Europe through its UK office in Leicester, and in APAC through its Australian presence in Sydney.

CloudCall services are invoiced monthly in arrears on a per user, per month basis. CloudCall software, telephony and SMS messaging services are either billed as all-inclusive packages, separate bundles of calls or messages for pre-defined usage levels, or on a software plus 'pay as you go' ("PAYG") per minute / message basis. Over 94% of the Group's revenues are recurring (monthly subscriptions) or repeating (PAYG) in nature.

The Group's software and integrated communications platform enables over 1,600 customers to drive more effective communications directly from the intelligence that exists within their CRM system.

Further information can be found on our website www.cloudcall.com.

Chief Executive's Business Review

After overcoming the challenges of 2020 resulting from the outbreak of COVID-19, I am pleased to announce that 2021 saw a return to the strong levels of growth previously experienced by the Group. Total revenues increased by 15% to £13.6m with recurring revenues also increasing by 15% to £11.9m when compared with the previous year. Since the middle of last year, the recruitment sector, which represents over 50% of the Group's revenues, has bounced back strongly with sales to new and existing customers growing well throughout the year.

During the course of 2021, the Group has not only performed well signing up new customers but has also seen upsells to existing customers materially increase. This increase in sales to existing customers, alongside underlying churn rates that have remained stable, has contributed to a net retention rate of 101%. The combined effect of strong new business sales, strong SaaS metrics and net retention rates over 100% has resulted in annualised run-rate revenues ("ARR") growing from £12.2m exiting 2020, to £15.2m exiting 2021, an overall increase of 25%.

Operational highlights include the beta release of the Group's new Mobile App. Building this in-house has enabled us to address issues from the previous version built on third-party software. This is expected to significantly enhance customers' mobile experience once fully rolled out in 2022.

2021 also saw the Group add five further CRM partners to its list of integrations, effectively doubling the size of its addressable market from those "sweetspot" CRMs around which its growth strategy is centred.

Ongoing investment in our own internal systems in 2021, which is vital to enable us to scale up more efficiently, has already started to yield benefits within our service delivery and support functions. Continued activities in 2022 will see further upgrades to our sales and provisioning tools being deployed, all of which are expected to significantly improve the processes around engagement with potential new customers.

Whilst immensely proud of what our team was able to achieve during 2021, it also became clear that the Group is operating in a marketplace where many of our key competitors are materially larger and better capitalised than we are. Within this context, and, given the anticipated challenges of raising sufficient further capital from the public markets, the Board was delighted by the acquisition offer received from Xplorer Capital which was duly recommended to and voted through by Shareholders in early 2022. Having the support of a growth-focused shareholder, who can provide the necessary capital and a long-term view of value creation, will enable the management team to make the necessary investments to upgrade the Group's technology platform, improve and expand product capabilities, and greatly expand and enhance sales capacity.

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. With Xplorer Capital as the Group's new owners, I am very excited about the future of the business and look forward to an acceleration of our growth strategy and delivering on our aim to become the number one CRM centric communication provider in the World.

Key performance indicators

The following Key Performance Indicators (KPIs) are used by the Group to measure progress towards our core strategic and financial objectives. Where appropriate, employee incentives are directly connected to these KPIs.

KPI	Link to strategic goals	31 Dec 2021	31 Dec 2020	Growth in 2021
Revenue	Growth in revenues, and particularly recurring revenues, demonstrates effective and targeted new customer acquisition and greater upsell and retention from existing customers. Quality and focus within key account and relationship management, service delivery and customer support, drives more efficient implementation, reduces churn and improves customer satisfaction, all of which are revenue enhancing.	£13.6m	£11.8m	14.7%
Gross Margin	High gross margins within the Group's operating units are indicative of focus on multiple drivers, including: - delivering higher value implementation services - an effective mix of pre-paid vs pay-as-you-go telephony - effective partner management - effective discount management - additional chargeable features and services and - better procurement from upstream telecoms partners.	80.8%	80.7%	+0.1%
EBITDA Loss (Loss from operating activities before depreciation, amortisation, exceptional items and share-based payment charges)	For a SaaS business that is investing in new product, sales and marketing infrastructure, and other improvements to enable it to scale up, periods of investment in the business will take operating expenses higher from the point which that investment takes place until revenue returns begin to come through. The Group continued to focus on revenue growth initiatives during 2021 and it should be noted that H1 2020 EBITDA benefited from a number of COVID-19 related cost savings and grant receipts.	(£5.1m)	(£4.4m)	(16.6%)
Net Loss after Tax	Losses and ultimately profits are reflective of policies focused on revenue growth, cost of sales efficiencies and operating expenditure containment or expansion depending on whether the Group is investing for growth or managing itself towards profitability. Depreciation, amortisation, share-based payments, financing costs, taxation and other one-time non-operating costs will also impact bottom-line profitability.	(£7.1m)	(£5.7m)	(23.7%)

KPI	Link to strategic goals	31 Dec 2021	31 Dec 2020	Growth in 2021
Net Cash outflow from Operating Activities	Cash outflow from operating activities typically reduces as revenues outgrow operating costs. However, it should be noted that periods of investment to facilitate further growth will temporarily increase cash burn until revenue growth catches up. As previously indicated, the Group invested heavily in revenue growth initiatives during 2021. It should also be noted that the cash outflow from operating activities in 2021 includes £339k of exceptional transaction fees related to the acquisition of the Group by Xplorer.	(£4.1m)	(£3.3m)	(22.9%)
Cash and Cash Equivalents	The Group needs to ensure that it has enough cash reserves to support its operations through to break-even at which point it becomes cash generative and self-funding. Cash balances need to be considered in the context of any debt that may mature in future periods.	£5.0m	£5.7m	(12.0%)
Customer numbers	Customer numbers exclude any awaiting go-live and thus only include customers that are already billing. Growth in customer numbers is indicative of both strong sales activity and successful customer retention.	1,658	1,480	12.0%
Closing monthly recurring revenue (MRR)	The initial shock waves of the global COVID-19 pandemic materially slowed sales to larger prospects and increased churn levels. This significantly impacted closing MRR in 2020. During 2021, sales to both new and existing customers materially increased resulting in strong MRR growth.	£1.1m	£0.9m	27.5%
Annualised run-rate revenue (ARR)	Annualised run-rate revenue (ARR) is calculated as total closing monthly revenues multiplied by 12 months. In order to account for normal monthly and seasonal fluctuations, both the non-recurring revenue (NRR) and pay-as-you-go communications (PAYG) income are calculated on a rolling 6-month average.	£15.2m	£12.2m	24.7%
Annualised revenue (ARR) per customer	Growth in annualised revenue per customer is indicative of both the Group's strategy to focus on acquisition of larger customers and increasing upsells to existing customers.	£9.2k	£8.2k	12.2%
% of recurring or repeating revenue	Whilst non-recurring sales streams still constitute an important part of overall revenue, a high % of recurring and repeating revenue is key for the Group as, when combined with strong net retention rates, it provides management and stakeholders with strong visibility and confidence over future revenue performance.	94.5%	94.5%	+0.0ppts

KPI	Link to strategic goals	31 Dec 2021	31 Dec 2020	Growth in 2021
Net retention rate (NRR)	Net retention rate is the rate at which customers are renewing and expanding. Improving net renewal rates and minimising customer churn is key to long term success in an annuity revenue business and the Group continues to focus on providing the highest standards of customer service and support to increase customer satisfaction levels and potential upsell opportunities.	101.3%	100%	+1.3ppts
Lifetime value: customer acquisition costs (LTV:CAC)	The LTV:CAC ratio measures the relationship between the lifetime value of a customer and the cost of acquiring that customer. The metric is a signal of customer profitability and of sales and marketing efficiency. During 2021, the Group continued to invest within its sales & marketing divisions and maintained a strong LTV:CAC ratio which is reflective of the efficient go to market strategy.	5.2	5.3	(0.1)

Principal risks and uncertainties

Like all businesses, CloudCall operates in an environment that is not free from risks or uncertainties. The nature and complexity of the services it provides can present technical challenges that carry a certain element of commercial risk, and the company is naturally exposed to external market, geo-political and compliance related risks that are not necessarily within its control. The Group is also exposed to a number of potential risks which may have a material effect on its reputation, financial or operational performance. The directors and senior management team work diligently to identify, monitor and mitigate all risks and uncertainties.

The directors recognise that the nature and scope of risks can change, and it is not possible to identify or anticipate every risk that may affect the Group, or the materiality of that risk, however, the principal risks and uncertainties faced by the Group are set out below.

Operational risks

Key areas for on-going operational risk management are:

- **Revenues** - The business remains in a high growth phase but is still loss-making as it continues to invest resources to grow to a scale that generates an optimum balance of revenue, cash and shareholder returns. The prospects for the Group continue to be dependent upon the development of the revenue model, although this dependency reduces as monthly recurring and repeating revenues grow to a sustainable level which is above the minimum level of operating costs necessary to deliver and maintain an effective service. Whilst the Group develops the revenue model within the constraints of working capital resources, competitors may develop increased financial, technological or market capability. This could adversely affect the Group's turnover and margins in the future.

  Through the Group's performance dashboards and internal reporting and review systems, the management team monitors incoming orders and customer account provisioning daily, while net recurring revenue growth is tracked and analysed regularly throughout each month. The Group keeps its pricing and sales commission models under constant review, and discounts and requests for credit notes and account cancellations are monitored and approved on a case-by-case basis. The Group operates an effective "At-risk" process for individual customers that may be experiencing issues and will devote extensive resources to ensuring those customers remain satisfied and onboard. The Group is also committed to delivering new product features, industry sector expertise, best-in-class customer support and service offerings, improved service delivery and global expansion to attract new customers.

- **Business continuity** – The Group is dependent on the efficient functioning of its internal systems, website and customer portals as well as accessibility to the wider internet infrastructure, key technology partner systems and assets on which they depend. There is a risk that these systems may be adversely affected by a number of factors, including damage, equipment faults, power failure or natural disasters. Events of that nature may cause all or part of the Group's technology platform or website to become unavailable.

This in turn could reduce the Group's ability to generate income, impact client service levels and cause damage to the Group's reputation and, potentially, have a material adverse effect on its financial position and performance. The Group's information technology infrastructure may also be damaged by computer viruses, computer hackers, and organised activities among groups of persons designed to breach security systems. Privacy breaches may expose the Group to additional liability and result in the loss of customers and users, or an inability to conduct business. Any inability on the Group to protect the privacy or security of its electronic transactions or systems could have a material effect on profitability.

In response to these risks, the Group regularly reviews business requirements for equipment and security systems operating a number of back-up facilities to ensure that disaster recovery plans can be maintained. Going forward, management are seeking to migrate key hosted services to third parties thus minimising the level of internal capital investment and maintenance which is required. Business disruption contingency plans are prepared and reviewed, and work continues to improve the resilience of our systems and core platform. In the event that the Group is unable to gain access to its business premises, it has the capability for all staff to be able to work from home, or other remote locations as required, and at short notice. During the bulk of 2021, full business operations have been provided by staff working remotely, and systems and protocols have been in place to test these facilities. Whilst the Group insures itself against potential significant business interruption, it would undoubtedly suffer significant reputational damage and lose a material number of customers should an event come to pass which caused sustained disruption to its core services.

- **Staff retention and recruitment** – The performance of the Group is dependent upon the continued services, expertise, experience and the performance of the senior management and other key personnel. The Group depends on qualified and experienced employees to enable it to bid for new business and develop new software. The recent acceleration of the trend towards home working and distributed workforces has led to greater mobility as individuals are able to work remotely for organisations within areas of the UK that attract higher salary levels such as London and the South-East of England. This factor, combined with a general shortage of experienced developer resource, has led to significant inflation in salary levels within our sector and gives rise to the risk of employee attrition levels increasing if we cannot remain competitive. Should the Group be unable to attract new employees, or retain existing employees, this could have a material adverse effect on the Group's ability to grow or maintain its business.

  Given the importance of know-how, no individual has sole responsibility for any critical element of the Group's business, albeit it is recognised that the loss of certain key personnel would clearly be disruptive to the business. The Group actively works to cross-skill resources wherever it identifies a single point of failure and continues to make progress in this regard. Staff retention is encouraged by providing challenging work and projects, enhanced by an attractive range of staff benefits including competitive salaries, variable pay schemes, share based incentive plans, health care, pensions, death in service benefits and excellent office locations, facilities and social events. Staff performance is regularly reviewed, and training, mentoring, support and career development is provided wherever necessary and appropriate.

- **Overseas operations** – The Group has active overseas operations in the US and Australia. Whilst all entities operate within the same sector, and are centrally managed and controlled in the UK, each country of operation has its own legislative and political environment which gives rise to additional risks of non-compliance with laws and regulations and/or exposure to political factors. There is also a risk that the Group will fail to effectively monitor and control activities in the overseas entities leading to financial loss or reputational damage.

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

- **Commercial partners (vendors)** – the Group has partnerships and agreements with several third parties. Whilst these partnerships are secured by contracts, and in most cases alternative partners could be found in the short to medium term, a loss of support or disruption of service from any key partner could have a short-term detrimental impact on CloudCall's reputation and business.

  The Group's policy is to ensure it only works with recognised industry leading technology partners with the appropriate resources to provide strong and resilient services with exceptional customer support. The Group continues to actively monitor its commercial partners, and works with them to ensure commercial, operational and geo-political risks are minimised.

- **Commercial partners (sales)** – the Group has partnerships and agreements with several third-party CRM vendors including key vendors such as Bullhorn and Salesforce. Whilst these partnerships are secured by mutually beneficial agreements, underpinned by appropriate commission and joint marketing arrangements, there remains the risk that partner relationships could be terminated if alternative unified communications vendors secure exclusive arrangements with those CRM vendors, or if those CRM vendors elect to develop and provide their own integrated telephony solution. The Group also recognises the financial risks that exist should key partners choose to unilaterally change commercial terms on renewal of their contractual arrangements.

