NETCALL

6 October 2021

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

Final Results for the Year Ended 30 June 2021

Cloud business driving revenue growth and enhanced profitability

Netcall plc (AIM: NET), a leading provider of intelligent automation and customer engagement software, today announces its audited results for the year ended 30 June 2021.

Financial Highlights

- Revenue up 8% to £27.2m (FY20: £25.1m)
- Cloud business revenue growth of 26% to £8.3m (FY20: £6.6m)
- Total annual contract value(1) ('ACV') at 30 June 2021 up 10% year over year to £18.5m (30 June 2020: £16.8m)
- Cloud services ACV at 30 June 2021 up 25% year over year to £9.4m (30 June 2020: £7.5m)
- Adjusted EBITDA(2) up 21% to £5.34m (FY20: £4.41m).
- Profit before tax up 98% to £0.99m (FY20: £0.50m)
- Group cash at 30 June 2021 was £14.5m (FY20: £12.7m) more than offsetting borrowings of £6.86m (FY20: £6.75m)
- Final ordinary dividend of 0.37p proposed, an increase of 48% (FY20: 0.25p)

Operational Highlights

- Significant cloud business growth, with cloud contracts now contributing over half of total ACV providing improved visibility of future revenues
- New customer wins from various verticals including Financial Services, Utilities, Healthcare and Public Sectors
- Cloud net retention rate(3) increased to 116% (FY20: 113%)
- Continued cross-selling success with 22% total ACV from customers who have purchased both Intelligent Automation and Customer Engagement solutions
- Increased momentum in existing customer migrations from on-premise to cloud solutions
- Annual revenue run-rate from Intelligent Automation now exceeds £10.8m, representing 40% of Group revenue
- Ongoing platform innovation with new products launched, including AI-powered robotic process automation, providing customers with increasingly powerful automation capabilities
- Greenhouse Gas emissions(4) reduced by 31% over the year and on track be carbon neutral for Scope 1 and 2 emissions by end of 2022 and Scope 3 net zero by end of 2026

Henrik Bang, Chief Executive, said:

"We are pleased with the solid performance for the year driven by demand for our cloud-based Liberty offering, resulting in 26% growth in cloud business revenue and a significant increase in profitability as Netcall continues the transition to a cloud business model. In addition to new customer momentum, we see a greater number of customers expanding their engagement with the enlarged Liberty platform, contributing to growth in average contract values and recurring revenue.

"Trading conditions in the new financial year has remained positive, with a healthy pipeline of new business combined with a growing cloud business revenue stream underpinned by the increase in annual contract value.

"The Group's target markets represent a substantial and growing opportunity with our Liberty platform being well positioned to support customers' digital transformation strategies. Our growing cloud business is delivering enhanced profitability and revenue visibility which combined with our product innovation produces new growth opportunities. This, combined with a robust foundation of recurring revenues and a cash generative business model, provides the Board with confidence in the Group's growth prospects."

(1) ACV, as of a given date, is the total of the value of each cloud and support contract divided by the total number of years of the contract.

(2) Profit before interest, tax, depreciation and amortisation adjusted to exclude the effects of share-based payments, acquisition, impairment, profit or loss on disposals, contingent consideration and non-recurring transaction costs.

(3) Cloud net retention rate is calculated by starting with the Cloud ACV from all customers twelve months prior to the period end and comparing it to the Cloud ACV from the same customers at the current period end. The current period ACV includes any upsells and is net of contraction or churn over the trailing twelve months but excludes ACV from new customers in the current period. The Cloud net retention rate is the total current period ACV divided by the total prior period ACV.

(4) Based on Scope 1 emissions (direct emissions from owned or controlled sources) and Scope 2 emissions (indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the Company) following the UK Government GHG Conversion Factors for Company Reporting, 2020.

For further enquiries, please contact:

Netcall plc — **Tel. +44 (0) 330 333 6100**
Henrik Bang, CEO
Michael Jackson, Chairman
James Ormondroyd, Group Finance Director

Canaccord Genuity Limited (Nominated Adviser and Broker) — **Tel. +44 (0) 20 7523 8000**
Simon Bridges / Andrew Potts

Alma PR — **Tel. +44 (0) 20 3405 0205**
Caroline Forde / Hilary Buchanan / Matthew Young

About Netcall

Netcall's Liberty software platform with Intelligent Automation and Customer Engagement solutions helps organisations transform their businesses faster and more efficiently, empowering them to create a leaner, more customer-centric organisation.

Netcall's customers span enterprise, healthcare and government sectors. These include two-thirds of the NHS Acute Health Trusts and leading corporates such as Legal and General, Lloyds Banking Group, ITV and Nationwide Building Society.

