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Netcall PLC
23 September 2014

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NETCALL PLC

("Netcall", the "Company", or the "Group")

Final Results

"Good demand across all sectors, contributing to the healthy trading in the year "

Netcall plc (AIM: NET), a leading customer engagement software provider, today announces its audited results for the year ended 30 June 2014.

Financial Highlights

- Revenue increased 5% to £16.9m (2013: £16.1m), comprising underlying core growth of 9%
- Adjusted EBITDA(1) increased by 16% to £4.93m (2013: £4.24m)
- Adjusted earnings per share(2) increased 10% to 2.81p (2013: 2.56p)
- Dividend of 0.9p per share proposed, an increase of 29% (2013: 0.7p per share)
- Revenue of a recurring nature(3) £10.7m corresponding to 64% of total revenue
- Profit before tax £1.89m (2013: £2.26m) after impact of £1.07m accelerated share-based payment charges
- Basic earnings per share increased 7% to 1.76p (2013: 1.65p)
- Debt-free balance sheet with net cash funds of £11.4m (2013: £9.19m)

1) profit before interest, taxation, depreciation, amortisation, acquisition and restructuring expenses and share-based charges
2) earnings per share before amortisation of acquired intangible assets, acquisition and restructuring expenses, share- based charges, adjusted to a standard rate of corporation tax
3) revenue from support and maintenance and hosted service contracts

Operational Highlights

- Double digit percentage increase in sales order inflow compared to prior year
- Continued strong demand for next generation Liberty platform, across both new and existing customers and all sectors
- High levels of cross and upsell to existing customer base
- Increased investment in R&D, including social media capabilities, enabling customers to manage, monitor and optimise customer engagement through social channels, blogs and other publicly available social and online news media

Henrik Bang, CEO of Netcall, commented,

"Over recent years Netcall has evolved significantly, from a niche provider of call back technology to one of the UK's leading providers of advanced customer engagement solutions, providing innovative technology to over 700 organisations in the private, public and health sectors. The breadth of our Liberty platform means we are well positioned to capitalise on the growing demand for customer engagement, delivering a rapid return on investment for public and private sector customers.

"With a growing pipeline and order book, high levels of recurring revenues and a strong balance sheet, we are confident of the future success of Netcall."

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About Netcall plc

Netcall is a UK company quoted on the AIM market of the London Stock Exchange. Netcall's software product suite provides compelling business process solutions for end-to-end customer engagement, incorporating intelligent contact handling, workforce optimisation, business process management and enterprise content management. Our target markets comprise organisations of all sizes, including many blue-chip companies with global contact centre operations. The Netcall software platform helps organisations meet the growing demands of their customers and prospects whilst improving internal efficiencies, thereby increasing profitability and customer satisfaction.

Netcall's customer base contains over 700 organisations in both the private and public sectors. These include two thirds of the NHS Acute Health Trusts, major telecoms operators such as BT and leading organisations including Interflora, Lloyds Banking Group, Interserve, Prudential, British Sugar, and Thames Water.

For further information, please consult the Netcall website: www.netcall.com.

Introduction

This is Netcall's sixth consecutive year of earnings growth. The continued execution of our strategy has resulted in a double digit percentage increase in sales order inflow compared to the same period last year. In particular there was strong demand for Liberty, our multi-channel customer engagement platform. As a result, Netcall delivered revenue growth in its core market of 9%, an increase over the first half of the financial year, and adjusted EBITDA growth of 16%.

The strength of the recurring revenue base, accounting for approximately two thirds of total revenue, continues to underpin the Group's profitability and ongoing cash generation. The Group maintains a debt free balance sheet with an increased net cash balance of £11.4m at 30 June 2014. As a result of the rise in profitability and net cash, the Board proposes a 29% increase in the dividend to 0.9 pence per share.

We continue to see good demand across all sectors, contributing to the healthy trading in the year. Two-thirds of new business was derived from the existing customer base, demonstrating the potential still to be unlocked from our more than 700 customers. The Group also continues to win new customers as both public and private organisations look to improve their customer engagement capabilities in a cost effective manner, across multiple channels, such as telephone, web and email. New customer wins in the period include Newcastle International Airport, Plymouth Hospitals NHS Trust and Cairn Housing Association.

More organisations recognise that customer engagement is a key strategic priority, enabling them to deliver significant value by improving quality of service to their customers, increasing retention, loyalty and revenue, while driving internal efficiencies and reducing costs. Key trends we are seeing within our customers include the requirement to work cohesively across organisational functions to deliver integrated customer experience and build customer engagement, combined with the automation of a wide range of functions to improve the overall process quality or to build new capabilities into existing customer service processes.

