5 October 2022

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

Final Results for the Year Ended 30 June 2022

Accelerating organic growth and higher 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 2022.

Financial highlights

	FY22	FY21	
Revenue	£30.5m	£27.2m	+12%
Cloud services revenue	£10.7m	£8.3m	+30%
Total annual contract value ("ACV") [1]	£24.2m	£18.5m	+31%
Cloud services ACV	£15.0m	£9.4m	+60%
Adjusted EBITDA[2]	£6.4m	£5.3m	+20%
Profit before tax	£2.3m	£1.0m	+130%
Adjusted basic earnings per share	2.15p	1.49p	+44%
Group cash at period end	£17.6m	£14.5m	+21%
Net funds at period end	£13.4m	£6.8m	+97%
Final ordinary dividend per share	0.54p	0.37p	+46%

Operational highlights

- Continued strong trading throughout the year with significant Cloud services momentum
- Growth in ACV to £24.2m (FY21: £18.5m), driven by Cloud subscription contracts
- Cloud services is now the Group's largest revenue stream and comprising approximately 90% of new product bookings
- Landmark $19m initial three-year Cloud subscription contract with a S&P 500 international financial services firm, of which £0.3m revenue was recognised in FY22
- Annual revenue run-rate from Intelligent Automation solutions is now £13.8m (FY21: £10.8m), representing approximately 45% (FY21: 35%) of Group revenue
- Continuing cross-sales with 15% of Customer Engagement customers now having purchased Intelligent Automation solutions (FY21: 12%)
- Cloud net retention rate[3] up to 152% (FY21: 116%) or 117% excluding the effect of the landmark contract win, supported by high customer satisfaction rates of 99%
- Ongoing platform enhancements, including launch of Liberty AI adding machine learning functionality to the Liberty platform
- Greenhouse Gas emissions reduced by 30% over the year for Scope 1 and Scope 2 emissions[4], and commenced measurement of Scope 3 emissions with ambition to be carbon neutral by end of 2026
- The Group's trading momentum, particularly for Cloud solutions, has continued at the start of the new financial year

Henrik Bang, Chief Executive, said:

"We are pleased with the strong performance achieving double digit organic growth in revenue and profitability combined with an accelerated growth rate of our annualised contract value, pointing to continued positive momentum.

"Netcall has a significant and growing market opportunity as organisations increasingly implement digital strategies and business models. The market relevance and potential of our solutions are illustrated by the increasing growth rates and was further demonstrated by the important $19m global contract win announced in June 2022 which resulted in a material upgrade to the Company's FY23 expectations.

"We continue to invest in our business to ensure it remains well positioned to take advantage of the market opportunity. The Group's trading momentum, which has continued at the start of the new financial year, coupled with a growing order book and higher recurring revenues provide the Board with confidence in the Group's continued success."

(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 (save that the contract win announced on 10 June 2022 is included in FY22 ACV as its first-year contribution).

(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 cross- or up-sales 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.

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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, Santander and Aon.

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.

Overview

Netcall had an excellent trading year with robust demand. The Group delivered 12% revenue growth to £30.5m and an adjusted EBITDA increase of 20% to £6.4m, ahead of previously upgraded market expectations[(1)]. This follows a strong performance across the Group's key market segments, with healthy demand for both Intelligent Automation and Customer Engagement solutions.

The engine of growth continues to be the Group's Cloud offering with Cloud solutions now representing the largest revenue stream, growing 30% to £10.7m. Furthermore, the Group secured a landmark three-year $19m Cloud subscription contract in June 2022 ("Contract Win"), contributing £0.3m of revenue in the current year with the remaining value to be recognised in future periods.

The significant sales momentum from new and existing customers is reflected in the Annual Contract Value ("ACV"), a leading indicator of future performance. Total ACV and Cloud ACV grew 31% to £24m and 60% to £15m respectively, with underlying Cloud ACV growth of 26% (excluding the Contract Win) as customers increasingly adopt cloud solutions. Cloud ACV is now 62% of total ACV, with cloud deployments representing approximately 90% of all new product bookings, and demonstrating the Group's continued transition to a Cloud business model.