Prior to publication the information communicated in this announcement was deemed by the Company to constitute inside information for the purposes of article 7 of the Market Abuse Regulations (EU) No 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations No 2019/310 ('MAR'). With the publication of this announcement, this information is now considered to be in the public domain.

NETCALL

Overview

Netcall delivered a strong trading performance during the year with revenue growing 8% to £27.2m and adjusted EBITDA increasing by 21% to £5.34m. This overall performance was driven by significant cloud business revenue growth of 26% to £8.3m (FY20: £6.6m).

The ongoing transition to a cloud business model has continued to accelerate with bookings for cloud solutions contributing to more than 75% of total bookings. As a result, Cloud services ACV increased by 25% to £9.4m (FY20: £7.5m) underpinning continued revenue cloud growth momentum into the new financial year. The growth in Cloud services ACV is due to both new customer wins and upsell into the existing customer base, and now represents more than half of the Group's total ACV which grew by 10% to £18.5m (FY20: £16.8m). The continued demand for Liberty solutions, especially cloud, increased future contracted revenues by 27% to £33.4m (FY20: £26.4m).

The Board is grateful to the Netcall team who made this performance possible by responding positively during the Covid pandemic and showing tremendous flexibility, resilience and creativity. The Group's trading performance and robust financial footing meant that no pay-cuts, furlough or redundancies were required and with a move to flexible working, Netcall took the decision to permanently close two office locations, whilst retaining two offices and moving the Group's registered office to Bedford.

Netcall's markets represent a substantial and growing opportunity and the Liberty platform's unique combination of Customer Engagement and Intelligent Automation solutions continues to gain market traction as we support our customers' Digital Transformation strategies. Today, 22% of total ACV is from customers who have purchased both Intelligent Automation and Customer Engagement solutions, up from zero in 2018. This has contributed to growth in average contract values and a significant increase in recurring revenue from those customers, demonstrating the value of our existing customer base.

We continued to innovate and expand the power of our platform, both through internal R&D and M&A activity. The Group's Intelligent Automation capabilities were enhanced during the year through the acquisition of Oakwood Technologies BV (trading as 'Automagica'), a Robotic Process Automation ('RPA') software company, in October 2020 which resulted in the release of our first version of Liberty RPA in February 2021.

We also made good strides towards achieving our sustainability objectives and reducing the Group's impact on the environment. This was the first year we initiated voluntary environmental impact reporting in recognition that sustainable business practices will play an increasingly important part in the Group's long-term objectives. Over the year we lowered the Group's direct carbon emissions by 31% and are well on track to reach our target of being carbon neutral for Scope 1 and 2 emissions by end of 2022 and Scope 3 net zero by end of 2026.

The Group's fast-growing cloud business together with a highly cash generative business model, providing the funds to invest in the expansion of our offering to support customers and capture new business opportunities. Throughout the year, the Group maintained a robust balance sheet supported by strong cash generation with the cash position at 30 June 2021 increasing to £14.5m (FY20: £12.7m). The normalised cash position was £13.1m (FY20: £10.5m), excluding deferred VAT of £1.4m (FY20: £2.2m) which will be repaid by December 2021.

As we look forward, the journey towards digitalising communications and embracing automation to create leaner and more customer centric organisations continues to represent a growing opportunity. The advancements that Netcall has made during the year have left the Group in a stronger position to push forward in its mission to help organisations harness the power of technology to make meaningful, valuable and more effective connections with their stakeholders.

Current Trading and Outlook

Trading conditions in the new financial year has remained positive, with a healthy pipeline of new business combined with a growing cloud business revenue stream underpinned by an increase in annual contract value.

The Group's target markets represent a substantial and growing opportunity with its Liberty platform being well positioned to support customers' digital transformation strategies. Our significant and growing cloud business is delivering enhanced profitability and revenue visibility which, combined with our product innovation, produces new growth opportunities. This, combined with a robust foundation of recurring revenues and a cash generative business model, provides the Board with confidence in the Group's growth prospects.

Business Review

Creating meaningful connections through powerful technology

Today rapid technological advances across all industries has resulted in more data, 24/7 'always on' availability, increased automation and growing channels of communication. Organisations must change to succeed in this 'Age of the Customer' with expectations of fast, personal and flexible engagements.

Netcall's Liberty platform provides a comprehensive and easy-to-use digital transformation tool kit that helps customers manage this complexity and build leaner, more customer-centric organisations. Through the provision of automation and communication technologies, Netcall's solutions enable organisations to connect data silos, improve and automate processes, create better solutions and do it faster to deliver better outcomes.