  The Group continues to actively monitor and strengthen its relationships with its commercial CRM partners and works hard to ensure that those relationships are managed appropriately, are mutually beneficial and that customer expectations are met and exceeded wherever possible. The Group is continually seeking to add new CRM partners and integrations to further develop our addressable market and reduce reliance upon larger CRM partners.

Political risks

The Group recognises that it is also at risk of financial, market or personnel losses because of political decisions or geo-political events. The ongoing development of the post-Brexit relationship between the UK and the EU, the continuing impact of COVID-19 on the global economy and the recent war in Ukraine all present not inconsiderable operational risks. Whilst the Group cannot necessarily quantify and negate all of these risks at this point in time, it is fully engaged in active conversations with all its stakeholders to ensure minimal disruption to business operations and staff welfare. As an example, the directors made the difficult decision early on during the political unrest in Belarus in 2020 to migrate its existing offshore software development capability from Belarus (Minsk) to an external provider based in Poland. This transfer was completed in August 2021 with the process being carefully planned to ensure minimal disruption to the Group's software development activities. Where possible, the relevant staff of the Group's offshore software development centre in Belarus were offered a new equivalent role at the new external provider in Poland. To date, the Group's commercial activities are largely unaffected by the post-Brexit relationship between the UK and EU (see Brexit section below).

Brexit

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

- Appointing a GDPR representative in the EU;
- Appointing an NIS (Network and Information Systems) Directive representative in the EU;
- Implementing appropriate policy and procedure changes to address the post-Brexit restrictions applicable to staff visits to EU customer locations. However, such visits are rarely required as the Group's products, services and related support can usually be delivered remotely for customers without the need for physical visits to customer locations;
- Implementing appropriate adjustments to our data protection policies and procedures, data transfers, and to our contractual instruments; and
- Continuing to follow prudent and proactive currency management practices, in the best interests of the Group to mitigate the potential impact on the Group of post-Brexit related volatility in exchange rates.

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

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

The Group has a resilient business model, with a large percentage of recurring revenue providing certainty over our performance in the medium term. As the majority of the Group's sales are within the UK and the USA and likely to grow further in these areas as well as within the APAC region, sales will not be significantly impacted by any post-Brexit related volatility.

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

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

Coronavirus

Whilst the Group was able to weather the impact of the COVID-19 outbreak during 2020, and has grown strongly during 2021, the longer-term implications of the coronavirus pandemic are still relatively unknown, and the Group acknowledges that there continues to be financial and operational risks in the short to medium term. Risks are perceived to exist in the Group's dealings with various stakeholders, but primarily its employees and customers and mitigating actions which continue to be taken by the Group are as follows:

- Proactively implementing proportionate plans to minimise the risk of an outbreak at our office locations, keeping employees and customers safe. At the same time, continuing to support our customers by working hard to minimise any disruption to service and to ensure they are getting the full benefits of CloudCall's integrated communications services for remote working where applicable.

- Sales and support access to client premises and larger enterprise client and prospect meetings being replaced by tele-based delivery where requested.

- Ensuring all staff have the capability to work from home and are given appropriate support, training and equipment to facilitate this.

- Reviewing investment decisions, discretional costs and taking the necessary steps to ensure that the Group has sufficient cash reserves to withstand a potential drop in forecast sales volumes in the short to medium term.

- Reviewing credit control protocols to ensure customers suffering from temporary financial hardship can continue to receive CloudCall services and that customer indebtedness is managed proactively and sympathetically.

The Group is monitoring the development of the coronavirus very carefully, its impact to global markets and is committed to taking appropriate contingency actions by location and country according to guidelines issued by the WHO and local governments.

Financial risks

The major financial risks faced by the Group are liquidity risk, market risk, currency risk, credit risk and interest rate risk. The directors regularly review these risks and approve policies covering overall risk limits and the use of financial instruments where appropriate to manage financial risk.

Liquidity risk

The key liquidity risk facing the Group continues to be the sufficiency of working capital to continue with its investment plans until cash break-even is reached. The directors and senior management team maintain detailed approved budgets, investment plans and rolling business forecasts, including cash flow projections which are updated on a regular basis. Cash levels and financial covenants on debt facilities are reviewed on a weekly basis with the overall working capital requirements of the group being regularly reviewed. A significant proportion of the Group's costs flex naturally with revenue levels and growth-related expenditure can be turned off sufficiently quickly without impacting revenues in the short term, thereby reducing cash burn quickly and potentially returning the Group to cash positive operating.

Market risks

The market sector the Group operates in is competitive. The impact of competitors having more features, increased financial backing, better brand recognition and better global coverage increases the risk to the Group's business model.

The Group continues to grow revenues year-on year and is investing to deliver new product features, industry sector expertise, best-in-class customer support and service offerings, enhanced brand recognition, best in class employee benefits, improved service delivery and global expansion to attract new customers and to protect its key employees from competitor approaches.

Currency risk

The greater part of the Group's revenues and costs are denominated in sterling; however, the Group is exposed to foreign exchange risk, principally through balance sheet translation and cash flows incurred in US dollars by the Group's US subsidiary as it continues to grow. As the value of the inter-company payable between Cloudcall, Inc. and its parent Cloudcall Limited continues to grow, it becomes ever more sensitive to FX movements between USD and GBP on translation. This sensitivity also applies to key performance metrics such as Revenue and EBITDA with, for example, a weakening of the US dollar having a detrimental impact on Group revenue.

Cash flow risk is predominantly addressed by matching income and costs denominated in US dollars and, as the Group's US entity is operating at a level around cash break-even, this natural hedging is effective with little need for cash to be transferred to or from this entity.

With regards to foreign exchange translation risk, Management closely monitors exchange rate fluctuations and will consider mitigating policies such as constant currency reporting or the use of forward contracts if deemed appropriate.

Credit risk

The Group's billing cycle ensures minimal credit risks as the clear majority of customers pay monthly via direct debit or recurring credit card authority which minimises the amount of credit outstanding. As our customers increase in size, there is more tendency for them to require monthly billing to account, which increases the risk of delayed payments and subsequent credit control activity. The Group is in the process of implementing a solution to integrate direct debit collections with billing to account in order to minimise the number of customers who pay via non-automated routes. Each customer account has an individually assigned credit limit which, if breached, results in suspension of service until the account is paid or revised credit agreed. There were no balances representing over 10% of the total trade receivables at the year end.

As at 31 December 2021, the Group's funds were held at Barclays Bank ("A"- rated).

Interest rate risk

Under the term credit facility agreement with Shawbrook Bank, the Group is exposed to interest rate risk such that a change in the UK base rate of interest will directly increase or decrease the interest payable on any funds drawn down under the terms of the Facility. The directors do not consider this risk to be material to the Group given that the UK base rate would need to increase by more than 5% before the increase in interest payments would be considered material. Such an increase is not considered likely in the foreseeable future.

Future Developments

The Group's core objectives are to deliver strong top-line revenue growth, to provide a high-quality product and customer experience and to encourage a strong and ethical corporate culture. The recent acquisition of the Group by Xplorer is anticipated to accelerate achievement of these objectives as having the support of a growth-focused shareholder, who can provide the necessary capital and a long-term view of value creation, will enable the management team to invest and focus on:

- Strengthening the Group's relationships with its core CRM partners and where present, their own partner ecosystems.
- Establishing and building strong and mutually beneficial relationships with other CRM partners and communications platform providers by building new integrations.
- Developing new sales and go-to-market channels including a reseller channel.
- Targeting larger mid-market customers to drive up average revenues per customer, and to reduce average customer costs by continuing to improve onboarding processes, lowering ongoing costs of support per customer and reducing churn rates without compromising on the quality of its service.
- Strengthening relationships and growing revenues from existing and future customers by continuing to develop and deploy product features that add value and expand CloudCall penetration across their organisations.
- Developing a deep understanding and expertise within The Group's chosen industry verticals, to ensure CloudCall products and services not only meet, but exceed the needs of those markets.
- Providing the highest standards of customer service and support to increase customer satisfaction levels, referability and brand reputation whilst also reducing churn.
- Continuing to develop CloudCall into a market-leading, feature-rich integrated communications service for CRMs, delivering an exceptional value-adding customer experience, with high availability and reliability aligned with best-in-class security.
- Fostering a positive corporate culture, investing in staff and building relationships with local charities and the community in general.

This partner and customer-centric growth strategy remains unchanged. The Group grows revenues by expanding market presence and brand awareness through an increasing number of CRM partner relationships and building strong commercial relationships with larger customers by serving those customers with a feature-rich and relevant product that sits at the heart of their business communications needs. This enables the Group to confidently approach its objectives in order that commercial risks can be contained and that it has the bandwidth and resources to execute on its plans.

Employees & Culture

The Group is an Equal Opportunity Employer, and its policy is to ensure that all employees and job applicants will be given equal opportunities in all aspects of employment and training irrespective of their gender, ethnic origin, disability, age, marital status, sexual orientation or religious affiliation (and/or any other protected characteristics under relevant legislation). Cloudcall encourages, where possible, the employment of disabled people and the retention of those who become disabled during their employment with the Group.

The Group recognises the benefit of involving employees in target setting and keeping employees informed of progress. Due to the size of the Group, regular consultations with senior management take place. The views of employees are considered when making decisions which are likely to affect their interests. This has included the introduction of increased ability for employees to put questions to senior management members during Group wide meetings or "Town Halls" and has also included the introduction of various digital surveys so that they can give their views and feedback on relevant Group wide matters.

The directors and senior management team regularly review, consider and update the salaries, benefits and support offered to the Group's employees. This aim of this is to ensure that the staff with the appropriate experience and skill to add value to the business and drive its long-term success are attracted to the business and then retained. In addition, this approach aims to ensure that staff are provided with the appropriate environment and rewards to remain motivated and enabled to produce the best possible output and add the maximum possible value to the Group.

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

Our 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.

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 and higher staff satisfaction levels. 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. The Group has a designated environment committee which has been tasked with leading this long-term project to a successful conclusion. A study of our current carbon footprint and ways in which this can be improved towards eventual carbon neutrality has been commissioned and the management team is keen to commit to adopting its recommendations going forward.

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

Section 172 of the Companies Act 2006

Section 172 of the Companies Act 2006 requires Directors to consider the interests of stakeholders as part of their decision-making process. The Directors are fully aware of their responsibility to promote the success of the Company in this manner and continue to consider the interests of its employees and stakeholders as part of their decision-making process, including the impact of its decisions on the community, the environment and the reputation of the Company. The Directors assess and take into account what is most likely to promote the success of the Company for its members in the long term. This assessment is carried out in good faith and fairly.

Throughout this Strategic Report, we provide examples of how we:

- Take into account the likely consequences of decisions in the long-term;
- Have regard to the interests of the Company's employees;
- Understand the need to foster the Company's business relationships with suppliers, customers and others;
- Understand our impact on our local community and the environment;
- Take into account the desirability of the Company maintaining a reputation for high standards of business conduct; and
- Have regard to the need to act fairly towards all stakeholders

More specifically, in making this assessment for the year, the Board considers the matters on the following page to be of particular relevance:

Section 172 Requirement	Examples of how the Board's discussions and decision making have taken this into account	Referenced in the Strategic Report
Take into account likely consequences of decisions in the long-term	As stated within the Business Review, during 2021 it became clear that the Group is operating in a marketplace where many of our key competitors are materially larger and better capitalised than we are. The Board therefore dedicated a significant amount of time and energy in identifying the best long-term funding strategy for the Group which culminated in the recommendation of the acquisition by Xplorer. Having the support of a growth-focused shareholder, who can provide the necessary capital and a long-term view of value creation, will enable the management team to ensure the long-term success of the business.	Page 4 – Chief Executive's Business Review.
Have regard to the interests of the Company's employees	As indicated within the Employees & Culture section of the Strategic report, the Group is committed to being an exceptional employer. Ongoing initiatives in 2021 included: i) Regular consultations and monthly group-wide meetings. ii) Bi-annual digital surveys to assess engagement and allow employees to provide feedback. iii) Ongoing training & development with a new management development course being launched. iv) Frequent reviews of the level of salaries, benefits and support offered.	Page 16 - Employees & Culture
Understand the need to foster the Company's business relationships with suppliers, customers and others	Having an effective and positive relationship with customers is of paramount importance to the Group and, during 2021, the business maintained dedicated customer support and relationship management teams in order to ensure that customer needs were met. The Group conducted surveys with customers to gauge feedback and continued to monitor the quality of services provided e.g. call quality and uptime. Key customers were also routinely invited to provide product improvement inputs, and in some cases to test key features or functionality prior to general release. The Group has relationships and agreements with several third-party suppliers and CRM partners. Whilst these partnerships are secured by mutually beneficial agreements, management works hard to ensure that relationships are managed appropriately, are mutually beneficial and that customer expectations are met and exceeded wherever possible. Activities during the year included attendance at customer and partner events, regular service reviews and feedback sessions.	Page 10 - Principal risks and uncertainties – Operational Risks.