The Group's growth is underpinned by its land-and-expand strategy, as more customers deploy and increase the use of automation technologies such as Low-code platforms, robotic process automation ("RPA") and artificial intelligence ("AI") to automate business processes as well as adopting chatbots and cloud contact centres. The share of Customer Engagement customers who have also purchased Intelligent Automation solutions is now approximately 15% of the customer base (FY21: 12%). Along with growing adoption of the Liberty platform, the value customers attribute to Netcall's solutions is reflected in the high and improving customer satisfaction levels, with 99% of customers surveyed in the financial year stating that they would recommend Netcall to a peer or colleague.

The Group's accelerating transition to Cloud is driving improved profitability and cash generation. Following an inflection point reached in FY19 with cloud bookings exceeding product bookings for the first time, the momentum of Cloud ACV and EBITDA margin expansion has driven a 97% increase in net funds over the year to £13.4m (30 June 2021: £6.8m). Cash at year end was £17.6m (30 June 2021: £14.5m) after payment of £5.2m for early redemption of loan notes held by BGF Nominees Limited (part of BGF Group Plc) and the remaining deferred VAT due to Covid-19 and excludes any contribution from the Contract Win.

(1) Netcall believes that market expectations for the year ending 30 June 2022 were Adjusted EBITDA of £6.0m prior to 20 July 2022

ESG initiatives

The Group continues to progress against its ESG initiatives to ensure Netcall's evolution is founded on responsible and sustainable principles to the benefit of all stakeholders, including reducing its environmental impact and enhancing its environmental policy and management systems. During the year, the Group measured and is voluntarily reporting its Scope 1 and Scope 2 emissions, which have reduced by 30%. The Group also commenced measurement of Scope 3 emissions in line with the ambition to be carbon neutral by end of 2026. To support these initiatives, Netcall has developed an Environmental Management System through the Liberty Create platform, in conjunction with a partner, to manage key actions and improvements against the Group's long-term environmental assessment programme. The application has also been made available to customers via the AppShare Community to support Netcall's customers' own objectives.

Current Trading and Outlook

The Group's trading momentum has continued in the beginning of the new financial year, particularly for Cloud solutions. The pipeline is robust and the order book has materially increased to £54m as of 30 June 2022, up from £33m a year ago which underpins the Group's growing recurring revenues. Combined with the Liberty platform being well positioned to support the Group's attractive and growing target markets, the Board is confident in the Group's continued success.

NETCALL

Business Review

Netcall's differentiated proposition, blending Intelligent Automation with Customer Engagement, plays at the intersection of rapid macro growth drivers: increasing automation and a focus on customer and employee experience. Technology investment remains a priority for business leaders and adoption continues to be a priority post the Covid-pandemic as organisations seek to improve cost efficiencies and operational effectiveness while delivering better experiences for customers and employees. In the face of rising costs, skill shortages and evolving consumer expectations, solutions such as Low-code, RPA, machine learning and omni-channel engagement are increasingly seen as an interconnected toolkit for implementing automation programmes more effectively.

Successful automation projects are more likely to include customer or employee experience than not, according to recent research[1]. The results show that those organisations that have realised successful automation efforts have done so by making it a strategic priority to improve customer and employee experiences.

This sits at the core of Netcall's offering focusing on unifying automation and customer engagement, and explains the efficacy to which the Liberty platform can deliver successful digital strategies. The Liberty platform comprises a blend of Intelligent Automation and Customer Engagement solutions offering a 'one-stop-shop' Digital Transformation toolkit. The outcome is smoother, faster and more transparent business processes which improve customer and employee experiences and ultimately delivers operational efficiencies. The platform's five main product categories which provide substantial competitive differentiation include:

Intelligent Automation

- **Liberty Create**: Enables both professional and non-professional developers to create enterprise grade applications that drive automated workflows and business processes using Low-code software. Liberty Create uses an intuitive drag-and-drop environment for faster development, and combines easy integration to other parts of the Liberty platform, as well as third party solutions such as SAP and Salesforce.