The platform is built around two complementary and integrated solution areas unifying intelligent automation and customer engagement delivering a broad range of product capabilities:

Intelligent Automation:

- Liberty Create: A low-code software solution for faster development of applications utilising an intuitive drag-and-drop environment enabling both professional and business developers to create enterprise grade applications that drive and automate workflows and business processes. This is combined with easy integration to other parts of the Liberty platform as well as 3rd party solutions such as SAP and Salesforce.

- Liberty RPA: An AI-powered robotic process automation solution, acquired through Automagica, which frees-up people from mundane and cumbersome tasks, enabling them to be more productive. Liberty RPA is available in both an unattended and attended version, where it can function as a personal assistant to knowledge workers such as contact centre agents and take over repetitive tasks and updating of records.

Customer engagement:

- Liberty Converse: A complete omni-channel contact centre solution for customer engagement which also includes solutions such as automated speech bots, workforce and quality management, switchboard and auto attendant.

- Liberty Connect: A cloud messaging and bot platform enabling customers to extend their reach using digital channels like web chat, Facebook Messenger and Twitter as well as benefiting from bots and automation.

Strategy

Netcall's powerful technologies and services support customers with their digital transformation strategies so that they can create more valuable and effective connections with their stakeholders.

Our focus is primarily on sectors characterised by large, complex ecosystems of customers, suppliers or staff and are often subject to high level of regulation, including healthcare, public sector and financial services. These three core market segments continue to see significant new demand and today represent 85% of Group revenues.

The Group's growth strategy remains centred on the execution of four strategic growth pillars: new customer acquisition, both through direct and partner channels; expanded uptake within the existing customer base; supported by an innovative R&D programme.

In addition to supporting the organic growth strategies, the Group's financial position provides the opportunity to assess the market for selective acquisitions with complementary proprietary software and/or additional customers in the Group's target markets.

Four strategic pillars

Customer base expansion:

The Group's cloud solutions are the main driver of new business acquisition as more organisations recognise the necessity to pursue digital transformation initiatives, particularly through automation. We successfully added new customers across a range of market verticals, including from the Group's three core segments of healthcare, public sector and financial services.

During the year we also made further progress in the utility market following a targeted sales and marketing programme combined with the release of a dedicated LaunchPad initiative comprising solutions developed specifically for this market segment. Additionally, we launched Tenant Hub, a dedicated suite of solutions for the Housing Sector, where new wins were secured during the year.

New customer implementations include:

- A utility company used the Liberty Create low-code platform to develop a tailor-made customer portal to allow 24/7 payment support for customers, including communications options to resolve payment plans entirely online. This is an example of our Low-code technology being used to quickly create a departmental solution solving a specific problem which can then be scaled across the business.

- A leading insurance firm purchased the Liberty Create low-code platform to build a digital-first insurance claims management platform. This is an example of a direct license win for our technology and implemented through our partner channel.

- A Fortune 500 financial services firm spanning 120 countries signed a global framework agreement to utilise the Liberty platform to build and deploy business applications at scale.

Land and expand:

The Group's land and expand strategy continues to represent a significant opportunity for the business. Positively, the Group's cloud net retention rate increased to 116% from 113% a year ago as customers increased purchases of new solutions and upgrades. This reflects Netcall's high customer retention rate combined with continuous enhancements to our product portfolio and tighter integration between the various solutions which provides substantial opportunities in three areas:

- The ongoing migration of on-premise Customer Engagement base to cloud solutions where sales to date shows that these migrations deliver more than a 50% increase in ACV.

- Further cross-selling as the Group continues to roll-out new product capabilities.

- Considerable progress in cross-selling Intelligent Automation solutions to Customer Engagement customers, where sales to date shows that these cross-sales on average triple the customer ACV, which illustrates the growth potential within the customer base alone.

The Group's AppShare community continues to be a valuable resource to customers offering pre-built accelerators and modules to enrich customers' interaction with the Liberty platform solutions. The community now consists of 1,400 members who can collaborate and build upon existing applications, with over 230 pieces of content shared to date.

Examples of existing customers expanding their uptake of Liberty solutions, include:

- A pan-European retailer and service provider who is an existing customer expanded their use of the platform by adopting Liberty RPA to automate a specific manual data entry process to free up internal capacity, enable volume growth and de-risk data entry accuracy. The customer is currently expanding the usage of Liberty RPA with additional processes being automated.

- A number of public sector customers currently engaged with Netcall for Customer Engagement solutions have subsequently taken up our Tenant Hub and Citizen Hub offerings, comprising both low-code and customer engagement offerings and tailored to the sector focus.

- A number of existing NHS Foundation Trusts which were existing on-premise Customer Engagement customers undertook transformation projects to migrate to Netcall's Liberty Converse cloud solution.