Section 172 Requirement	Examples of how the Board's discussions and decision making have taken this into account	Referenced in the Strategic Report
Understand our impact on our local community and the environment	The Board remains focused on our objective to ensure CloudCall remains a caring neighbour and considerate user of resources wherever it is represented around the world. 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. During 2021, staff were entitled to 2 days paid leave to take part in Community/Charity work. As the global climate emergency continues to develop, the Group has set itself the target of becoming carbon neutral. The Group has a designated environment committee which has been tasked with leading this long-term project to a successful conclusion. During 2021, the Group was awarded with the "Assessed Organisation" standard from Carbon Footprint.	Page 16 - Employees & Culture
Take into account the desirability of the Company maintaining a reputation for high standards of business conduct	The Board is committed to complying with all applicable regulations and a strong compliance culture is encouraged. During 2021, all new employees undertook an induction process covering areas such as data protection, information security, commercial contract rules, share dealing rules, anti-bribery rules, anti-bullying/harassment rules and anti-discrimination rules and codes of conduct. Other processes and activities undertaken during the year included: i) Implementing a strong financial control environment including the production of monthly management accounts. ii) Utilising third party specialists to ensure compliance with complex regulations such as US Telco tax. iii) Maintaining ISO27001 compliance and working towards SOC2 compliance. iv) Conducting a Board Performance review.	
Have regard to the need to act fairly towards all stakeholders	During the year the Board conducted frequent reviews with senior management to ensure that the views of stakeholders were communicated. The Board strives to ensure that the Groups business activities positively benefit all stakeholders by committing to conduct its business in a fair and responsible manner, to treat its employees fairly and to have a positive impact on the local community.	

Section 172 Requirement	Examples of how the Board's discussions and decision making have taken this into account	Referenced in the Strategic Report
	Communication with shareholders has always been two-way with the directors responding quickly to all requests or queries received. The Company also delivered its prior year Annual and current year interim results via a webinar which was open to all shareholders with questions encouraged.	

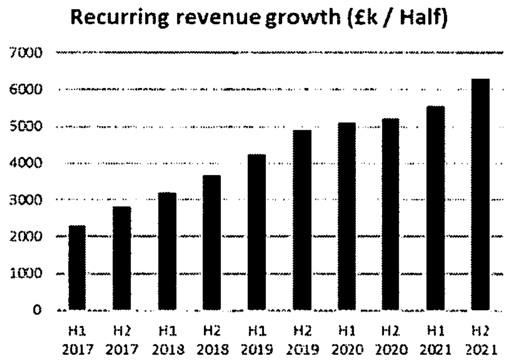
The Directors often review and reflect on how the Company engages with its stakeholders and the Company's in-house commercial lawyer shall continue to be on hand to offer advice and guidance to help ensure that sufficient consideration is given to stakeholder issues in accordance with section 172 requirements.

Financial review

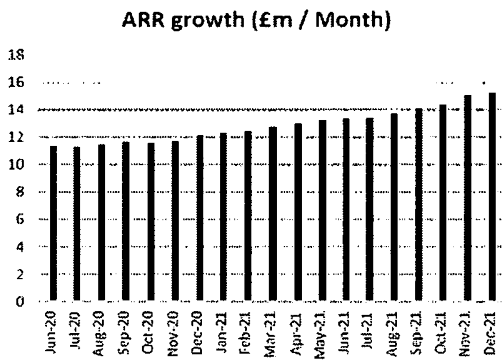
Revenue

Revenues grew by 15% from £11.8m to £13.6m in 2021

The Group started the year well with a strong sales pipeline and significant momentum generated from the "V-shaped" COVID recovery in H2 2020. In particular, the recruitment sector, which represents over 50% of the Group's revenues, bounced back very strongly and this led to strong growth in sales to both new and existing customers. Whilst total revenue and recurring revenue grew by 14.7% and 14.9% respectively compared to 2020, reported revenue for the period was significantly impacted by the weakening of the US dollar against the Group's reporting currency (GBP). The relative strength of the dollar in 2021 compared to 2020 has adversely impacted the ~40% of Group revenues generated in that currency, and when looking at revenue growth on a constant currency basis, total revenues were actually 17.9% higher than in 2020 with recurring revenues growing by 18.2%.



Over the year, an average of 15 net new customers were added each month taking the total number of customers to 1,658 (an increase of 12% against from 2020). This growth in customer numbers, when combined with strong upsells to the existing customer base, has driven growth in the Group's annualised run-rate revenue with ARR reaching £15.2m at the year-end (An increase of 25% compared to 2020). With net retention rates having recovered to 100%+, the Group expects to see a continued expansion in ARR during 2022 creating significant future value.



Gross margin

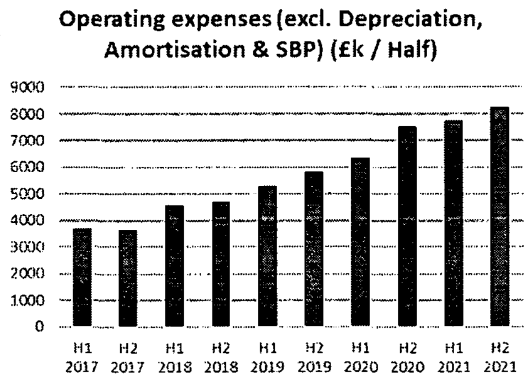
Gross margin increased from 80.7% in 2020 to 80.8%

The Group's cost of sales is broadly comprised of telco charges and licenses, hardware costs and partner commissions. Hardware reselling continues to be highly competitive and thus attracts lower margins, however, the subscription-based nature of the Group's product offering means that recurring revenue continues to represent an increasing proportion of overall revenue thus minimising the impact of low hardware margins. Despite this, gross margin was broadly static year on year with only a very slight increase noted. The Group has experienced significant inflation in telco carrier charges in recent months and this trend is expected to continue into 2022 thus depressing margins slightly even as recurring software revenue grows.

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

Operating costs grew from £13.9m in 2020 to £16.0m

Growth in operating expenditure of 15% year-on-year should be viewed within the context of the significant COVID-19 related cost savings which were made during 2020. 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. Underlying expansion of operating costs within 2021 was therefore less significant at approximately 5%. Operating expenditure continues to increase as the Group continues to invest within sales, marketing and product development.



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

	Year ended 31 December 2021 (£'000)	Year ended 31 December 2020 (£'000)
Sales & marketing expenses	4,378	3,769
Administrative expenses	10,036	8,552
Research & development expenses	1,619	1,578
Total	**16,033**	**13,899**

Research and development expenditure is shown in the financial statements net of £2.80m (2020: £1.85m) 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. As a result of new products coming into service since the policy was implemented, IAS 38 related amortisation charged in 2021 was £1,380k (2020: £766k). Further details can be found in Note 10 on intangibles.

Exceptional items

During the year exceptional legal and advisory costs of £339k were incurred (2020: £nil) in connection with the acquisition of the Group by Xplorer Capital Growth 1, LLC.

Debt and financing expenses

The Group had outstanding debt as at 31 December 2021 of £4.7m (2020: £3.7m) and a financing expense of £469k (2020: £325k). Included in the debt position is the recognition of capitalised lease liabilities amounting to £2.4m (2020: £1.6m).

As at 31 December 2020, the Group owed £2.1m to Shawbrook Bank under a facility which was set to expire in March 2023. The facility attracted interest at a margin of 9% plus the higher of LIBOR or 0.5% per annum. In April 2021 the Group replaced this loan facility with a new £5.0m facility with Shawbrook Bank. The Group drew down an initial balance of £3.0m with the £2.0m undrawn element being available for draw down before April 2022 subject to covenants adherence. Post year-end the Group decided not to draw down the additional £2m element. The new facility was negotiated for a 3-year term set to expire in April 2024. Interest is charged at 9.75% plus the higher of either LIBOR (In the future SONIA) or 0.5% per annum. A non-utilisation fee of 1.5% is also payable on the undrawn element up to and including expiry of the availability period in April 2022. As at 31 December 2021 the Group owed £2.3m under this facility. Please see note 17 for further details.

Other borrowings constitute the Group's lease liabilities accounted for in accordance with IFRS 16. In order to support the growth of US operations, in June 2021, the Group replaced its office premises in Boston (USA) entering into a new 4-year and 4 months lease. This transaction resulted in the recognition of a lease liability of £1,009k and a right of use asset of £1,061k on inception.

The increase in average borrowings and the recognition of the new US office lease was the predominant driver behind the increased net finance expense of £469k.

Cash and working capital

The Group had cash balances of £5.0m at the end of the year (2020: £5.7m).

The Group's balance sheet also includes an R&D tax credit receivable of £1.25m (2020: £1m). As has been the case in recent years, this is expected to be received in cash in Summer 2022.

Net cash outflow from operating activities was £4.1m, up from £3.3m in 2020. This increase in cash absorption is attributed to a combination of continuing investment for growth and £339k in exceptional transaction fees as previously detailed.

Share capital

Total issued share capital at the year-end comprised 48,029,216 ordinary shares of 20 pence each (2020: 38,810,826).

On 26 March 2021, the company allotted and issued 5,521,472 ordinary shares under an EIS/VCT share placing at a price of 81.5 pence per share. On 29 March, a further 3,680,981 ordinary shares were allotted and issued under a share placing at a price of 81.5 pence per share. The net monies raised were £7,036k after deducting placing costs of £464k.

During the year, the Company received £15k gross proceeds from exercised share options.

Loss per share and dividends

Loss per share for the year was 15.5 pence (2020: 14.8 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 (2020: nil).

Going concern

The Directors confirm that, as disclosed in Note 1 on page 45, 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.

By order of the Board

Simon Cleaver
Chief Executive Officer

Paul Williams
Chief Financial Officer

Date: 7 July 2022

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Principal Activity

The Company's and Group's principal activities are disclosed in the group overview on page 3.

Directors who held office

The Directors who served the company during the year and up to the date of signature of the financial statements were as follows:

Mr S W Cleaver
Mr P J Williams
Mr K Nilsson (appointed 1 February 2022)
Mr P A Simmonds (resigned 26 January 2022)
Mrs S A Tomkins (resigned 26 January 2022)
Mr C T Farrell (appointed 2 August 2021 and resigned 26 January 2022)
Mr G Browning (resigned 6 August 2021)

Results for the year and dividends

The results for the year are disclosed on page 37 and are discussed in the strategic report on pages 3 to 20. The Directors do not recommend the payment of a dividend (2020: nil).

Directors' insurance

The company maintains directors' and officers' liability insurance.

Information in the strategic report

The company has chosen, in accordance with the Companies Act 2006 s414C(11), to set out in the strategic report, certain information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 Sch. 7 to be contained in the directors' report. It has done so in respect of principal risks and uncertainties, a review of the business, the requirement to provide an indication of likely future developments and the requirement to provide an indication of activities in the field of research and development. Further information on financial risk management is included within note 3 on page 55.

Events after the reporting period

On the 9th December 2021, the directors of CloudCall Group plc ("CloudCall") and Xplorer Capital Growth I, LLC ("Xplorer Capital") announced that they had reached agreement on the terms of a recommended acquisition by Xplorer Capital of the entire issued and to be issued ordinary share capital of CloudCall (the "Acquisition"), to be effected by way of a court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the "Scheme"). On 17 January 2022, the Scheme was approved by the requisite majorities of Scheme Shareholders at the Court Meeting and the Special Resolution to implement the Scheme was approved by the requisite majority of CloudCall Shareholders at the General Meeting. On the 24th January 2022, the High Court of Justice of England and Wales made an order sanctioning the Scheme under section 899 of the Companies Act 2006.

On the 25th January 2022, the company allotted and issued 915,958 ordinary shares in respect of share options exercised raising gross proceeds of £631k.

On the 26th January 2022, the whole of the issued share capital of the Company was acquired by Xplorer Capital Growth 1, LLC for a total purchase price of £39.9m.

On the 8th February 2022, the Company changed its name from CloudCall Group plc to CloudCall Group Limited and re-registered from a public company to a private limited company.

On the 13th April 2022, the Group signed heads of terms on a new $20m debt facility with Eastward Fund Management, LLC ("Eastward"). The proposed facility has been negotiated over a 4-year term with an interest free period of 18-months capable of extension to 24-months providing certain revenue growth targets are satisfied. Interest is charged at 8.25% plus the higher of 3.5% or the US Federal Reserve Interest Rate. It is anticipated that the facility will complete in early July with the Shawbrook facility being repaid at the same time.

On the 22nd April 2022, and in order to support the growth of global operations, the Group took on office premises in London entering into a 5-year lease. This transaction resulted in the recognition of a lease liability of £1,211k and a right of use asset of £1,225k on inception.

Auditors

RSM UK Audit LLP acted as auditors during the year. In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of RSM UK Audit LLP as auditors of the Group will be put at a general meeting.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

By order of the Board

Simon Cleaver
Chief Executive Officer

Date: 7 July 2022

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the company financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

The Group and Company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared accordance with UK-adopted International Accounting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Cloudcall Group Limited

Opinion
We have audited the financial statements of Cloudcall Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Cash Flow Statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition • Development costs • Impairment **Parent Company** • Impairment

Independent Auditor's Report to the Members of Cloudcall Group Limited

Materiality	**Group** • Overall materiality: £315,000 (2020: £233,000) • Performance materiality: £236,000 (2020: £175,000) **Parent Company** • Overall materiality: £95,300 (2020: £78,300) • Performance materiality: £71,400 (2020: £58,700)
Scope	Our audit procedures covered 99% of revenue, 99% of total assets and 88% of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group - Revenue recognition	
Key audit matter description	The group's accounting policy for revenue recognition is set out in the accounting policy notes on pages 46 and 47. The group has a number of different revenue streams and the recognition criterion is different for each income stream, and as such, there is an inherent risk in the use of management judgement which is required to determine revenue recognition around the year end. We also noted that journal entries impacting revenue might be subject to fraud or error. Revenue recognition, including the associated identified fraud risk, was one of the matters that had the greatest effect on our overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team in order to conclude.
How the matter was addressed in the audit	We reviewed and understood the group's accounting policy and how this satisfied the requirements of IFRS15 'Revenue from contracts with customers'. In addressing the identified risk of fraud, we performed tests of detail for transactions recognised either side of the year end to determine whether revenue had been recorded in the correct financial period.