- **Liberty RPA**: AI-powered robotic process automation frees up people from mundane and repetitive tasks, enabling them to be more productive. RPA speeds up processing times, reduces errors and improves overall efficiency.

- **Liberty AI**: Offers richer insights to data, predicts outcomes and improves business decision making. Through machine learning Liberty AI scales, delivers and enhances customer experiences across the entire enterprise.

Customer Engagement

- **Liberty Converse**: Seamless customer engagement using our complete omni-channel cloud contact centre solution. Converse blends practical AI and automation with agent-assisted technology to boost operational and agent productivity, reduce costs and improve customer experience.

- **Liberty Connect**: A cloud conversational messaging and chatbot solution that enables organisations to engage customers over web chat, SMS, and social media channels. Queries can be handled automatically using AI-powered virtual agents, or routed to the most appropriately skilled live agent through Liberty Converse.

Underlying the platform is the Group's AppShare community which connects Netcall's customer base by providing a forum for knowledge sharing and a valuable resource of pre-built accelerators and modules to enrich customers' interaction with the Liberty platform solutions. The community continues to grow, now with 2,000 members who have completed more than 4,000 downloads to collaborate and build upon existing content. During the year, the Group launched Netcall Community Academy, built on Liberty Create, providing customers with a learning curriculum of over 100 courses to hone skills in all aspects of the Liberty platform capabilities.

[1] *McKinsey: July 2022, "Your questions about automation, answered"*

Strategy

Netcall helps customers turn their digital strategies into successful journeys and build smarter, leaner and more customer-centric organisations making them more effective and competitive.

The Group's core focus verticals of Healthcare, Government and Financial Services represent 88% of Group revenue. Customers across these industries are typically characterised by large ecosystems with complex networks of consumers, employees and stakeholders. In addition to opportunities in tangential verticals, these core industries remain at the early stages of their digital transformation journeys, and offer significant growth potential where the Group has a substantial number of references.

The ongoing evolution of the Group is supported by four core growth pillars: new customer acquisition; growth within the existing base; ongoing product innovation and partner network expansion.

This is underpinned by the Group's financial position which enables continued investment in the business and provides the opportunity to look for selective acquisitions with complementary proprietary software and/or additional customers in the Group's target markets.

Customer base expansion:

The Group's Cloud solutions continue to be the main driver of new customer acquisition, with a number of new customers secured in the year across its three core sectors. In addition, the Group has seen increasing momentum in the utility and transport sectors.

This progression comes as organisations increasingly rely on digital transformation to improve internal operational efficiencies and become leaner, more customer-centric organisations.

New customer implementations include:

- A landmark $19m deal with a S&P 500 international financial services firm for Liberty Create and Liberty RPA to build and deploy powerful business applications across its global operations spanning 120 countries, with a view to delivering better outcomes for customers and other stakeholders. The scale of this contract win demonstrates the Group's ability to support the world's largest companies in their digital transformation efforts.

- A number of public sector bodies including Cheshire East Council, Cheltenham Borough Council and Stroud Borough Council have taken up Netcall's Citizen Hub offering, comprising both Low-code and customer engagement offerings in order to deliver operational efficiencies and usability of their platforms.

Land and expand:

The Group's large and diversified customer base continues to present significant opportunity, with customers increasingly implementing both Intelligent Automation and Customer Engagement solutions, together with Cloud technologies, to maximise the efficiency and usability of their services. This broadening engagement with the Liberty platform along with consistently high customer satisfaction levels and low customer churn, continues to drive higher cloud net retention rates, which year-over-year increased to 152%, or 117% excluding the effect of the Contract Win (FY21: 116%).