Netcall's end-to-end platform means it is well positioned to capitalise on these trends. We continue to see a growing interest for our suite of software solutions which deliver a rapid return on investment for public and private sector customers, and as a result, the Board remains confident in the Company's prospects.

Financial Review

Group revenue for the year increased 5% to £16.9m (2013: £16.1m) comprising underlying core growth of 9% offset by an ongoing reduction in the MovieLine service as anticipated, which continues to generate positive cash flow for the Group.

Revenue which is considered to be recurring in nature, derived from support, maintenance, hosting and managed service contracts, was £10.7m (2013: £10.7m) being 64% (2013: 66%) of total Group revenue and continues to exceed the Group's fixed operating costs.

The Group's gross profit margin improved from 90% to 91% reflecting an increase in the business mix towards higher margin customer engagement platforms.

Administrative expenses, before depreciation, amortisation, acquisition and reorganisation costs and share-based charges, were £10.4m (2013: £10.2m), representing an improvement in the expense-to-revenue ratio from 63% to 62% as a result of continuing focus on operational efficiencies.

Consequently, the Group recorded a 16% increase in adjusted EBITDA to £4.93m (2013: £4.24m), a margin of 29% of revenue (2013: 26%).

This adjusted EBITDA, after taking into account amortisation of acquired intangible assets of £1.05m and share-based payment charges of £1.69m (including £1.07m of accelerated share-based payment charges), resulted in profit before tax of £1.89m for the period (2013: £2.26m).

The Group reported a tax credit for the year of £0.33m (2013: charge £0.27m) principally as a result of tax relief available from the exercise of share options during the year (tax credit: £1.73m) offset by tax losses for which no deferred tax asset was recognised in the period (tax charge: £1.04m). The underlying effective rate excluding these adjustments is 19% (2013: 12%) which is lower than the statutory rate as a result of additional R&D relief.

Adjusted earnings per share increased 10% to 2.81p (2013: 2.56p). Reported earnings per share increased 7% to 1.76p (2013: 1.65p).

Cash generated from operations before acquisition, reorganisation and national insurance on share options payments, was £4.34m (2013: £4.89m), representing 88% of adjusted EBITDA (2013: 116%).

Expenditure on research and development including capitalised expenditure increased by 16% to £1.76m (2013: £1.52m) due to increased spending on product development. As a result, capitalised software development expenditure was 43% higher at £0.66m (2013: £0.46m).

Total capital expenditure was £0.89m (2013: £0.58m); the balance after capitalised development, being £0.23m (2013: £0.12m) relating to computer hardware and office equipment.

During the period Netcall completed a £1 million joint investment, of which the Company's contribution is up to £250,000, in Macranet Ltd (trading as "Sentiment") to address the growing importance of social media as a channel for customer interaction. Netcall's customers are now able to manage, monitor and optimise customer engagement through social channels (such as Facebook, Twitter, Google+ and LinkedIn), blogs and other publicly available social and online news media, alongside the more established channels of telephone, mobile, web and email.

As a result of these factors, cash increased to £11.4m at 30 June 2014 (30 June 2013: £9.19m). The Group continues to maintain a debt-free balance sheet.

A dividend in respect of the year ended 30 June 2014 of 0.9 pence per share, amounting to a total dividend of £1.23m is to be proposed at the Annual General Meeting on 27 November 2014.

Business Review

Netcall's objective remains consistent: to provide a comprehensive platform of customer engagement software solutions which help both private and public sector organisations transform their customer engagement activities by improving service levels to their customers, patients or citizens while reducing costs.

Businesses across all sectors are looking to ensure that they not only deliver best-in-class customer experience, but increasingly that this is managed seamlessly across multiple channels. There is also a discernible trend of organisations consolidating suppliers and moving towards full suite solution providers that can offer an integrated approach with a single point of view across all channels as well as providing process driven integration with back office and legacy systems.

The cloud and premise based Liberty platform manages multiple interaction channels (web, mobile, social media, web chat, telephone and SMS) linked to workflows, business processes, resource management and back office systems. The platform is highly flexible providing multiple entry points for customers, with the ability to be acquired as a comprehensive suite or on a modular basis, blending cloud and premise based solutions.

Customer wins and implementations

Example of solution implementations and customer wins in the year include:

- An existing FTSE250 financial service client of Netcall's Workforce Management solution with 1,500 agents selected Netcall's cloud callback service to manage peaks in the volume of inbound calls, enabling more calls to be taken and reducing talk time as a result of an improved caller experience.