	In addition, we performed substantive analytical review procedures to reconcile cash to sales recognised throughout the period, and, for a selection of transactions throughout the year, determined whether these were valued and recognised appropriately. We reviewed a number of journal entries which impacted revenue and through review of supporting documentation, assessed whether revenue had been recognised appropriately.

Group - Development costs

Key audit matter description	The group's accounting policy for development costs is set out on in the accounting policy notes on page 48 and 49. The group has incurred expenditure on development of new products which are capitalised if certain criteria are met in line with IAS 38. The capitalisation of development costs has an impact on reported earnings and judgements are involved in assessing whether the IAS 38 criteria for capitalisation have been suitably met.
How the matter was addressed in the audit	We reconfirmed our understanding of management's basis for capitalising development costs, updated our understanding of key existing and new projects and determined whether the costs had been appropriately capitalised in accordance with IAS 38 and the accounting policy in note 1. Our procedures included a robust assessment of the appropriateness of any management judgements including the future expected economic benefit of capitalised projects and substantive testing of the costs capitalised. We also critically assessed the reasonableness of the amortisation policies in place and considered whether there were any indicators of potential impairment.

Group - Impairment

Key audit matter description	The group's accounting policy on impairment is set out on in the accounting policy notes on pages 49 and 50. The group has significant non-current assets, namely property, plant and equipment, goodwill and other intangible assets.

	The recoverability of these assets is dependent upon the future profitability of the group and the assessment thereof incorporates a significant level of management judgement.
How the matter was addressed in the audit	We critically assessed the impairment review performed by management over the carrying value of these non-current assets. Our work included a review of Management's forecasts and discounted cashflow calculations to assess whether the assumptions appeared reasonable. We evaluated management's sensitivity analysis around the key assumptions to ascertain the extent of change in those assumptions that individually or collectively would be required to lead to an impairment. We also considered the adequacy of the disclosures in this area.

Parent Company – Impairment

Key audit matter description	The Parent Company's accounting policy on impairment is set out on in the accounting policy notes on pages 49 and 50. The Parent Company has significant non-current assets, namely property, plant and equipment and investments in subsidiaries. There is also management judgement involved in assessing the recoverability of intragroup debtor balances inline with the requirements of IFRS9. The recoverability of these assets is dependent upon the future profitability of the subsidiaries.
How the matter was addressed in the audit	We critically assessed the impairment review performed by management over the carrying value of non-current assets and intragroup debtor balances. Our work included a review of management's forecasts and discounted cashflow calculations to assess whether the assumptions appeared reasonable. We evaluated management's sensitivity analysis around the key assumptions to ascertain the extent of change in those assumptions that individually or collectively would be required to lead to an impairment. We also considered the adequacy of the disclosures on the impairment recognised.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent Company
Overall materiality	£315,000 (2020: £233,000)	£95,300 (2020: £78,300)
Basis for determining overall materiality	5% of the 3 year average results before taxes	10% of result before taxes, restricted for the group audit
Rationale for benchmark applied	Result before taxes is considered to be the metric used by users of the financial statements to review the financial performance of the group.	Result before taxes is considered to be the metric used by users of the financial statements to review the performance of the parent company.
Performance materiality	£236,000 (2020: £175,000)	£71,400 (2020: £58,700)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £15,700 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £4,760 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

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

The coverage achieved by our audit procedures was 99% of revenue, 99% of total assets and 88% of profit before tax.

Full scope audits were performed for 3 components and analytical procedures at group level for the remaining 2 components.

Independent Auditor's Report to the Members of Cloudcall Group Limited

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Understanding how the cash flow forecasts for the going concern period had been prepared and the assumptions adopted;
- Testing of the integrity of the forecast model to ensure it was operating as expected; and
- Challenging the key assumptions within the forecast;
- Evaluation of management's plans for future actions in relation to its going concern assessment;
- Evaluation of the likely ability of the group to operate within the available funding within the going concern assessment period; and
- Review and consideration of the appropriateness of the sensitivity analysis performed by management and available actions should performance be behind expectations.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the audit engagement team included:
UK-adopted IAS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; and Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of correspondence with local tax authorities.

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

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	Please refer to 'key audits matters' above.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Independent Auditor's Report to the Members of Cloudcall Group Limited

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK AUDIT LLP

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

Date: 8 July 2022

Consolidated Statement of Comprehensive Income

For year ended 31 December 2021

	Notes	Group 2021 £000	Group 2020 £000
Revenue	4	**13,552**	11,820
Cost of sales		**(2,601)**	(2,279)
Gross profit		**10,951**	9,541
Sales & marketing expenses	5	**(4,378)**	(3,769)
Administrative expenses	5	**(10,036)**	(8,552)
Research & development expenses	5	**(1,619)**	(1,578)
Operating loss before depreciation, amortisation, share-based payment charges and exceptional items		**(5,082)**	(4,358)
Depreciation and amortisation	5	**(2,272)**	(1,649)
Share based payment charges	20	**(211)**	(412)
Exceptional items	5	**(339)**	-
Operating loss		**(7,904)**	(6,419)
Finance expense	7	**(469)**	(325)
Loss before tax		**(8,373)**	(6,744)
Taxation	8	**1,273**	998
Loss for the year attributable to owners of the parent		**(7,100)**	(5,746)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**19**	(34)
Other comprehensive income		**19**	(34)
Total comprehensive income for the year attributable to owners of the parent		**(7,081)**	(5,780)
Loss per share		**Pence**	Pence
Basic and fully diluted loss per share	22	**(15.5)**	(14.8)

The notes on pages 45 to 85 are an integral part of these consolidated financial statements.

Consolidated and Company Statements of Financial Position

At 31 December 2021

	Notes	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Non-current assets					
Property, plant and equipment	9	**2,783**	2,274	**1,161**	1,430
Goodwill	10	**339**	339	**-**	-
Other intangible assets	10	**5,494**	4,076	**-**	-
Investment in subsidiaries	11	**-**	-	**3,433**	3,250
		8,616	6,689	**4,594**	4,680
Current assets					
Trade and other receivables	14	**3,538**	2,779	**40,388**	30,378
Research and development tax credit receivable		**1,250**	1,000	**-**	-
Cash and cash equivalents	15	**4,995**	5,676	**3,122**	4,378
		9,783	9,455	**43,510**	34,756
Total assets		**18,399**	16,144	**48,104**	39,436
Current liabilities					
Borrowings	17	**(2,768)**	(1,044)	**(2,532)**	(925)
Trade and other payables	16	**(3,460)**	(2,388)	**(1,235)**	(848)
		(6,228)	(3,432)	**(3,767)**	(1,773)
Non-current liabilities					
Borrowings	17	**(1,921)**	(2,696)	**(1,124)**	(2,696)
Provisions for liabilities	19	**(144)**	(91)	**(91)**	(91)
Total liabilities		**(8,293)**	(6,219)	**(1,215)**	(4,560)
Net assets		**10,106**	9,925	**43,122**	34,876
Equity attributable to shareholders					
Share capital	21	**9,606**	7,763	**9,606**	7,763
Share premium account		**82,309**	77,101	**82,309**	77,101
Translation reserve		**23**	4	**-**	-
Warrant reserve		**29**	29	**29**	29
Retained earnings		**(81,861)**	(74,972)	**(48,822)**	(50,017)
Total equity attributable to shareholders		**10,106**	9,925	**43,122**	34,876

The Company is taking advantage of the exemption in S408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes. The Company generated a profit of £984,000 for the year (2020: loss of £1,154,000).

The notes on pages 45 to 85 are an integral part of these consolidated financial statements.

These financial statements were approved by the Board on 7 July 2022 and were signed on its behalf by:

Simon Cleaver
Chief Executive Officer

Consolidated and Company Statements of Changes in Equity

Group	Notes	Share capital £'000	Share premium account £'000	Translation reserve £'000	Warrant reserve £'000	Retained earnings £'000	Total equity attributable to shareholders £'000
Balance at 1 January 2020		7,751	77,085	38	29	(69,638)	15,265
Loss for the year		-	-	-	-	(5,746)	(5,746)
Other comprehensive income:							
Exchange differences on translation of foreign operations		-	-	(34)	-	-	(34)
Total comprehensive income for the year		-	-	(34)	-	(5,746)	(5,780)
Transactions with owners recognised in equity:							
Equity settled share based payments	20	-	-	-	-	412	412
Issue of equity shares		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

Group	Notes	Share capital £'000	Share premium account £'000	Translation reserve £'000	Warrant reserve £'000	Retained earnings £'000	Total equity attributable to shareholders £'000
Balance at 1 January 2021		7,763	77,101	4	29	(74,972)	9,925
Loss for the year		-	-	-	-	(7,100)	(7,100)
Other comprehensive income:							
Exchange differences on translation of foreign operations		-	-	19	-	-	19
Total comprehensive income for the year		-	-	19	-	(7,100)	(7,081)
Transactions with owners recognised in equity:							
Equity settled share based payments	20	-	-	-	-	211	211
Issue of equity shares		1,843	5,672	-	-	-	7,515
Issue costs	21	-	(464)	-	-	-	(464)
Total transactions with owners recognised in equity		1,843	5,208	-	-	211	7,262
Balance at 31 December 2021		9,606	82,309	23	29	(81,861)	10,106

Share capital represents the nominal value of shares issued and paid up.

The share premium account represents the excess of consideration received over the nominal value of shares issued, net of directly attributable issue costs.

The warrant reserve represents the cumulative charge in respect of warrants issued over the Company's shares.

Retained earnings represents the cumulative retained earnings / (losses) of the Group and Company.

Consolidated and Company Statements of Changes in Equity

Company	Notes	Share capital £'000	Share premium account £'000	Warrant reserve £'000	Retained earnings £'000	Total equity attributable to shareholders £'000
Balance at 1 January 2020		7,751	77,085	29	(49,275)	35,590
Loss for the year		-	-	-	(1,154)	(1,154)
Transactions with owners recognised in equity:						
Equity settled share based payments	20	-	-	-	412	412
Issue of equity shares		12	26	-	-	38
Issue costs		-	(10)	-	-	(10)
Total transactions with owners recognised in equity		12	16	-	412	440
Balance at 31 December 2020		7,763	77,101	29	(50,017)	34,876
Profit for the year		-	-	-	**984**	**984**
Transactions with owners recognised in equity:						
Equity settled share based payments	20	-	-	-	**211**	**211**
Issue of equity shares		**1,843**	**5,672**	-	-	**7,515**
Issue costs	21	-	**(464)**	-	-	**(464)**
Total transactions with owners recognised in equity		**1,843**	**5,208**	-	**1,195**	**7,262**
Balance at 31 December 2021		**9,606**	**82,309**	**29**	**(48,822)**	**43,122**

The notes on pages 45 to 85 are an integral part of these consolidated financial statements.

Consolidated and Company Cash Flow Statements

For year ended 31 December 2021

	Notes	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Cash flows from operating activities					
(Loss)/profit for the year after tax		**(7,100)**	(5,746)	**984**	(1,154)
Adjustments for:					
Depreciation and amortisation		**2,272**	1,649	**302**	253
Gain on sale of property, plant and equipment		**(16)**	-	**(26)**	-
Foreign exchange losses on operating activities		**60**	8	**-**	-
Financial expenses	7	**469**	325	**422**	281
Equity settled share-based payment expenses	20	**211**	412	**27**	132
Taxation	8	**(1,273)**	(998)	**-**	-
Operating (loss)/profit before changes in working capital		**(5,377)**	(4,350)	**1,709**	(488)
(Increase)/decrease in trade and other receivables		**(864)**	17	**(10,009)**	(6,038)
Increase in trade and other payables		**1,119**	202	**388**	64
Cash outflow from operations		**(5,122)**	(4,131)	**(7,912)**	(6,462)
Tax received		**1,041**	811	**-**	-
Net cash outflow from operating activities		**(4,081)**	(3,320)	**(7,912)**	(6,462)
Cash flows from investing activities					
Acquisition of property, plant and equipment	9	**(394)**	(663)	**(96)**	(110)
Proceeds from the sale of property, plant and equipment		**104**	-	**81**	-
Development expenditure capitalised	10	**(2,798)**	(1,850)	**-**	-
Net cash outflow from investing activities		**(3,088)**	(2,513)	**(15)**	(110)
Cash flows from financing activities					
Repayment of lease liability	18	**(465)**	(542)	**(241)**	(249)
Interest paid		**(312)**	(161)	**(312)**	(161)
Net proceeds from the issue of share capital		**7,051**	28	**7,051**	28
Proceeds from new loans	17	**3,031**	1,609	**3,031**	1,609
Repayment of loans	17	**(2,858)**	(441)	**(2,858)**	(441)
Net cash inflow from financing activities		**6,447**	493	**6,671**	786
Net decrease in cash and cash equivalents		**(722)**	(5,340)	**(1,256)**	(5,786)
Cash and cash equivalents at start of the year		**5,676**	11,101	**4,378**	10,164
Effect of exchange rate fluctuations on cash held		**41**	(85)	**-**	-
Cash and cash equivalents at end of year	15	**4,995**	5,676	**3,122**	4,378

The notes on pages 45 to 85 are an integral part of these consolidated financial statements.