Key value opportunities within the existing base include the increasing adoption of Intelligent Automation solutions by the Group's Customer Engagement customers, which on average drives a threefold increase in the contract value. With 15% of Customer Engagement customers having now purchased Intelligent Automation solutions, there is significant potential within this base alone as customers look to automate more processes. Secondly, the ongoing trend of on-premise contract centre customers migrating to cloud environments to leverage greater flexibility and lower IT support costs has resulted in an approximately 50% uplift in annual contract values.

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

- A number of NHS Foundation Trusts who are existing customers of the Group's Patient Hub solution, implementing additional modules to extend their use across Netcall's full portfolio.

- More Liberty Converse customers migrated their contact centre solutions to cloud solutions whilst also adding additional services such as Liberty Connect.

Innovation and product enhancement:

Netcall's investment in innovation and platform expansion continues to help differentiate its offering. The Group provides organisations with a comprehensive Customer Engagement and Intelligent Automation solution that offers a one-stop shop helping organisations turn digital strategies into successful journeys. Specific developments during the year include:

- Netcall launched Liberty AI, a new machine learning solution, to help organisations tackle more complex problems through automation and predictive analysis. The Group has developed AI to work across the Liberty suite of products to improve decision making and customer experiences as well as deliver efficiencies by removing manual processes and reducing errors.

- Liberty Create, Netcall's Low-code development platform, was enhanced to include a new GIS ("Geographic Information System"), spatial mapping capability to create, manage and analyse geographical data easily. This, for instance, enables visual pinpointing of items, such as street lamps, on a map linked to information on-click which offers a more efficient and friendly way of working with data. Other changes include additional validation tools for performance and security audit reporting and enhanced resource management features.

- Liberty RPA, the Group's robotic process automation product, has improved computer vision algorithms, enabling bots to perform more comprehensive automations such as tasks including image recognition.

- Liberty Converse, Netcall's contact centre solution, has enhanced forecasting to allow improved predictions of future demand by channel. In addition, a new payments module has been introduced that enables agents or self-service IVR to handle payments securely over the phone. Other changes include support for encrypted SIP telephony to enhance security and an improved agent app which is significantly faster and easier for agents to navigate so they can address customer queries quicker.

- Liberty Connect, Netcall's conversational messaging and chatbot platform, introduced support for Instagram and Google Business Messages, as well a collection of enhancements to the bot designer to make it easier for users to design, test and publish chatbots to their end customers.

Partner base:

The Group's partner network comprises a wide range of organisations within the ecosystem, including large, global advisory firms and niche technology specialists. A total of 10 additional revenue generating partnerships have been secured in the period. A strategic priority remains expanding this network with a focus on improving delivery capabilities for partners.

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

- A digital consultancy partner has sold RPA to a renewable energy company, supplementing their existing Liberty Create solution.

- A new Financial Services/Wealth Management customer win in collaboration with a new partner.

Financial Review

A key financial metric monitored by the Board is the growth in the ACV base year-on-year. 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 60% higher at £15.0m (FY21: £9.4m) with growth in both Intelligent Automation and Customer Engagement solutions of approximately 74% and 7% respectively compared to FY21. For Customer Engagement, Cloud ACV increased by 28% and Product support contract ACV by 1% The growth in Cloud ACV contributed to a 31% growth in total ACV to £24.2m (FY21: £18.5m). Excluding the Contract Win, cloud and total ACV showed continued momentum with 26% and 14% growth respectively.

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

£'m ACV	FY22	FY21	FY20
Cloud services	15.0	9.4	7.5
Product support contracts	9.2	9.1	9.3
Total	**24.2**	**18.5**	**16.8**

Group revenue for the period grew by 12% to £30.5m (FY21: £27.2m). The year-on-year increase was primarily driven by growth in both Intelligent Automation solutions by 28% to £13.8m (FY21: £10.8m), and Customer Engagement solutions by 3% to £16.0m (FY21: £15.6m) of which Customer Engagement Cloud services revenue stream grew by 28% to £3.0m.