Innovation and product enhancement:

Investment in innovative new products continues at pace and underpins the Group's go-to-market model, positioning the Liberty platform as a one stop shop toolkit for digital transformation.

During the year, the Group acquired RPA provider Automagica and the RPA solution has been integrated onto the Liberty platform, strengthening Netcall's product offering. The new product, Liberty RPA, offers customers an AI-powered robotic process automation solution capable of deploying Attended, Unattended, and Hybrid Automations, incorporating optical character recognition and handwriting digital recognition, that allows organisations to realise multiple deployment models. New features post acquisition includes RPA Trace, a desktop analytic tool that reports on user activity to determine suitable processes for automation available for export into Process Mining tools.

The Liberty platform was enhanced with a new Monitoring Studio, a feature providing on-demand analytics and historical data to analyse application performance. A new native Mobile App was developed and published to Apple & Android delivering enhanced offline capabilities, push notifications and geo-location tracking. A further focus for investment was on continued expansion of the platform's ecosystem and tighter integration with third party platforms, including Amazon Chime, Microsoft Teams and Microsoft Dynamics.

We have also enhanced our Quality Management module with new customer survey and screen recording functionality to monitor and improve the quality of service offered to customers, as well as adding shift management, rotas and forecasting to the integrated Workforce Management module to ensure the right level of resources are available in order to meet performance targets.

Powered by the Liberty platform, the Group launched a number of capabilities targeted at core sectors, including Tenant Hub which is a suite of solutions tailored to address the specific needs of the housing sector which helps to streamline operations and improve increasingly complex customer interactions. The result for tenants is improved online access to vital services, including rent statements and repair services, as well as more choice when it comes to engaging - including via Twitter and Facebook Messenger.

The functionality of both Citizen Hub and Patient Hub were also enhanced in the period with new capabilities to help councils effectively manage tasks and book resources. For hospitals, Patient Hub was expanded to deliver test results, including Covid results, and the ability added to allow patients to report their arrival to hospital using an app without having to report to reception, which all deliver additional value to both organisations and customers.

Partner base:

The Group's network of technology and solution partners with industry knowledge and support capabilities continues to grow with new business delivered via indirect channels having increased to 24% of total new sales bookings. The Group has invested in strengthening the partnership team during the year to support this important route to market.

The focus of the partner network on large organisations with global footprints has also yielded opportunities in new geographies outside of the UK, including winning new business in the Benelux region.

Examples of business won or delivered via the partner network in the period include:

- An insurance technology partner is building a new underwriting SaaS solution on Liberty Create for sale to its customer base.
- A digital consultancy is developing a carbon offset management application for an environmental asset management company.
- A multinational telecommunication partner developed and sold an emergency notification application for a utility company.

Financial Review

A key financial metric monitored by the Board is the growth in the ACV base year-on-year (ACV, as at a given date, is the total of the value of each cloud and product support contract divided by the total number of years of the contract). This reflects the annual value of new business won, together with upsell into the Group's existing customer base as it delivers against its land and expand strategy, less any customer contraction or cancellation. It is an important metric for the Group, as it is a leading indicator of future revenue.

The Group continues its transition to a digital cloud business with Cloud ACV 25% higher at £9.4m (FY20: £7.5m) with growth in both Customer Engagement and Intelligent Automation solutions of approximately 30% and 26% respectively compared to FY20. The growth in Cloud ACV contributed to a 10% growth in total ACV to £18.5m (FY20: £16.8m).

The table below sets out ACV at the three financial year ends:

£'m ACV	FY21	FY20	FY19
Cloud services	9.4	7.5	6.0
Product support contracts	9.1	9.3	9.7
Total	**18.5**	**16.8**	**15.7**

Group revenue for the period grew by 8% to £27.2m (FY20: £25.1m). The year-on-year increase was primarily driven by growth in both Intelligent Automation solutions by 20% to £10.8m (FY20: £9.0m), and Customer Engagement solutions by 5% to £15.6m (FY20: £14.9m).

The table below sets out revenue by component for the last three financial year-ends:

£'m Revenue	FY21	FY20	FY19
Cloud services	8.3	6.6	5.7
Product support contracts	9.0	9.6	9.3
Total Cloud services & Product support contracts	**17.3**	**16.1**	**15.0**
Communication services	2.9	1.9	1.8
Product	2.7	3.1	2.3
Professional services	4.3	4.0	3.8
Total Revenue	**27.2**	**25.1**	**22.9**

Revenue from Cloud services (subscription and usage fees of our cloud-based offerings) increased by 26% to £8.25m (FY20: £6.55m) reflecting the higher year over year Cloud ACV.