Consolidated and Company Movements in Net Cash/ (Debt)
For year ended 31 December 2021

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

Group	At 1 January 2021 £'000	Cash flow £'000	Interest on lease liabilities £'000	New lease liabilities £'000	Exchange and other non-cash movements £'000	At 31 December 2021 £'000
Cash and cash equivalents	5,676	(722)	-	-	41	**4,995**
Bank loan	(2,154)	(173)	-	-	-	**(2,327)**
Lease liabilities	(1,587)	465	(162)	(1,009)	(69)	**(2,362)**
Net cash at end of year	1,935	(430)	(162)	(1,009)	(28)	**306**

Consolidated and Company Cash Flow Statements

Company	At 1 January 2020 £'000	Cash flow £'000	Interest on lease liabilities £'000	New lease liabilities £'000	Exchange and other non-cash movements £'000	At 31 December 2020 £'000
Cash and cash equivalents	10,164	(5,786)	-	-	-	**4,378**
Bank loan	(973)	(1,181)	-	-	-	**(2,154)**
Lease liabilities	(887)	249	(119)	(775)	65	**(1,467)**
Net cash at end of year	8,304	(6,718)	(71)	(775)	65	**757**

Company	At 1 January 2021 £'000	Cash flow £'000	Interest on lease liabilities £'000	New lease liabilities £'000	Exchange and other non-cash movements £'000	At 31 December 2021 £'000
Cash and cash equivalents	4,378	(1,256)	-	-	-	**3,122**
Bank loan	(2,154)	(173)	-	-	-	**(2,327)**
Lease liabilities	(1,467)	241	(110)	-	7	**(1,329)**
Net cash/(debt) at end of year	757	(1,188)	(110)	-	7	**(534)**

The notes on pages 45 to 85 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1. Accounting policies

Accounting convention and basis of preparation

Cloudcall Group Limited (the 'Company') is a private company limited by shares and is incorporated and domiciled in England & Wales. The address of the registered office is 1 Colton Square, Colton Street, Leicester LE1 1QH. The Company and its subsidiaries are referred to as 'the Group'. The Group's principal activity is to provide products and services designed to enable organisations to use their communications more effectively.

During 2021, the Company was quoted on the AIM market of the London Stock Exchange (LSE: CALL). The Company's shares also cross-traded publicly on the OTCQX® Best Market ("OTCQX Market") in the United States, under the ticker "CLLLF". On the 26th January 2022, the whole of the issued share capital of the Company was acquired by Xplorer Capital Growth 1, LLC by way of a scheme of arrangement under Part 26 of the Companies Act 2006. On the 8th February 2022, the Company changed its name from CloudCall Group plc to CloudCall Group Limited and re-registered from a public company to a private limited company.

The consolidated financial statements consolidate those of the Group. The Company financial statements present information about the Company as a separate entity and not about the Group.

These financial statements have been prepared in accordance with UK-adopted International Accounting Standards.

The financial statements are prepared on the historical cost basis. The results are presented in round thousands of Pounds Sterling unless otherwise noted.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in Note 2.

Going concern

The accounts have been prepared on a going concern basis.

The Group made a loss of £7,100k (2020: £5,746k) in the year ended 31 December 2021. As at 31 December 2021 the Group had cash reserves of £4,995k (2020: £5,676k). Since the balance sheet date, the Group has been acquired by Xplorer Capital Growth 1, LLC ("Xplorer"). Xplorer are a growth-focused shareholder and are committed to accelerating the growth of the business by providing CloudCall with access to significant additional capital resources. Xplorer have already made capital injections into the business and the Group has recently signed heads of terms on a new $20m debt facility which provides a 4-year term with a minimum of 18 months of interest only repayments. Xplorer have confirmed that sufficient funds will be made available to allow the Company and Group to meet their liabilities as they fall due for the period up to December 2023 and have also committed to making further capital injections in order to support and fuel growth.

The Directors have prepared detailed cashflow projections covering the period up to December 2023. Such forward looking projections are inevitably subjective and sensitive to changes in underlying assumptions and the Directors have therefore sensitised these projections accordingly, in particular to factor in a delay in the growth of revenue as this assumption incorporates greater uncertainty than expenditure assumptions. In the sensitised scenarios where revenue growth is significantly weaker than anticipated, the Directors have considered the mechanisms by which costs can be curtailed in order to ensure that the Group can react appropriately and continue to operate within the resources at its disposal. These measures include but are not limited to: personnel cuts, marketing and other cost centre reductions, a reduction in capital spend and the deferral of project spend with third parties. The projections, as sensitised, indicate that, based on the assumptions underlying the projections, and the mitigating actions which could be taken by management in the event of lower than anticipated revenue growth, sufficient resources will be available to settle the Company and Group's liabilities as they fall due for a period up to December 2023. For these reasons, the Directors have adopted the going concern basis in preparing the annual financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. The results of subsidiaries are included in the consolidated financial statements from the date that the Group obtains control until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred in a business combination is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

Revenue

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring services or goods to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services or goods promised.

Revenues from monthly call charges and subscriptions are billed at the end of each month and are recognised on an accruals basis.

Revenue from training and network discovery services, which are considered to be distinct in nature, is recognised in full as those services are provided, based on the contracted price.

Revenue from set up fees is treated as part of the ongoing performance obligation in the sales contract as this revenue is not considered to be distinct from the overall customer contract. Set up fees revenue is therefore recognised over the life of the sales contracts with customers.

Revenue from the sale of goods is recognised in profit or loss at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, any acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

Government grants

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

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rate at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The functional currency of the Group is Sterling. Exchange differences arising from the translation of foreign operations are recognised in other comprehensive income and accumulated in a foreign currency translation reserve within equity.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve.

Leases

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

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

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

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

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

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

Exceptional Items

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

Investments

Investments in subsidiaries are recorded at cost less any impairment provisions in the Statement of Financial Position. They are tested for impairment when there is objective evidence of impairment. Any impairment losses are recognised in profit or loss in the period they occur.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to profit or loss to write off the cost, less any estimated residual values, on a straight-line basis over the estimated useful lives of the assets concerned. The estimated useful lives are as follows:

Technical plant and equipment	2 - 10 years
Office and business equipment	2 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

The Group assesses the fair value of intangible assets arising on acquisitions. These include intellectual property arising from software development. An intangible asset will be recognised if the asset is identifiable and its fair value can be measured reliably. An intangible asset is identifiable if it is separable or if it was obtained through contractual or legal rights. Amortisation is provided on the fair value of the asset and is calculated on a straight-line basis over its useful life. All intangible assets except goodwill are amortised.

Research costs are expensed as incurred. Expenditure on development activities is capitalised if, and only if, the product or process is technically and commercially feasible and the Group intends to complete the intangible to use or sell, it is probable the intangible asset will generate future economic benefit, the expenditure attributable to the intangible asset during its development can be measured reliably and the Group has the technical ability and sufficient resources to complete development. Development activities involve a plan or design to produce new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of direct overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to operating expenses on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

The estimated useful lives are as follows:

Acquired IPR	5 years
Capitalised development costs	5 years
Software	3 years

Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated using a discounted cash flow model.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such a reversal is recognised in profit or loss.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The Group does not have bank overdraft facilities.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Contract assets

Certain contract costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the Company that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs and other incremental costs of obtaining a contract including sales commissions and "free-month" incentives are amortised on a straight-line basis over the term of the contract.

Trade and other payables

Trade and other payables are recognised initially at fair value. After initial recognition, they are measured at amortised cost using the effective interest method.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Provisions for liabilities

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amounts of unexpected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Employee benefits

Share-based payment transactions

The cost of equity settled transactions with employees is measured by reference to the fair value on the date they are granted. Where there are no market conditions attaching to the exercise of the options, the fair value is determined using a range of inputs into the Black-Scholes pricing model. Where there are market conditions attaching to the exercise of the options a Monte Carlo option pricing model is used to determine fair value based on a range of inputs. The fair value of equity-settled transactions is charged to the Statement of Comprehensive Income over the period in which the service conditions are fulfilled with a corresponding credit to a share-based payments reserve in equity.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

On the exercise of share options, an amount equal to the fair value of the option at the date it was granted is transferred from the share-based payments reserve into retained earnings.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

Retirement benefits

The Group operates a defined contribution pension scheme for certain employees. The assets of the scheme are held separately from those of the Group in independently administered funds. Contributions are charged in the Statement of Comprehensive Income as they become payable.

Net financing costs

Net financing costs comprise interest payable and interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Tax credits for research and development expenditure are recognised in the year to which they arise as the Group has established a pattern of claims.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying value of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

IFRSs issued but not yet effective

For the purpose of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 January 2021. 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 2021, or later periods, have been adopted early.

The new standards and interpretations are not expected to have any significant impact on the financial statements when applied.

2. Critical accounting estimates and judgements

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

Development costs

Management judgement is required in assessing the fair value of development costs capitalised including the future economic benefit expected to be generated by the assets and in calculating the attributable costs. Management judgement is also required in assessing the useful economic lives of these assets for the purposes of amortisation. The carrying value of development costs at the Statement of Financial Position date was £5,494,000 (2020: £4,076,000).

Impairment

The requirement for the Directors to ensure that the Group and Company's non-current assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs of disposal and value in use) is covered by IAS 36 Impairment of Assets. The fair values in respect of the valuation of the Group and Company's assets in relation to the future value of the returns those assets are predicted to generate have been estimated using a discounted cash flow model. The assumptions used as inputs to the model are by their nature areas of judgement (see Note 10). Based on the historic sales performance of the business and actions being taken to grow the business further, the directors do not currently assess any of these assets as impaired. The carrying value of the Group's intangible assets and property, plant and equipment at the Statement of Financial Position date was £5,833,000 and £2,783,000 respectively (2020: £4,415,000 and £2,274,000 respectively). The carrying value of the Company's investment in subsidiary entities at the Statement of Financial Position date was £3,433,000 (2020: £3,250,000).

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Judgement is required in determining the most appropriate valuation model and the most appropriate inputs into the model including the level of volatility and the expected life of the option. Judgement is also required in estimating the number of options that are expected to vest based on the non-market conditions. Further information is given in Note 20.

Recoverability of receivables

The loss allowance on all financial assets is measured by considering the probability of default. Receivables are considered to be in default on an individual basis based on various indicators, such as significant financial difficulty or expected bankruptcy. Further information is given in Note 14.

The Board of CloudCall Group Limited has considered the provisions around impairment of inter-company indebtedness contained within IFRS 9 "Financial Instruments" and concluded that the chance of default is low in light of future growth projections, capital restructuring options open to it, and the high level of control exerted over its subsidiary operations. However, as this balance is expected to be repaid over the long-term, a provision of £0.4m (2020: £2.1m) has been recognised in line with the requirements of IFRS 9.

3. Financial Risk Management

The major financial risks faced by the Group are liquidity risk, currency risk, credit risk and interest rate risk. Further information about the Group's approach to the management of these risks can be found in the Strategic Report Risk Management section on pages 13-14.

Capital management

Prior to the acquisition of the Group by Xplorer Capital Growth 1, LLC, the Group was funded primarily via public equity placings with an element of supporting debt financing. Typically, where available, debt was used for shorter term financing requirements with equity favoured for the longer-term financing needs of the Group. Post-acquisition it is intended that the Group will be financed via a more balanced mix between private investment and debt financing.

On 26 March 2021, the company allotted and issued 5,521,472 ordinary shares under an EIS/VCT share placing at a price of 81.5 pence per share. On 29 March, a further 3,680,981 ordinary shares were allotted and issued under a share placing at a price of 81.5 pence per share. The net monies raised were £7,036k after deducting placing costs of £464k.

As at 31 December 2020, the Group owed £2.1m to Shawbrook Bank under a facility which was set to expire in March 2023. The facility attracted interest at a margin of 9% plus the higher of LIBOR or 0.5% per annum. In April 2021 the Group replaced this loan facility with a new £5.0m facility with Shawbrook Bank. The Group drew down an initial balance of £3.0m with the £2.0m undrawn element being available for draw down before April 2022 subject to covenants adherence. Post year-end the Group decided not to draw down the additional £2m element. The new facility was negotiated for a 3-year term set to expire in April 2024. Interest is charged at 9.75% plus the higher of either LIBOR (In the future SONIA) or 0.5% per annum. A non-utilisation fee of 1.5% is also payable on the undrawn element up to and including expiry of the availability period in April 2022. As at 31 December 2021 the Group owed £2.3m under this facility.

The Group currently has no plans to make dividend payments.

4. Revenue

The directors consider that the Group has a single business segment, being the provision of hosted telecom solutions. The operations of the Group are managed and reported centrally with group-wide functions covering sales and marketing, development, professional services, customer support and finance and administration. An analysis of revenue by type is given below.

Revenue by location of customer

	Group 2021 £'000	Group 2020 £'000
United Kingdom	**7,064**	5,936
United States of America	**5,184**	4,752
Canada	**223**	174
Europe	**957**	913
Rest of the World	**124**	45
Total revenues	**13,552**	11,820

Revenue by type

	Group 2021 £'000	Group 2020 £'000
Recurring subscriptions	**11,859**	10,321
Pay As You Go Telephony	**947**	852
Non-recurring services and hardware	**746**	647
Total revenues	**13,552**	11,820

Timing of revenue recognition

	Group 2021 £'000	Group 2020 £'000
Goods transferred at a point in time	**307**	192
Services transferred over time	**13,245**	11,628
Total revenues	**13,552**	11,820

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 2021. There were no customers which represented more than 10% of sales in the year to 31 December 2020.

5. Expenses and auditor's remuneration

Expenses before non-recurring items and share based payments	Group 2021 £'000	Group 2020 £'000
Wages and salaries (Note 6) (*)	**10,986**	9,137
Foreign exchange losses/(gains)	**64**	(63)
Expected credit losses	**267**	294
Low value and short-term leases	**36**	140
Other operating costs	**4,680**	4,391
	16,033	13,899

(*) included in wages and salaries above is £1,052k (2020: £1,111k) relating to research and development costs expensed.