- An existing police force customer selected Netcall's Contact Center solution, part of the Liberty platform, for use within its 999 environment. While Netcall's technology is already in use at over one third of the UK's police forces, this is typically within the non-emergency 101 service or as an automated switchboard. This is the first 999 environment and demonstrates the robust nature of the Liberty platform. This solution is now available to all police forces.

- An existing hospital trust customer selected the Liberty platform to implement the NHS friends and family test (FFT), a feedback process introduced by the NHS in 2013. Hospital trusts are required to ask patients whether they would recommend hospital wards, A&E departments and maternity services. Through the use of the platform, which automatically surveys patients, the hospital trust increased its rate of response fourfold. This solution is now being marketed to other hospital trusts.

Product Development
Over the last three years investments in product development have increased by 74%, demonstrating the Group's focus on growing its platform capabilities and continuously bringing new valuable solutions to market. A significant share of these investments has been into our innovative Liberty platform, initially launched in the prior year, which has been a key driver of sales growth. New enhancements during the period include the release of our expanded multi-channel capability with web chat being integrated into Liberty's unified queue architecture. This provides both managers and agents with a single integrated interface to the customer's chosen engagement channels and offers them a broad set of integrated capabilities including overview of current activities, upcoming tasks and performance against service levels.

The investment in Sentiment accelerates Netcall's ability to introduce social media as a channel for customer interaction and engagement. Social media is attracting considerable attention in the industry, with the potential to transform customer engagement and, while still at an early stage, it has the potential to grow significantly and is increasingly becoming an important part of a corporate's customer engagement strategy. Netcall is committed to further embedding social media engagement capabilities into the Liberty platform. We were delighted to be able to announce in July that Cairn Housing Association was the first customer to select our integrated social media tools, in a five year Liberty platform agreement. Cairn will overhaul the way it interacts with customers, using Liberty to engage via email, SMS messaging, web chat and social media integrated with Customer Relationship Management ("CRM") software all through a single interface.

Furthermore the Group earlier in the year launched its PCI-DSS accredited cloud payment solution which initially has been rolled out to one of UK's major mobile operators and has provided a number of new sales opportunities. This offering supplements Netcall's PCI accredited premise based payment solutions and enables the Group to offer customers the choice of a premise or cloud based PCI compliant payment solution.

Additionally Netcall has been certified as a Microsoft Lync provider which provides presence information, thus enabling customers to operate more seamlessly across functions and locations.

This ongoing development of our platform offers both new and existing customers compelling reasons to invest in, or upgrade, their platforms, thereby creating incremental revenue opportunity for the Group.

Moving forward, Netcall's product roadmap priorities include the ongoing replication of Liberty functionality to its current Cloud solution, thereby offering customers more flexibility while providing the opportunity to grow the Company's recurring revenue base. In addition, the Group will focus on further enhancing its multi-channel capabilities including mobile devices, voice, email, web, social media and SMS, to ensure the Group continues to offer the best solutions as part of its unified offering to customers.

Acquisitions
The Board continues to review the market for complementary businesses that would enhance the Group's growth. The market remains fragmented and the Board believes this provides opportunity for further earnings enhancing acquisitions.

Outlook

Over recent years Netcall has evolved significantly, from a niche provider of call back technology to one of the UK's leading providers of advanced customer engagement solutions, providing innovative technology to over 700 organisations in the private, public and health sectors. The breadth of our Liberty platform means we are well positioned to capitalise on the growing demand for customer engagement solutions, delivering a rapid return on investment for public and private sector customers.

With a growing pipeline and order book, high levels of recurring revenues and a strong balance sheet, we are confident of the future success of Netcall.

Audited consolidated income statement for the year ended 30 June 2014

£'000	30 June 2014	30 June 2013
Revenue	**16,866**	**16,111**
Cost of sales	(1,513)	(1,661)
Gross profit	**15,353**	**14,450**
Administrative costs	(13,541)	(12,264)
Other gains/ (losses) - net	-	(1)
Adjusted EBITDA	**4,928**	**4,237**
Acquisition credit/ (costs)	50	(146)
Reorganisation costs	-	(97)
Share-based payments	(1,689)	(505)
Depreciation	(127)	(94)
Amortisation of acquired intangible assets	(1,054)	(1,038)
Amortisation of other intangible assets	(296)	(172)
Operating profit	**1,812**	**2,185**
Finance income	85	89
Finance expense	(11)	(10)
Finance income - net	**74**	**79**
Profit before tax	**1,886**	**2,264**

Tax	327	(266)
Profit for the year	**2,213**	**1,998**
Earnings per share - pence		
Basic	1.76	1.65
Diluted	1.72	1.51

All activities of the Group in the current and prior periods are classed as continuing. All of the profit for the period is attributable to the shareholders of Netcall plc.