Product support contract revenue decreased by 5% to £9.06m (FY20: £9.56m) in line with the Group's strategy to transition to a cloud business model, resulting in lower product and support contract ACV at the start of the new financial year of £9.3m, compared with the start of the prior financial year £9.7m.

Recurring revenue from Cloud service and Product support contracts totalled 64% of revenue (FY20: 64%).

Communication services revenue (fees for telephony and messaging services) increased by 50% to £2.90m (FY20: £1.93m) due to higher revenues for call-back and messaging services.

Product revenue (software license sales with supporting hardware) decreased by 13% to £2.66m (FY20: £3.07m). As previously communicated, this revenue stream continues to change within periods subject to customers' preferences for buying on-premise or cloud contracts. The trend is, as expected, accelerating toward cloud contracts.

Professional services revenue increased by 7% to £4.28m (FY20: £4.01m). The overall demand for our professional services is dependent on: the mix of direct and indirect sales of our solutions, in the latter case the Group's partners provide the related services directly for the end customer; and whether a customer requires the support of a full application development service or support to enable their own development teams.

Gross profit margin improved by 2% to 90% (FY20: 88%) mainly due to higher margin media channels driving revenues within Communication services.

Administrative expenses, before depreciation, amortisation, share-based payments and acquisition related items, increased by 7% to £19.1m (FY20: £17.8m) due to higher staff-related expenditure partially offset by changed working practises resulting in lower travel and expense spending.

Consequently, the Group's adjusted EBITDA increased by 21% to £5.34m (FY20: £4.41m), a margin of 20% of revenue (FY20: 18%).

The higher adjusted EBITDA led to increased profit before tax of £0.99m (FY20: £0.50m) with charges for interest on borrowings, share-based payments, depreciation and amortisation charges being broadly level period over period.

The Group recorded a tax charge of £11,000 (FY20: £10,000) benefiting from tax relief available from the exercise of share options during the period and additional deductions for R&D expenditure.

Basic earnings per share was 0.66 pence (FY20: 0.34 pence) and increased by 48% to 1.49 pence on an adjusted basis (FY20: 1.01 pence). Diluted earnings per share was 0.64 pence (FY20: 0.33 pence) and increased by 47% to 1.43 pence on an adjusted basis (FY20: 0.97 pence).

Cash generated from operations was £5.69m (FY20: £9.39m). The Group deferred £2.21m of VAT payments during March and June 2020 due to Covid-19, which was repayable in monthly instalments from March 2021 to January 2022. Adjusting for the effect of the VAT deferral scheme cash generated from operations and Oakwood post completion service consideration was £6.72m (FY20: £7.18m) a conversion of 126% (FY20: 163%) of adjusted EBITDA.

Spending on research and development, including capitalised software development, increased in line with revenues to £3.79m (FY20: £3.59m) of which capitalised software expenditure was £1.57m (FY20: £1.71m).

Total capital expenditure was £1.71m (FY20: £1.86m); the balance after capitalised development, being £0.13m (FY20: £0.16m) relating to license-in intangible assets.

The Company acquired 100% of the issued share capital of Oakwood Technologies BV in October 2020 for an initial cash consideration of €1.2 million (of which €0.12m is deferred for a year) and a potential further payment of €0.9 million in cash and up to €0.9 million in Netcall shares. The potential further payments are dependent on achieving specified performance targets during the two-year period from completion of the acquisition. In the period the total cash outflow from the Company in relation to the transaction was £1.27m. See note 8 for further information.

To support the acquisition of MatsSoft Limited in 2017, the Company issued a Loan Note totalling £7m. Loan Note interest payments in the period totalled £0.72m (FY20: £0.48m). The Loan Note is unsecured and is repayable in six instalments from 30 September 2022 to 31 March 2025. See note 7 for further information.

As a result of these factors, net funds were £6.82m at 30 June 2021 (30 June 2020: £4.82m). The Group deferred £2.21m of VAT payments during March and June 2020 due to Covid-19, which was repayable in monthly instalments from March 2021 to January 2022, resulting in a normalised gross cash position at 30 June 2021 of £13.1m (30 June 2020: £10.5m).

Dividend

In line with the Company's dividend policy to pay-out 25% of adjusted earnings per share, the Board is proposing a final dividend for this financial year of 0.37p (FY20: 0.25p). If approved, the final dividend will be paid on 8 February 2022 to shareholders on the register at the close of business on 24 December 2021.