Exceptional costs in the year of £339k (2020: £nil) were in connection with the acquisition of the Group by Xplorer Capital Growth 1, LLC. £270k was incurred with legal advisors, £60k was incurred with the Group's Rule 3 advisor and £9k related to investor mailing costs.

Depreciation and amortisation	Group 2021 £'000	Group 2020 £'000
Amortisation of intangible assets	**1,380**	766
Depreciation of property, plant and equipment	**892**	882
	2,272	1,648

Auditor's remuneration	Group 2021 £'000	Group 2020 £'000
Amounts receivable by auditors and their associates in respect of:-		
Audit of these financial statements	**40**	48
Audit of financial statements of subsidiaries pursuant to legislation	**23**	26
Other assurance services	**12**	10
Other services relating to taxation - compliance services	**-**	-
Tax advisory services	**1**	9
Accounting services	**-**	5
Other services	**-**	17
	76	115

6. Directors and employees

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

Number of employees	Group 2021	Group 2020	Company 2021	Company 2020
Engineering, product & development	**50**	66	**-**	-
Customer solutions	**57**	45	**-**	-
Sales and marketing	**41**	38	**-**	-
Admin and finance	**22**	22	**5**	5
Total	**170**	171	**5**	5

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

Aggregate payroll costs (all employees)	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Wages and salaries	**11,426**	10,088	**666**	588
Social security costs	**1,093**	907	**76**	74
Share based payments (note 20)	**211**	412	**27**	132
Other pension costs	**353**	318	**-**	1
Sub-total	**13,083**	11,725	**769**	795
UK Furlough Scheme receipts	**-**	(67)	**-**	-
US government grant receipts	**-**	(337)	**-**	-
Capitalised wages and salaries	**(1,886)**	(1,772)	**-**	-
Total	**11,197**	9,549	**769**	795

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

The Group operates a defined contribution pension scheme for all qualified employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. Costs totalling £353k (2020: £318k) were charged during the year and an amount of £49k (2020: £44k) is payable into the fund at the year end and is included in non-trade payables and accrued expenses.

The table below includes the aggregate payroll costs including employers NICs of those employees who were considered to comprise the key management in the year. Key management is defined as the executive directors and other members of the senior management team such as divisional leaders.

Aggregate payroll costs (key management employees)	2021 £'000	2020 £'000
Wages and salaries	**3,662**	2,784
Share based payments	**144**	314
Other pension costs	**108**	71
Sub-total	**3,914**	3,169
Social security costs	**360**	214
Total	**4,274**	3,383

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

Directors remuneration	2021 £'000	2020 £'000
Directors' remuneration	**592**	582
Directors' pension contributions	**-**	-
Total	**592**	582
Number of directors accruing benefits under defined contribution schemes	**-**	-

The total remuneration of the highest paid director during the year ended 31 December 2021 was £241k (2020: £248k) which included pension contributions of £nil (2020: £nil).

7. Finance expense

Finance expenses	Group 2021 £'000	Group 2020 £'000
Loan interest and arrangement fees	**307**	173
Interest on lease liabilities	**162**	152
Total finance expense	**469**	325

8. Taxation

Recognised in the Consolidated Statement of Comprehensive Income

	Group 2021 £000	Group 2020 £000
Current income tax		
Overseas income tax charge for the current year	**(18)**	(3)
UK research and development tax credit	**1,250**	1,000
Adjustments in respect of prior year	**41**	1
	1,273	998
Deferred tax for the current year	-	-
Total tax credit recognised in the current year	1,273	998

	Group 2021 £000	Group 2020 £000
Reconciliation of effective tax rate		
Loss before tax	**(8,373)**	(6,744)
Tax credit using the Group's effective tax rate of 19% (2020: 19%)	**1,591**	1,281
Tax losses not recognised	**(1,041)**	(880)
Non-deductible expenses	**(92)**	(102)
Deferred tax not recognised	**516**	377
Effect of R&D tax credits	**538**	430
Amortisation	**(262)**	(146)
Different tax rates in overseas jurisdictions	**(18)**	37
Adjustments in respect of prior years	**41**	1
Total tax credit	1,273	998

9. Property, plant and equipment

Group	Technical plant and equipment £'000	Office and business £'000	Right-of-use assets £'000	Total £'000
Cost				
Balance at 1 January 2020	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
Additions	**4**	**390**	**1,061**	**1,455**
Disposals	**(409)**	**(351)**	**(876)**	**(1,636)**
Exchange rate translation difference	**2**	**2**	**62**	**66**
Balance as at 31 December 2021	**1,186**	**1,221**	**2,798**	**5,205**
Depreciation				
Balance at 1 January 2020	(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)
Depreciation charge for the year	**(208)**	**(244)**	**(440)**	**(892)**
Eliminated in respect of disposals	**376**	**288**	**868**	**1,532**
Exchange rate translation difference	**(5)**	**(1)**	**(10)**	**(16)**
Balance as at 31 December 2021	**(956)**	**(694)**	**(772)**	**(2,422)**
Net Book Value				
At 31 December 2020	470	443	1,361	2,274
At 31 December 2021	**230**	**527**	**2,026**	**2,783**

Company	Office and business £'000	Right-of-use assets £'000	Total £'000
Cost			
Balance at 1 January 2020	88	970	1,058
Additions	110	836	946
Disposals	-	(85)	(85)
Balance as at 31 December 2020	198	1,721	1,919
Additions	**96**	**-**	**96**
Disposals	**(110)**	**(39)**	**(149)**
Balance as at 31 December 2021	**184**	**1,682**	**1,866**
Depreciation			
Balance at 1 January 2020	(11)	(255)	(266)
Depreciation charge for the year	(34)	(219)	(253)
Eliminated in respect of disposals	-	30	30
Balance as at 31 December 2020	(45)	(444)	(489)
Depreciation charge for the year	**(92)**	**(210)**	**(302)**
Eliminated in respect of disposals	**55**	**31**	**86**
Balance as at 31 December 2021	**(82)**	**(623)**	**(489)**
Net Book Value			
At 31 December 2020	153	1,277	1,430
At 31 December 2021	**102**	**1,059**	**1,161**

10. Intangible assets

Group	Goodwill	Patents & trademarks	Acquired IPR	Software development costs	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 January 2020	339	12	1,448	3,641	5,440
Additions	-	-	-	1,850	1,850
Balance at 31 December 2020	339	12	1,448	5,491	7,290
Additions	-	-	-	**2,798**	**2,798**
Balance as at 31 December 2021	**339**	**12**	**1,448**	**8,289**	**10,088**
Amortisation					
Balance at 1 January 2020	-	(12)	(1,448)	(649)	(2,109)
Amortisation for the year	-	-	-	(766)	(766)
Balance at 31 December 2020	-	(12)	(1,448)	(1,415)	(2,875)
Amortisation for the year	-	-	-	**(1,380)**	**(1,380)**
Balance as at 31 December 2021	-	**(12)**	**(1,448)**	**(2,795)**	**(4,254)**
Net Book Value					
At 31 December 2020	339	-	-	4,076	4,415
At 31 December 2021	**339**	-	-	**5,494**	**5,833**

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 £2,214k (2020: £1,120k). The weighted average remaining amortisation period for software is 4.1 years (2020: 4.1 years).

The Company has no intangible assets.

Goodwill

Goodwill arose on the acquisition of Cloudcall Limited and represents the excess of the initial and contingent consideration over the fair value of the net assets acquired.

The goodwill was tested for impairment at 31 December 2021 by comparing the carrying value of the cash-generating unit with the recoverable amount. The recoverable amount was determined using a value in use methodology based on discounted cash flow projections. The key assumptions used in the value in use calculations were as follows:

(i) The operating cash flows for the business for the five years to 31 December 2026 were taken from the budget approved by the Board which is closely linked with recent historical performance and current sales opportunities. The operating cash flow budget is most sensitive to the level of revenue growth which is projected to grow at rates of between 29% - 83% (2020: 20% - 38%) over the 5-year budget period.

(ii) No growth in operating cash flows has been assumed for the remainder of the value in use calculation period (2020: No growth);

(iii) A post-tax discount rate of 12.6% (2020: 10.5%) has been used;

(iv) The use of cash flow projections over longer than a 5-year period is considered appropriate as the business has been operating for over 5 years, has a strong recurring revenue base and continues to invest in the development of products.

On the basis of the above assumptions and using projection periods of 10 years, 15 years and in perpetuity, the recoverable amount, based on a value in use methodology, is estimated to exceed the carrying amount by the amounts shown in the table below. Future annual operating cash inflows, which are most sensitive to the level of new business sales, would need to be consistently lower than the growth assumptions used in the value in use calculation by the percentages shown in the table below to reduce the recoverable amount to below the carrying amount. Based on the historic sales performance of the business and investment made to support the growth, the directors do not expect this reduced level of future annual operating cash flows to occur.

	Projection period in value in use calculations		
	In perpetuity	15 years	10 years
Amount by which recoverable amount, based on value in use, exceeds the carrying amount (£'000)	180,717	126,579	82,520
Reduction in annual revenue growth below the growth assumptions used in value in use calculation required to reduce the recoverable amount below the carrying amount.	33%	30%	25%

11. Investment in subsidiaries

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of share held	Ownership 2021	Ownership 2020
Cloudcall Limited	England and Wales	Ordinary	100%	100%
Cloudcall BY. LLC	Belarus	Ordinary	100%	100%
Cloudcall, Inc. *	USA	Ordinary	100%	100%
Cloudcall AU PTY Ltd *	Australia	Ordinary	100%	100%

* Cloudcall, Inc. and Cloudcall AU PTY Ltd are indirectly owned, being 100% subsidiaries of Cloudcall Limited.

Each of the subsidiary companies is engaged in the Group's principal activity to provide products and services designed to enable organisations to use their communications more effectively.

There are no significant restrictions on the entities ability to access or use assets, and settle liabilities, of the subsidiaries in the Group.

The registered office for each subsidiary is:

Cloudcall Limited	1 Colton Square, Colton Street, Leicester, LE1 1QH, UK
Cloudcall BY LLC	Minsk, 220036, Dzerzinskogo av., 5-711, Belarus
Cloudcall, Inc.	320 Congress Street, Boston, Massachusetts, 02110, USA
Cloudcall AU PTY Ltd	Level 8, 419 Collins St, Melbourne VIC 3000, Australia

In response to the political unrest in Belarus in 2020, the directors made the difficult decision to migrate the Group's existing offshore software development capability from Belarus to an external provider based in Poland. This transfer was completed in August 2021 with the process being carefully planned to ensure minimal disruption to the Group's software development activities. As a result of this transfer, Cloudcall BY. LLC has become a dormant company and the Group is now in the process of liquidating this entity.

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

	Shares in subsidiaries £'000
Balance at 1 January 2020	2,971
Capital contributions to subsidiary companies	279
Balance at 31 December 2020	**3,250**
Capital contributions to subsidiary companies	183
Balance at 31 December 2021	**3,433**

12. Deferred tax assets and liabilities

No net deferred tax asset or liability has been recognised in the Company or the Group in relation to unrelieved trading losses or temporary differences on share-based payments, accelerated capital allowances and intangible assets. Other than to the extent that they offset any potential deferred tax liability, no deferred tax asset has been recognised on trading losses as, in accordance with IAS 12, there is at present insufficient evidence that sufficient taxable profits will be available in the near future to recover the assets. This is due to the early stage of commercialisation of products and the position will be reviewed each year.

The Group did not recognise deferred tax in respect of:

	Group 2021 £'000	Group 2020 £'000
Accelerated capital allowances	**(146)**	(142)
Share based payments	**15**	251
Intangible assets	**(1,373)**	(774)
Trading losses	**6,282**	3,969
	4,778	3,304

The gross value of unrelieved trading losses carried forward by the Group as at 31 December 2021 was £24,662k (2020: £19,415k)

13. Non-current assets by location

	Group 2021 £'000	Group 2020 £'000
UK	**7,514**	6,398
USA	**1,072**	199
Europe	**-**	43
Rest of the World	**30**	49
	8,616	6,689

14. Trade and other receivables

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade receivables	**1,573**	1,264	**-**	-
Other receivables and prepayments	**1,965**	1,515	**463**	451
Amounts receivable due from group undertakings	**-**	-	**39,925**	29,927
	3,538	2,779	**40,388**	30,378

All trade and other receivables are expected to be recovered in less than 12 months. Amounts owed by group undertakings are unsecured, do not bear interest and are repayable on demand.

The Group has recognised a loss of £267,000 (2020: £295,000) in profit or loss in respect of the expected credit losses for the year ended 31 December 2021 in relation to trade receivables. See Note 23 for further details.

All trade receivables recognised in the year are generated from contracts with customers. Other receivables and prepayments include contract assets arising from deferred set-up fee costs, directly attributable sales commissions and "free month" incentives of £670k (2020: £682k). The amortisation of contract assets led to a charge of £827k (2020: £441k) in profit or loss for the year ended 31 December 2021.

The Board of CloudCall Group Limited has considered the provisions around impairment of inter-company indebtedness contained within IFRS 9 "Financial Instruments" and concluded that the chance of default is low in light of future growth projections, capital restructuring options open to it, and the high level of control exerted over its subsidiary operations. However, as this balance is expected to be repaid over the long-term, a provision of £400k (2020: £2.1m) has been recognised in line with the requirements of IFRS 9. The provision has reduced significantly given the more ambitious growth prospects for the trading subsidiaries post acquisition of the Group by Xplorer Capital Growth 1, LLC.