Audited consolidated statement of comprehensive income for the year ended 30 June 2014

£'000	30 June 2014	30 June 2013
Profit for the period	2,213	1,998
Total comprehensive income for the period	**2,213**	**1,998**

Audited consolidated balance sheet at 30 June 2014

£'000	30 June 2014	30 June 2013
Non-current assets		
Property, plant and equipment	307	272
Intangible assets	11,804	12,428
Investments	188	-
Deferred tax	867	653
Total non-current assets	**13,166**	**13,353**
Current assets		
Inventories	168	278
Trade and other receivables	5,237	4,505
Current income tax asset	66	-
Cash and cash equivalents	11,377	9,187
Total current assets	**16,848**	**13,970**
Total assets	**30,014**	**27,323**
Equity		
Share capital	6,940	6,117
Share premium	3,015	3,015
Merger reserve	2,509	2,509
Capital reserve	188	188
Treasury shares	(419)	(419)
Employee share schemes reserve	394	872
Profit and loss account	7,560	4,603
Total equity	**20,187**	**16,885**
Non-current liabilities		
Deferred tax	594	845
Other payables	24	88
Provisions	84	68
Total non-current liabilities	**702**	**1,001**
Current liabilities		
Trade and other payables	3,353	3,367
Current income tax liabilities	-	97
Deferred income	5,772	5,973
Total current liabilities	**9,125**	**9,437**
Total liabilities	**9,827**	**10,438**
Total equity and liabilities	**30,014**	**27,323**

Audited consolidated statement of cash flows for the year ended 30 June 2014

£'000	30 June 2014	30 June 2013
Cash flows from operating activities		
Profit before income tax	1,886	2,264
Adjustments for:		
Depreciation	127	94
Amortisation	1,350	1,210
Share-based payments	989	505
Net finance income	(74)	(79)
Changes in working capital (excluding the effects of acquisitions)		
Inventories	110	(33)
Trade and other receivables	(724)	365
Trade and other payables	(264)	286
Cash generated from operations	**3,400**	**4,612**
Analysed as:		
Cash generated from operations before acquisition, reorganisation payments and national insurance on share options	**4,341**	**4,890**
Acquisition costs paid	-	(146)
Reorganisation costs paid	-	(132)
National insurance on share options paid	(941)	-
Interest paid	(11)	(10)
Income tax paid	(160)	(555)
Net cash generated from operating activities	**3,229**	**4,047**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	-	(1,946)
Investment in Macranet	(188)	-
Purchases of property, plant and equipment	(168)	(103)
Proceeds from disposal of property, plant and equipment	7	-
Development expenditure capitalised	(657)	(460)
Purchases of other intangible assets	(69)	(22)
Interest received	77	89
Net cash used in investing activities	**(998)**	**(2,442)**

Cash flows from financing activities		
Proceeds from issue of ordinary shares	823	10
Purchase of treasury shares	-	(252)
Dividends paid to Company shareholders	(864)	(607)
Net cash used in financing activities	**(41)**	**(849)**
Net increase in cash and cash equivalents	**2,190**	**756**
Cash and cash equivalents at beginning of period	9,187	8,431
Cash and cash equivalents at end of period	**11,377**	**9,187**

Audited consolidated statement of changes in equity at 30 June 2014

£'000	**Share capital**	**Share premium**	**Merger reserve**	**Capital reserve**	**Treasury shares**	**Employee share scheme reserve**	**Retained earnings**	**Total**
Balance at 30 June 2012	**6,112**	**3,010**	**2,509**	**188**	**(167)**	**612**	**3,208**	**15,472**
Increase in equity reserve in relation to options issued	-	-	-	-	-	264	-	264
Reclassification following exercise and lapse of options	-	-	-	-	-	(4)	4	-
Purchase of treasury shares	-	-	-	-	(252)	-	-	(252)
Proceeds from share issue	5	5	-	-	-	-	-	10
Dividends to equity holders of the company	-	-	-	-	-	-	(607)	(607)
Transactions with owners	**5**	**5**	**-**	**-**	**(252)**	**260**	**(603)**	**(585)**
Profit and total comprehensive income for the year	-	-	-	-	-	-	1,998	1,998
Balance at 30 June 2013	**6,117**	**3,015**	**2,509**	**188**	**(419)**	**872**	**4,603**	**16,885**
Increase in equity reserve in relation to options issued	-	-	-	-	-	989	-	989
Tax credit relating to share options	-	-	-	-	-	141	-	141
Reclassification following exercise and lapse of options	-	-	-	-	-	(1,608)	1,608	-
Proceeds from share issue	823	-	-	-	-	-	-	823
Dividends to equity holders of the company	-	-	-	-	-	-	(864)	(864)
Transactions with owners	**823**	**-**	**-**	**-**	**-**	**(478)**	**744**	**1,089**
Profit and total comprehensive income for the year	-	-	-	-	-	-	2,213	2,213
Balance at 30 June 2014	**6,940**	**3,015**	**2,509**	**188**	**(419)**	**394**	**7,560**	**20,187**