NETCALL

Audited consolidated income statement for the year ended 30 June 2021

	2021 £'000	2020 £'000
Revenue	**27,154**	25,114
Cost of sales	**(2,625)**	(2,930)
Gross profit	**24,529**	22,184
Administrative expenses	**(22,659)**	(20,926)
Other losses	**(119)**	(24)
Adjusted EBITDA	**5,338**	4,413
Depreciation	**(542)**	(657)
Net loss on disposal of property, plant and equipment	**(52)**	-
Amortisation of acquired intangible assets	**(488)**	(483)
Amortisation of other intangible assets	**(1,391)**	(1,344)
Change in fair value of contingent consideration (see note 4)	**-**	(37)
Post-completion services (see note 4)	**(285)**	(33)
Share-based payments	**(829)**	(625)
Operating profit	**1,751**	1,234
Finance income	**3**	38
Finance costs	**(769)**	(775)
Finance costs – net	**(766)**	(737)
Profit before tax	**985**	497
Tax charge	**(11)**	(10)
Profit for the year	**974**	487
Earnings per share – pence		
Basic	**0.66**	0.34
Diluted	**0.64**	0.33

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 2021

	2021 £'000	2020 £'000
Profit for the year	**974**	487
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**35**	(14)
Total other comprehensive income for the year	**35**	(14)
Total comprehensive income for the year	**1,009**	473

All of the comprehensive income for the year is attributable to the shareholders of Netcall plc.

NETCALL

Audited consolidated balance sheet at 30 June 2021

	2021	2020
	£'000	£'000
Assets		
Non-current assets		
Property, plant and equipment	**608**	960
Right-of-use assets	**711**	970
Intangible assets	**30,070**	29,078
Deferred tax asset	**648**	482
Financial assets at fair value through other comprehensive income	**72**	72
Total non-current assets	**32,109**	31,562
Current assets		
Inventories	**84**	139
Other current assets	**1,563**	1,392
Contract assets	**898**	585
Trade receivables	**2,635**	3,957
Other financial assets at amortised cost	**10**	4
Cash and cash equivalents	**14,520**	12,710
Total current assets	**19,710**	18,787
Total assets	**51,819**	50,349
Liabilities		
Non-current liabilities		
Contract liabilities	**22**	104
Borrowings	**6,858**	6,745
Lease liabilities	**672**	902
Deferred tax liabilities	**881**	842
Total non-current liabilities	**8,433**	8,593
Current liabilities		
Trade and other payables	**6,918**	6,907
Contract liabilities	**11,691**	11,724
Lease liabilities	**171**	248
Total current liabilities	**18,780**	18,879
Total liabilities	**27,213**	27,472
Net assets	**24,606**	22,877
Equity attributable to owners of Netcall plc		
Share capital	**7,534**	7,312
Share premium	**3,015**	3,015
Other equity	**4,900**	4,900
Other reserves	**3,840**	3,996
Retained earnings	**5,317**	3,654
Total equity	**24,606**	22,877

NETCALL

Audited consolidated statement of cash flows for the year ended 30 June 2021

	2021	2020
	£'000	£'000
Cash flows from operating activities		
Profit before income tax	**985**	497
Adjustments for:		
Depreciation and amortisation	**2,421**	2,484
Loss on disposal of property, plant and equipment	**52**	-
Share-based payments	**829**	625
Finance costs - net	**766**	737
Other non-cash expenses	**11**	1
Changes in operating assets and liabilities, net of effects from purchasing of subsidiary undertaking:		
Decrease in inventories	**54**	26
Decrease/ (increase) in trade receivables	**1,337**	(92)
(Increase)/ decrease in contract assets	**(320)**	589
(Increase)/ decrease in other financial assets at amortised cost	**(7)**	100
Increase in other current assets	**(184)**	(107)
Increase in trade and other payables	**(114)**	3,334
(Decrease)/ increase in contract liabilities	**(142)**	1,223
Decrease in provisions	**-**	(29)
Cash flows from operations	**5,688**	9,388
Analysed as:		
Cash flows from operations before VAT deferral scheme and payment of post completion service consideration	**6,718**	7,176
Net effect of VAT deferral scheme	**(805)**	2,212
Payment of post completion service consideration (see note 8)	**(225)**	-
Interest received	**3**	38
Interest paid	**(10)**	(6)
Income taxes paid	**(2)**	-
Net cash inflow from operating activities	**5,679**	9,420
Cash flows from investing activities		
Payment for acquisition of subsidiary, net of cash acquired	**-**	(1,679)
Payment for property, plant and equipment	**(36)**	(146)
Payment of software development costs	**(1,571)**	(1,708)
Payment for proprietary software (see note 8)	**(1,049)**	-
Payment for other intangible assets	**(97)**	(9)
Proceeds from sale of property, plant and equipment	**1**	-
Net cash outflow from investing activities	**(2,752)**	(3,542)
Cash flows from financing activities		
Proceeds from issues of ordinary shares	**222**	39
Interest paid on Loan Notes	**(717)**	(478)
Lease payments	**(294)**	(199)
Dividends paid to Company's shareholders	**(369)**	(287)
Net cash outflow from financing activities	**(1,158)**	(925)
Net increase in cash and cash equivalents	**1,769**	4,953
Cash and cash equivalents at beginning of the financial year	**12,710**	7,769
Effects of exchange rate on cash and cash equivalents	**41**	(12)
Cash and cash equivalents at end of financial year	**14,520**	12,710