15. Cash and cash equivalents

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Cash held at bank	**4,995**	5,676	**3,122**	4,378
	4,995	5,676	**3,122**	4,378

16. Trade and other payables

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade payables	**1,255**	702	**608**	252
Other payables and accrued expenses	**1,235**	915	**248**	193
Contract liabilities	**216**	173	**-**	-
Other taxes and social security	**754**	598	**309**	333
Amounts payable owed to group undertakings	**-**	-	**70**	70
	3,460	2,388	**1,235**	848

All trade and other payables are repayable in less than 12 months and are unsecured. Amounts owed to group undertakings are unsecured, do not bear interest and are repayable on demand.

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was £216,000 as at 31 December 2021 (£173,000 as at 31 December 2020) and is expected to be recognised as revenue in future periods as follows:

	2021 £000	2020 £000
Within 6 months	**143**	92
6 to 12 months	**57**	45
12 to 18 months	**8**	19
18 to 24 months	**5**	14
Over 24 months	**3**	3
	216	173

The amount of revenue recognised during the year in relation to contract liabilities outstanding at 31 December 2020 was £137k.

17. Borrowings

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Current borrowings				
Bank loan	**2,318**	789	**2,318**	789
Lease liabilities	**450**	255	**214**	136
	2,768	1,044	**2,532**	925
Non-current borrowings				
Bank loan	**9**	1,365	**9**	1,335
Lease liabilities	**1,912**	1,331	**1,115**	1,331
	1,921	2,696	**1,124**	2,696

As at 31 December 2020, the Group owed £2.1m to Shawbrook Bank under a facility which was set to expire in March 2023. The facility attracted interest at a margin of 9% plus the higher of LIBOR or 0.5% per annum.

In April 2021 the Group replaced this loan facility with a new £5.0m facility with Shawbrook Bank. The Group drew down an initial balance of £3.0m with the £2.0m undrawn element being available for draw down before April 2022 subject to covenants adherence. Post year-end the Group decided not to draw down the additional £2m element. The new facility was negotiated for a 3-year term which is set to expire in April 2024.

The facility agreement includes a covenant which stipulates that "The Borrower must ensure that at all times Cloudcall BY LLC will not hold cash in excess of the equivalent of three times the current Month's operating expenses". As Cloudcall BY LLC became dormant in August 2021, with ongoing expenses only relating to current account fees, the Group was in technical breach of this covenant as at 31 December 2021 given the remaining cash of £8k within this entity is significantly more than three times current monthly operating expenditure which has averaged less than £1k per month since August. Shawbrook Bank have informally waived this breach given its commercial insignificance, however, as no formal waiver was provided by the bank before 31 December 2021, the balance which is due for repayment beyond 2022 has been classified as short-term in accordance with accepted accounting practice.

Interest is charged at 9.75% plus the higher of either LIBOR (In the future SONIA) or 0.5% per annum. A non-utilisation fee of 1.5% is also payable on the undrawn element up to and including expiry of the availability period in April 2022. As at 31 December 2021 the Group owed £2.3m under this facility.

The Facility is secured over the assets of the Group.

18. Leases

Group	Land and buildings	Vehicle leases	Total
	£'000	£'000	£'000
Cost			
At 1 January 2020	1,839	124	1,963
Additions	836	-	836
Disposals		(85)	(85)
Remeasurements	(161)	-	(161)
Exchange rate translation difference	(42)	-	(2)
At 31 December 2020	2,512	39	2,551
Additions	1,061	-	1,061
Disposals	(837)	(39)	(876)
Exchange rate translation difference	62	-	62
At 31 December 2021	**2,798**	**-**	**2,798**
Depreciation and impairment			
At 1 January 2020	(769)	(15)	(784)
Depreciation charge	(436)	(29)	(465)
Eliminated in respect of disposals	-	30	30
Exchange rate translation difference	29	-	29
At 31 December 2020	(1,176)	(14)	(1,190)
Depreciation charge	(432)	(8)	(440)
Eliminated in respect of disposals	846	22	868
Exchange rate translation difference	(10)	-	(10)
At 31 December 2021	**(772)**	**-**	**(772)**
Net carrying amount			
At 1 January 2020	1,070	109	1,179
At 31 December 2020	1,336	25	1,361
At 31 December 2021	**2,026**	**-**	**2,026**

	Group **2021** £'000	Group 2020 £'000	Company **2021** £'000	Company 2020 £'000
Carrying amount of right-of-use assets included within:				
- Land and buildings	2,026	1,336	1,059	1,252
- Vehicles	-	25	-	25
Total carrying amount presented within 'property, plant and equipment'	2,026	1,361	1,059	1,277

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Effect of leases on financial performance:				
Depreciation charge for the year included in 'administrative expenses' for right-of-use assets:				
- Land and buildings	432	436	202	190
- Vehicles	8	29	8	29
Total depreciation charge on leased assets	440	465	210	219
Interest expense for the year on lease liabilities recognised in 'finance costs'	162	152	110	119
Effect of leases on cash flows:				
Total cash outflow for leases in the year	465	542	241	249

Maturity analysis of future cash outflows	Within 6 months £'000	6 months - 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total At 31 December 2020 £'000
Property leases	238	117	1,259	353	1,967
Vehicle leases	6	7	3	-	16
	244	124	1,262	353	1,983

Maturity analysis of future cash outflows	Within 6 months £'000	6 months - 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total At 31 December 2021 £'000
Property leases	307	315	2,155	37	2,814
Vehicle leases	-	-	-	-	-
	307	315	2,155	37	2,814

The group has engaged in the following leasing activities:

- The group leased office premises in Leicester for 10 years from March 2017 to March 2027. Additional office space was taken out in Leicester for 7 years from February 2020 to February 2027.
- The group leased office premises in Boston for 4 years from June 2017 to May 2021. Replacement premises were taken on In Boston during 2021 for the period from June 2021 to September 2025.
- The group initially leased office premises in Belarus for 5 years from January 2018 to December 2022. As a result of the strategic decision to wind down the Group's Belarussian operations, management exercised a break clause to terminate this Lease in June 2021.
- The group leased motor vehicles for periods of 3-4 years from April 2019. All such leases were terminated prior to or during 2021.

An incremental borrowing rate of 8.35% was used to calculate the present value of the land and buildings lease liabilities taken out in 2017, 2018 and 2021. An incremental borrowing rate of 7.5% was used to calculate the present value of the land and buildings lease liabilities taken out in 2020. An incremental borrowing rate of 6.9% was used to calculate the present value of all vehicle lease liabilities.

19. Provisions for liabilities

Provisions for liabilities consists of:

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Dilapidation provisions	**144**	91	**91**	91
	144	91	**91**	91

Movements in the dilapidation provisions during the year were as follows:

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
At 1 January 2021	**91**	-	**91**	-
Provision created	**53**	91	**-**	91
At 31 December 2021	**144**	91	**91**	91

The dilapidation provisions arise from the Group's legal obligations to restore office premises to their original condition upon exit of the applicable leases. The quantum and timing of the amount payable is uncertain until the point in time at which the Group exits the office premises. The Group's current leases for these premises expire in February 2027 and September 2025.

20. Equity settled share-based payments

The employee option scheme shares in existence in the year resulted in a total share-based payment charge of £211k (2020: £412k) for the Group in the year and a charge of £27k (2020: £132k) for the Company in the year.

Cloudcall Group plc Long-term Incentive Plan

On 31 August 2017, the Group set up a Long-Term Incentive Plan to which four senior employees were issued with 36 B shares in the capital of Cloudcall Limited, representing 1.2% of the Company's share capital. Holders of the B shares were entitled to participate in any return of capital if certain targets were met by the Group. A capital return to B shareholders was possible in the event of a sale of shares, liquidation or reduction of capital, share buyback, dissolution or winding up.

The B shares could be "put" to the Group after the end of a vesting period which ran for four years after 31 August 2017 if certain targets were met. The minimum target was for the average mid-market closing price of the 20p ordinary share of the Company for the 90 days prior to 31 August 2021 to equal or exceed £2.50 and during the month prior to 31 August 2021, the number of active users to equal or exceed 40,000. The return to the B shareholders was calculated on a pro-rata basis based on the terms included in the Articles of Association of Cloudcall Limited. The B shares could also be "put" to the Group if an offer was made to acquire a controlling interest in the Group. If the put option was exercised, a B shareholder would oblige the Group to buy the B shares in return for cash or shares in the Group. The form of consideration was at the discretion of the Group. All B shares would convert automatically to Deferred shares on the fifth anniversary of the issue. The Deferred shares would carry no voting rights or dividend rights and have no economic value.

Set out below is the number of shares which each of the senior employees received on the Award Date:

Name	Number
Simon Cleaver	12
Paul Williams	9
Andrew Jones	9
Jason Kendall	6
	36

The fair value of the B shares issued was calculated using the Monte Carlo model with the following assumptions:

Date of grant – 31 August 2017
Share price at grant - £1.135
Date of put option exercise – 31 August 2021
Expected volatility – 49.3%
Expected dividend yield – 0.0%
Risk free interest rate – 0.3%
Percentage employees expected to stay over the life of the plan – 100% (updated to 75% in 2019)
Estimated number of active users at exercise date – 50,000 (updated to 52,500 – 55,000 in 2021)

The expected volatility was based upon the historic volatility of the Company's share price over the 4 year period to 31 August 2017.

The expected dividend yield was based upon the Company historically not paying a dividend.

The risk-free rate was based on a zero-coupon UK government bond as at 31 August 2017.

This resulted in a charge of £8k (2020: £165k) for the Group and £6k (2020: £128k) for the Company in the year.

Upon expiry of the vesting period on 31 August 2021, the minimum target for the average mid-market closing price of the 20p ordinary share of the Company was not met and thus the B shareholders were not able exercise their "put" option.

Cloudcall Group plc Executive Management Incentive Plan

On 24 May 2021, the Group granted share options to members of the executive management team under a new long-term incentive plan with these options being subject to both performance conditions and a share price underpin. Set out below is a summary of the number of share options which were awarded to each of the senior employees and the performance conditions attached to those options:

Option awards

Name	Maximum award
Simon Cleaver	**750,000***
Paul Williams	**400,000**
James Maloney	**400,000**
Matt Gayleard	**200,000**
Abigail Wilkinson	**150,000**
	1,900,000

*In respect of Simon Cleaver, the base award is 500,000, however, where the maximum Revenue hurdle of £27m and the maximum EBITDA hurdle of £2.1m and the underpin Share price of £2.50 are all achieved then the allocated option awards will increase by 25,000 options for each 10p increase in the share price up to a share price of £3.50. i.e. the maximum award becomes 750,000.

Performance conditions

The share options incorporate two performance conditions to be measured as at 31 December 2023 with 75% of the option award relating to a revenue target and 25% relating to an EBITDA target. The hurdles are set out below:

(i) Revenue

Hurdle	Threshold	Target	Maximum
Hurdle Value	£20m	£24m	£27m
Growth % pa	20%	27%	32%
% Option Vesting	25%	50%	100%

(ii) EBITDA

Hurdle	Threshold	Target	Maximum
Hurdle Value	(£1.0m)	£0m	£2.1m
EBITDA %	-5%	0%	8%
% Option Vesting	25%	50%	100%

Any performance that falls between these Hurdles will be calculated on a straight-line basis between the two relevant hurdles.

In respect of the awards, no Option is capable of vesting (in full or in part) unless a minimum share price ("the Underpin") of £2.50 has been met. The Underpin must be achieved or exceeded for any period of 30 consecutive days, as measured on any relevant date in the two-year period starting on the first day after the Performance Period ceases and ending two calendar years later (i.e. it must be attained between 1 January 2024 and 31 December 2025).

Options will vest and become exercisable on the date that the Rem Com notifies participants that both the Performance Conditions and the Underpin have been achieved. The earliest point at which the options can fully vest is 30 January 2024. If the Underpin is not met within the relevant time period detailed above, the options will lapse on 31 December 2025.

Options will lapse upon cessation of employment with the Group, however, good leaver provisions are in place as well as provisions covering other potential scenarios such as a change in control of the Company. Ultimately, the Remuneration Committee has discretion as to the proportion of options which are deemed to be vested under these scenarios.

The fair value of options granted was measured using a Monte-Carlo simulation model and using the following assumptions as inputs:

Share price at valuation date - £0.71
Expected options life – 3.6 years
Expected dividend rate - nil
Risk free interest rate – 0.19%
Expected volatility – 38.8%
%-age employees expected to stay over the life of the plan – 100%

The expected volatility is based on historic volatility up to the date of grant, adjusted for any expected changes to future volatility due to publicly available information.

This resulted in a charge of £27k (2020: £nil) for the Group and £16k (2020: £nil) for the Company in the year.

Post year-end and immediately prior to the acquisition of the Group by Xplorer Capital Growth 1, LLC, the Remuneration Committee determined that 1/3 of the unvested share options under the Executive Management Incentive Plan would be deemed vested allowing 633,333 of the options to be exercised by the scheme participants. On the 25th January 2022, the company allotted and issued 633,333 ordinary shares in respect of the share options exercised under this plan raising gross proceeds of £433k.

Cloudcall Group plc 2011 Share Option Plan

The Company operates the Cloudcall Group plc 2011 Share Option Plan. The number of Ordinary Shares which may be utilised within any 10-year period under the Share Option Plan and under any other discretionary/executive share option plans established by the Company shall not normally exceed 10% of the issued Ordinary Share Capital of the Company from time to time. Since May 2021, no further options can be granted under this plan. The principal terms are summarised below:

Options to subscribe for Ordinary Shares of the Company may be granted (at the discretion of the Board or the Remuneration Committee of the Board) to selected employees or Directors of or consultants to the Group.

The options granted in June 2011 vest 1/3 on the expiry of 12 months from the date of grant. Thereafter, an equal percentage of the options vest each month until the expiry of three years from the date of grant when 100 per cent of the options will have vested.