Notes to the financial information for the year ended 30 June 2014

1. General information
Netcall plc (AIM: "NET", "Netcall", or the "Company"), is a leading provider of customer engagement software, is a limited liability company and is quoted on AIM (a market of the London Stock Exchange). The Company's registered address is 3rd Floor, Hamilton House, 111 Marlowes, Hemel Hempstead, HP1 1BB and the Company's registered number is 01812912.

2. Basis of preparation
The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group').

The financial information set out in these preliminary results has been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by European Union. The accounting policies adopted in this results announcement have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the period ended 30 June 2013.

The consolidated financial information is presented in sterling (£), which is the company's functional and the Group's presentation currency.

The financial information set out in these results does not constitute the company's statutory accounts for 2014 or 2013. Statutory accounts for the years ended 30 June 2014 and 30 June 2013 have been reported on by the Independent Auditors; their report was (i) unqualified; (ii) did not draw attention to any matters by way of emphasis; and (iii) did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 30 June 2013 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 June 2014 will be delivered to the Registrar in due course. Copies of the Annual Report 2014 will be posted to shareholders on or about 28 October 2014. Further copies of this announcement can be downloaded from the website www.netcall.com.

3. Segmental analysis
Management consider that there is one operating business segment being the design, development, sale and support of software products and services, which is consistent with the information reviewed by the Board of Directors, when making strategic decisions. Resources are reviewed on the basis of the

whole of the business performance.

The key segmental measure is adjusted EBITDA which is profit before interest, tax, depreciation, amortisation, share-based payments and reorganisation and acquisition expenses, which is set out on the consolidated income statement.

4. Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding those held in treasury.

	30 June 2014	30 June 2013
Net earnings attributable to ordinary shareholders (£000)	2,213	1,998
Weighted average number of ordinary shares in issue (thousands)	126,076	120,856
Basic earnings per share (pence)	**1.76**	**1.65**

The diluted earnings per share has been calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of shares in issue during the year, adjusted for potentially dilutive shares that are not anti-dilutive.

	30 June 2014	30 June 2013
Weighted average number of ordinary shares in issue (thousands)	126,076	120,856
Adjustments for share options	2,835	11,339
Weighted average number of potential ordinary shares in issue (thousands)	128,911	132,195
Diluted earnings per share (pence)	**1.72**	**1.51**

Adjusted earnings per share have been calculated to exclude the effect of acquisition and reorganisation costs, share-based payment charges, amortisation of acquired intangible assets and utilisation of historic tax losses. The Board believes this gives a better view of on-going maintainable earnings. The table below sets out a reconciliation of the earnings used for the calculation of earnings per share to that used in the calculation of adjusted earnings per share:

£'000s	30 June 2014	30 June 2013
Profit used for calculation of basic and diluted EPS	**2,213**	**1,998**
Acquisition (credit)/ costs	(50)	146
Reorganisation costs	-	97
Share-based payments	1,689	505
Amortisation of acquired intangible assets	1,054	1,038
Tax adjustment	(1,357)	(696)
Profit used for calculation of adjusted basic and diluted EPS	**3,549**	**3,088**

Pence	30 June 2014	30 June 2013
Adjusted basic earnings per share	**2.81**	**2.56**
Adjusted diluted earnings per share	**2.75**	**2.34**

5. Dividends

During the year a dividend was paid in respect of the year ended 30 June 2013 of 0.7 pence per share (2013: 0.5 pence per share) which amounted to £0.86m (2012: £0.61m).

A dividend in respect of the year ended 30 June 2014 of 0.9 pence per share, amounting to a total dividend of £1.23m, is to be proposed at the annual general meeting on 27 November 2014.

The timetable for the payment of the proposed dividend will be:

- Ex-Dividend Date: 11 December 2014
- Record Date: 12 December 2014
- Payment Date: 12 January 2015

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