NETCALL

Audited consolidated statement of changes in equity at 30 June 2021

	Share capital £'000	Share premium £'000	Other equity £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 30 June 2019	**7,259**	**3,015**	**4,832**	**4,440**	**2,402**	**21,948**
Issue of ordinary shares as consideration for an acquisition in a business combination	14	-	68	-	-	**82**
Proceeds from share issue	39	-	-	-	-	**39**
Increase in equity reserve in relation to options issued	-	-	-	622	-	**622**
Reclassification following exercise or lapse of options	-	-	-	(1,052)	1,052	**-**
Dividends paid	-	-	-	-	(287)	**(287)**
Transactions with owners	**53**	**-**	**68**	**(430)**	**765**	**456**
Profit for the year	-	-	-	-	487	**487**
Other comprehensive income for the year	-	-	-	(14)	-	**(14)**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**(14)**	**487**	**473**
Balance at 30 June 2020	**7,312**	**3,015**	**4,900**	**3,996**	**3,654**	**22,877**
Proceeds from share issue	222	-	-	-	-	**222**
Increase in equity reserve in relation to options issued	-	-	-	729	-	**729**
Tax credit relating to share options	-	-	-	138	-	**138**
Reclassification following exercise or lapse of options	-	-	-	(1,058)	1,058	**-**
Dividends paid	-	-	-	-	(369)	**(369)**
Transactions with owners	**222**	**-**	**-**	**(191)**	**689**	**720**
Profit for the year	-	-	-	-	974	**974**
Other comprehensive income for the year	-	-	-	35	-	**35**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**35**	**974**	**1,009**
Balance at 30 June 2021	**7,534**	**3,015**	**4,900**	**3,840**	**5,317**	**24,606**

NETCALL

Notes to the financial information for the year ended 30 June 2021

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 Suite 203, Bedford Heights, Brickhill Drive, Bedford, UK MK41 7PH 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 2021.

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 2021 or 2020. Statutory accounts for the years ended 30 June 2021 and 30 June 2020 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 2020 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 June 2021 will be delivered to the Registrar in due course. Copies of the Annual Report 2021 will be posted to shareholders on or about 19 November 2021. Further copies of this announcement can be downloaded from the website www.netcall.com.

As a result of the level of cash generated from operating activities the Group has maintained a healthy liquidity position as shown on the consolidated balance sheet. The Board has carried out a going concern review and concluded that the Group has adequate cash to continue in operational existence for the foreseeable future. To support this the Directors have prepared cash flow forecasts for a period in excess of 12 months from the date of approving the financial statements. When preparing the cash flow forecasts the Directors have reviewed a number of scenarios, including the severe yet plausible downside scenario, with respect to levels of new business and client retention. In all scenarios the Directors were able to conclude that the Group has adequate cash to continue in operational existence for the foreseeable future.

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 Executive Board 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, non-recurring transaction costs, which is set out on the consolidated income statement.

4. Material profit or loss items

The Group identified a number of items which are material due to the significance of their nature and/or their amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

	2021	2020
	£'000	£'000
Change in fair value of contingent consideration(1)	**-**	(37)
Post completion services expense(2)	**(285)**	(33)
	(285)	(70)

[(1)] The purchase agreement of MatsSoft Ltd provided for potential further cash and shares to be paid dependent on achieving specified performance targets over various periods from completion of the acquisition. In the year ended 30 June 2020 the final amounts earned were determined resulting in £0.04m being debited to the income statement as a change in estimate of fair value.

[(2)] A number of former owners of Oakwood Technologies BV in the current year and MatsSoft Ltd in the prior year continued to work in the business following their acquisitions and in accordance with IFRS 3 a proportion of the contingent consideration arrangement is treated as remuneration and expensed in the income statement.