All other options will vest 25 per cent on the expiry of 12 months from the date of grant. Thereafter, an equal percentage of the options will vest each month until the expiry of three years from the date of grant when 100 per cent of the options will have vested.

All options are equity settled by physical delivery of shares. Options lapse 3 months after leaving employment if not exercised.

The following options were issued in the year:

Effective date of award	No. of instruments	Life
28 February 2021	6,667	1 year
28 February 2021	6,667	2 years
28 February 2021	6,666	3 years
	20,000	

The fair value of options granted was measured using a Black-Scholes share option valuation model and using the following assumptions as inputs:

Expected options life – 5 years
Expected dividend rate - nil
Risk free interest rate – 0.4%
Expected volatility – 42.0%
%-age employees expected to stay over the life of the plan – 60%

The expected volatility is based on historic volatility up to the date of grant, adjusted for any expected changes to future volatility due to publicly available information.

There were no market conditions associated with the share option grants.

Post year-end and immediately prior to the acquisition of the Group by Xplorer Capital Growth 1, LLC, the Remuneration Committee determined that all unvested share options under the Cloudcall Group plc 2011 Share Option Plan would be deemed vested allowing any "in the money" options to be exercised by directors and staff.

On the 25th January 2022, the company allotted and issued 142,625 ordinary shares in respect of share options exercised under this plan raising gross proceeds of £104k.

Cloudcall Group plc 2021 Share Option Plan

Upon expiry of the Cloudcall Group plc 2011 Share Option Plan in 2021, the company introduced a new share option plan which allows for the grant of share options to directors and staff. Whilst it is anticipated that the majority of options granted under this plan will take the form of Enterprise Management incentive (EMI) options, the plan also allows for the grant of other options which do not have the tax benefits normally associated with EMI options. For example, the option plan allows for the grant of CSOP, ISO and unapproved share options.

The Scheme is an equity settled arrangement and options granted under the scheme have a maximum life of 10 years from the date of grant. The number of Ordinary Shares which may be utilised within any 10-year period under the Share Option Plan and under any other discretionary/executive share option plans established by the Company shall not normally exceed 15% of the issued Ordinary Share Capital of the Company from time to time.

The remuneration committee, at its discretion, can impose performance conditions on options granted under the plan, however, it is intended that most options will only be subject to continuous service conditions and will be capable of being exercised upon the third anniversary of the grant date.

As a general rule, options will lapse upon cessation of employment with the Group, however, good leaver provisions are in place as well as provisions covering other potential scenarios such as a change in control of the Company. Ultimately, the Remuneration Committee has discretion as to the proportion of options which are deemed to be vested under these scenarios.

The following options were issued in the year:

Effective date of award	No. of instruments	Life
28 June 2021	140,000	3 years
	140,000	

The fair value of options granted was measured using a Black-Scholes share option valuation model and using the following assumptions as inputs:

Expected options life – 5 years
Expected dividend rate - nil
Risk free interest rate – 0.34%
Expected volatility – 41.8%
%-age employees expected to stay over the life of the plan – 60%

The expected volatility is based on historic volatility up to the date of grant, adjusted for any expected changes to future volatility due to publicly available information.

There were no market conditions associated with the share option grants.

Post year-end and immediately prior to the acquisition of the Group by Xplorer Capital Growth 1, LLC, the Remuneration Committee determined that all unvested share options under the Cloudcall Group plc 2021 Share Option Plan would be deemed vested allowing any "in the money" options to be exercised by directors and staff. On the 25th January 2022, the company allotted and issued 140,000 ordinary shares in respect of share options exercised under this plan raising gross proceeds of £94k.

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

Year ended 31 December 2021	No. of instruments	Weighted average exercise price Pence
Outstanding at the beginning of the period	2,365,838	98
Granted during the period	2,060,000	70
Exercised during the period	(15,937)	(90)
Surrendered during period	(800,647)	(107)
Outstanding at the end of the period	3,609,254	80
Exercisable at the end of the period	1,072,382	97

The options outstanding at the year-end have an exercise price in the range of 57.5 to 231 pence and a weighted average remaining contractual life of 8.5 years.

Warrants

	Group		Company	
Year ended 31 December 2021	No. of instruments	Weighted average exercise price Pence	No. of instruments	Weighted average exercise price Pence
Outstanding at the beginning of the period	33,500	132	33,500	132
Granted during the period	-		-	
Exercised during the period	-		-	
Outstanding at the end of the period	33,500	132	33,500	132
Exercisable at the end of the period	33,500	132	33,500	132

There were no new warrant awards granted during 2021 or 2020.

21. Share capital

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

Number of shares	2021 (000)	2020 (000)	2021 £'000	2020 £'000
Allotted, called up and fully paid Ordinary shares of £0.20 each	**48,029**	38,811	**9,606**	7,763

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

Number of shares	Ordinary shares (000)
In issue at 31 December 2020 - fully paid	38,811
Issued in consideration for additional shares placed on 26 March 2021	**5,521**
Issued in consideration for additional shares placed on 29 March 2021	**3,681**
Issued in respect of warrants and options	**16**
In issue at 31 December 2021 - fully paid	**48,029**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

On 12 January 2021, 10,000 ordinary shares were issued in respect of share options exercised.

On 14 January 2021, 5,937 ordinary shares were issued in respect of share options exercised.

On 26 March 2021, 5,521,472 ordinary shares were issued in respect of shares placed.

On 29 March 2021, 3,680,981 ordinary shares were issued in respect of shares placed.

The total share issue costs during the year ended 31 December 2021 of £464k (2020: £10k) have been deducted from the share premium account.

22. Loss per share

Basic loss per share

The calculation of basic loss per share for the year ended 31 December 2021 of 15.5 pence (2020: 14.8 pence) was based on the loss for the year attributable to owners of the parent of £7,100k (2020: £5,746k) and a weighted average number of Ordinary Shares outstanding during the period of 45,911,000 (2020: 38,775,000), calculated as follows:

(Thousands of shares)	2021 (000)	2020 (000)
Issued ordinary shares at start of year	**38,811**	38,756
Issued for cash on 26 March 2021	**4,251**	-
Issued for cash on 29 March 2021	**2,834**	-
Issued in respect of warrants and options	**15**	19
Weighted average number of ordinary shares	**45,911**	38,775

Diluted loss per share

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

23. Financial instruments

Exposure to currency and credit risk arises in the normal course of business.

Qualitative disclosures in respect of the nature and extent of the Group's and Company's exposure to risks arising from financial instruments along with the methods used to measure the risks and the objectives, policies and processes employed for managing the exposure are described in Note 3.

Credit risk

The carrying value of financial assets at the reporting date represents the maximum credit exposure.
The maximum exposure to credit risk at the reporting date was:

Cash and cash equivalents

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Cash held at bank	**4,995**	5,676	**3,122**	4,378
	4,995	5,676	**3,122**	4,378

Debt instruments measured at amortised cost

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade receivables	**1,573**	1,264	**-**	-
Other receivables	**203**	157	**85**	85
Amounts receivable due from group undertakings	**-**	-	**39,925**	29,927
	1,776	1,421	**40,010**	30,012

No collateral or security is held in relation to amounts shown within trade and other receivables. There is little significant concentration of credit risk by customer and geography within trade and other receivables and the Group considers the possibility of significant loss in the event of non-performance by a commercial counterparty to be unlikely.

An analysis of trade receivables ageing based on due date and allowance for expected credit losses provided for are set out below:

	Carrying amount 2021 £000	Carrying amount 2020 £000
Not yet overdue	**1,340**	1,169
1 – 30 days overdue	**210**	51
30 – 60 days overdue	**33**	13
60+ days overdue	**370**	382
	1,953	1,615
Allowance for expected credit losses	**(380)**	(351)
	1,573	1,264

Expected credit loss rates have been calculated utilising a provision matrix which incorporates both ageing and geographic location of trade receivables. The rates utilised within the provision matrix are based on historical credit losses experienced over the previous 3 years. For trade receivables due from UK and EU customers, the expected credit loss rate is 10% (2020: 10%) for balances not yet overdue and 25% - 70% (2020: 20% - 75%) for overdue balances depending on ageing. For trade receivables due from US and other global customers, the expected credit loss rate is 10% (2020: 10%) for balances not yet overdue and 30% (2020: 30%) for overdue balances. In addition to the credit loss allowance calculated via the Group's provision matrix, an allowance of £33k (2020: £51k) has been included to incorporate a further 2.5% (2020: 5%) provision against UK and EU customers and 2.5% (2020: 2.5%) provision against US and other global customers to reflect the increased risk of debtor recoverability arising from the continuing impact of the COVID-19 pandemic.

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

	Group 2021 £000	Group 2020 £000
Opening balance	**351**	56
Additional provisions recognised	**267**	295
Receivables written off during the year as uncollectable	**(238)**	-
Closing balance	**380**	351

Liquidity risk

The contractual maturity of trade payables, other payables, bank borrowings and inter-group debt approximates to carrying value. The contractual maturity of lease liabilities is detailed in note 18 with the contractual cash outflows of £2,814k exceeding the carrying value of these liabilities by £452k. The significant balance of lease liabilities is repayable over the next 6 years, and as such, the Directors do not consider that this gives rise to significant liquidity risk.

Financial liabilities measured at amortised cost

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade payables	**1,255**	702	**608**	252
Other payables	**1,360**	943	**339**	284
Amounts payable owed to group undertakings	**-**	-	**70**	70
Bank loans	**2,327**	2,154	**2,327**	2,154
Lease liabilities	**2,362**	1,586	**1,329**	1,467
	7,304	5,385	**4,673**	4,227

Interest rate risk

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

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Variable rate instruments				
Cash and cash equivalents	**4,995**	5,676	**3,122**	4,378
Bank loans	**2,327**	2,154	**2,327**	2,154

The Group and Company invest surplus cash in short term money market or deposit accounts to achieve the highest possible interest rates whilst having regard to the credit rating of the banking institutions and the currencies required by the Group.

The Group has in place a term loan with Shawbrook Bank and asset backed financing with Barclays Bank; details of these loans can be found within note 17. As the Shawbrook facility is linked to LIBOR, and in the future SONIA, which are reflective of underlying base rates, the interest margin is expected to remain low for the foreseeable future and thus interest rate risk is considered low for the Group.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by an amount which is deemed to be immaterial.

Foreign currency risk

The Group undertakes operations using £ sterling and US dollars. Exchange differences arising on the settlement of invoices are taken to profit or loss as incurred. Exchange gains or losses on the retranslation of monetary items at the reporting date are also taken to profit or loss.

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

Most of the Group's inter-company debt is denominated in Sterling (between Cloudcall Group Limited and Cloudcall Limited), however, there exists a net inter-company debt of £7,288k (2020: £7,600k) payable by Cloudcall, Inc. to Cloudcall Limited and an inter-company debt of £916k (2020: £732k) payable by Cloudcall AU PTY Ltd to Cloudcall Limited. Over the course of the year, the movement of GBP to USD FX rates has resulted in a credit to the operating statement of £26k (2020: £52k debit) and a credit to other comprehensive income of £53k (2020: £105k debit).

Fair values

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

24. Related parties

Cloudcall Group Limited is the parent company of the Group. There is no overall control of Cloudcall Group Limited.

During the year, the Company charged management fees to Cloudcall Limited of £1,793k (2020: £1,629k).

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

	2021 £000	2020 £000
Cloudcall Limited	**39,925**	29,927
Cloudcall, Inc.	**(70)**	(70)
	39,855	29,857

During the year, the Group incurred costs of £11k (2020: £39k) in respect of services provided by Vikaas Talent Limited, a company in which G Browning is a director. No amounts were outstanding at the year-end (2020: £nil).

During the year, the Group incurred costs of £nil (2020: £72k) in respect of services provided by Eton Bridge Partners Ltd, a company in which G Browning is a director. No amounts were outstanding at the year-end (2020: £nil).

25. Events after the reporting period

On 9 December 2021, the directors of CloudCall Group plc ("CloudCall") and Xplorer Capital Growth I, LLC ("Xplorer Capital") announced that they had reached agreement on the terms of a recommended acquisition by Xplorer Capital of the entire issued and to be issued ordinary share capital of CloudCall (the "Acquisition"), to be effected by way of a court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the "Scheme"). On 17 January 2022, the Scheme was approved by the requisite majorities of Scheme Shareholders at the Court Meeting and the Special Resolution to implement the Scheme was approved by the requisite majority of CloudCall Shareholders at the General Meeting. On 24 January 2022, the High Court of Justice of England and Wales made an order sanctioning the Scheme under section 899 of the Companies Act 2006.

On the 25th January 2022, the company allotted and issued 915,958 ordinary shares in respect of share options exercised raising gross proceeds of £631k.

On the 26th January 2022, the whole of the issued share capital of the Company was acquired by Xplorer Capital Growth 1, LLC.

On the 8th February 2022, the Company changed its name from CloudCall Group plc to CloudCall Group Limited and re-registered from a public company to a private limited company.

On the 13th April 2022, the Group signed heads of terms on a new $20m debt facility with Eastward Fund Management, LLC ("Eastward"). The proposed facility has been negotiated over a 4-year term with an interest free period of 18-months capable of extension to 24-months providing certain revenue growth targets are satisfied. Interest is charged at 8.25% plus the higher of 3.5% or the US Federal Reserve Interest Rate. It is anticipated that the facility will complete in early July with the Shawbrook facility being repaid at the same time. On the 22nd April 2022, and in order to support the growth of global operations, the Group took on office premises in London entering into a 5-year lease. This transaction resulted in the recognition of a lease liability of £1,211k and a right of use asset of £1,225k on inception.