5. 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 2021	30 June 2020
Net earnings attributable to ordinary shareholders (£'000)	974	487
Weighted average number of ordinary shares in issue (thousands)	146,675	143,588
Basic earnings per share (pence)	**0.66**	**0.34**

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 2021	30 June 2020
Weighted average number of ordinary shares in issue (thousands)	146,675	143,588
Adjustments for share options (thousands)	6,416	5,839
Weighted average number of potential ordinary shares in issue (thousands)	153,091	149,427
Diluted earnings per share (pence)	**0.64**	**0.33**

Adjusted earnings per share have been calculated to exclude the effect of acquisition, contingent consideration and reorganisation costs, share-based payment charges, amortisation of acquired intangible assets and with a normalised rate of tax. 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:

£'000	30 June 2021	30 June 2020
Profit used for calculation of basic and diluted EPS	**974**	**487**
Change in fair value of contingent consideration (see note 4)	-	37
Share-based payments	829	625
Post-completion services (see note 4)	285	33
Amortisation of acquired intangible assets	488	483
Unwinding of discount – contingent consideration & borrowings	120	123
Tax effect of adjustments	(503)	(332)
Profit used for calculation of adjusted basic and diluted EPS	**2,193**	**1,456**

	30 June 2021	30 June 2020
Adjusted basic earnings per share (pence)	**1.49**	1.01
Adjusted diluted earnings per share (pence)	**1.43**	0.97

6. Dividends

Year to June 2021	Paid	Pence per share	Cash flow statement (£'000)	Statement of changes in equity (£'000)	June 2021 balance sheet (£'000)
Final ordinary dividend for the year to June 2020	9/2/21	0.25p	369	369	-
			369	**369**	**-**

Year to June 2020	Paid	Pence per share	Cash flow statement (£'000)	Statement of changes in equity (£'000)	June 2020 balance sheet (£'000)
Final ordinary dividend for the year to June 2019	5/2/20	0.20p	287	287	-
			287	**287**	**-**

It is proposed that this year's final ordinary dividend of 0.37 pence per share will be paid to shareholders on 8 February 2022. Netcall plc shares will trade ex-dividend from 23 December 2021 and the record date will be 24 December 2021. The estimated amount payable is £0.55m. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

7. Net funds reconciliation

£'000	30 June 2021	30 June 2020
Cash and cash equivalents	14,520	12,710
Borrowings – fixed interest and repayable after one year (1)	(6,858)	(6,745)
Lease liabilities	(843)	(1,150)
Net funds	**6,819**	**4,815**

(1) To support the acquisition of MatsSoft Limited in August 2017, the Company issued a £7m Loan Note with options over 4.8m new ordinary shares of 5p each priced at 58p. The Loan Note is unsecured, has an annual interest rate of 8.5% payable quarterly in arrears and is repayable in six instalments from 30 September 2022 to 31 March 2025. The Loan Note was initially allocated a fair value of £6.42m and the share option a fair value of £0.58m. The discount on the carrying value of the Loan Note is being amortised via the profit and loss account over the expected option life of five years.

8. Acquisition of Oakwood Technologies BV's software

On 12 October 2020 the Company acquired 100% of the issued share capital of Oakwood Technologies BV (trading as 'Automagica'), an AI powered Robotic Process Automation software provider.

The Company assessed that substantially all of the fair value of gross assets acquired was concentrated in Automagica's software. It therefore elected to account for the transaction as an acquisition of assets under the amendments to IFRS 3 'Business Combinations' issued by IASB in October 2018. As such the consideration together with the direct acquisition-related expenses (less any tangible or financial assets assumed) has been attributed to the acquired software.

The fair value of consideration was £1.20m comprising:

	£'000
Cash consideration – initial payment	987
Deferred cash consideration	99
Acquisition-related expenses	111
	1,197

The consideration for the transaction comprised:

- cash consideration of €1.08m paid on completion in October 2020;
- deferred cash consideration of an undiscounted amount of €0.12m payable in October 2021; and
- contingent consideration of up to €0.90m in cash and up to €0.90m in Netcall shares payable dependent on specified performance targets during the 2-year period from completion of the acquisition. As the contingent payments are reliant on the on-going provision of services to the business by the previous shareholders then: the cash amounts earned will be expensed in the income statement as rendered; and, the share element will be charged to the income statement based on the fair value of shares that are ultimately expected to vest, in line with the requirements of IFRS 2 'Share-based payments'.

The total contingent consideration expensed as post-completion services in the period was £285,000.

The assets and liabilities recognised as a result of the acquisition are as follows:

	£'000
Intangible assets: proprietary software	1,203
Trade receivables	24
Other current assets	1
Cash & cash equivalents	13
Trade & other payables	(10)
Contract liabilities	(32)
Current tax liabilities	(2)
Net assets acquired	**1,197**

The cash outflow as a result of the transaction is as follows:

	£'000
Cash consideration – initial payment	987
Less: cash acquired	(13)
Acquisition-related expenses	75
Net cash outflow – investing activities	**1,049**
Cash consideration – contingent consideration	225
Net cash outflow – operating activities	**225**
Total cash outflow	**1,274**