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

£'m Revenue	FY22	FY21	FY20
Cloud services	10.7	8.3	6.6
Product support contracts	9.0	9.0	9.6
Total Cloud services & Product support contracts	**19.7**	**17.3**	**16.1**
Communication services	3.0	2.9	1.9
Product	2.2	2.7	3.1
Professional services	5.5	4.3	4.0
Total Revenue	**30.5**	**27.2**	**25.1**

Revenue from Cloud services (subscription and usage fees of our cloud-based offerings) increased by 30% to £10.7m (FY21: £8.25m) reflecting the higher year-on-year Cloud ACV.

Product support contract revenue decreased by 1% to £8.97m (FY21: £9.06m) in line with the Group's strategy to transition to a cloud business model, resulting from lower product and support contract ACV at the start of the new financial year of £9.1m, compared with the start of the prior financial year £9.3m.

Recurring revenue from Cloud service and Product support contracts totalled 65% of revenue (FY21: 64%).

Communication services revenue (fees for telephony and messaging services) increased by 3% to £3.00m (FY21: £2.90m) due to higher revenues for call-back and messaging services.

Product revenue (software license sales with supporting hardware) decreased by 16% to £2.24m (FY21: £2.66m). 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 29% to £5.51m (FY21: £4.28m). 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.

The Group's adjusted EBITDA was 20% higher at £6.41m (FY21: £5.34m), at a margin of 21% of revenue (FY21: 20%). The higher margin reflecting efficiencies in the business, such as continued improvements to our processes and utilisation of our own technology.

The higher adjusted EBITDA led to an increase in operating profits to £3.19m (FY21: £1.75m) with combined charges for share-based payments, depreciation and amortisation charges being broadly level period over period.

To support the acquisition of MatsSoft Limited in 2017, the Company issued a Loan Note totalling £7m. The Loan Note is unsecured, has an interest rate of 8.5%, and is repayable in six instalments from 30 September 2022 to 31 March 2025. On 9 November 2021, the Company issued an early redemption notice and redeemed £3.5m of the Loan Note with BGF Nominees Ltd (part of BGF Group plc). The interest cost of the early redemption was £0.30m and accordingly total finance costs were £0.88m (FY21: £0.77m). On 28 September 2022, the options granted to the Loan Note holder were exercised and the Company issued and allotted 4,827,586 new ordinary shares and received proceeds of £2.8m which are intended to be used to part repay the outstanding £3.5m of the Loan Note.

As a result, profit before tax was 133% higher at £2.31m (FY21: £0.99m).

The Group recorded a tax credit of £88,000 (FY21: charge of £11,000) benefiting from tax relief available from the exercise of share options during the period and additional deductions for R&D expenditure together with the recognition of a deferred tax asset for timing differences due to share-based payment charges.

Basic earnings per share was 1.61 pence (FY21: 0.66 pence) and increased by 44% to 2.15 pence on an adjusted basis (FY21: 1.49 pence). Diluted earnings per share was 1.52 pence (FY21: 0.64 pence) and increased by 43% to 2.04 pence on an adjusted basis (FY21: 1.43 pence).

Cash generated from operations was £9.99m (FY21: £5.69m). 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 VAT deferral and consideration paid to the vendors of Oakwood Technologies BV (acquired in October 2020) accounted for as post completion services, cash generated from operations increased by 71% to £11.5m (FY21: £6.72m) a conversion of 179% (FY21: 126%) of adjusted EBITDA.

Spending on research and development, including capitalised software development, was 7% higher at £4.07m (FY21: £3.79m) of which capitalised software expenditure was £1.61m (FY21: £1.57m).

Total capital expenditure was £1.94m (FY21: £2.75m); the balance after capitalised development, being £0.33m (FY21: £1.18m) relating to IT equipment and software.

As a result of these factors, net funds were £13.4m at 30 June 2022 (30 June 2021: £6.82m).

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 0.54p (FY21: 0.37p). If approved, the final dividend will be paid on 31 January 2023 to shareholders on the register at the close of business on 16 December 2022.

Audited consolidated income statement for the year ended 30 June 2022

	2022	restated 2021
	£'000	£'000
Revenue	**30,458**	27,154
Cost of sales	**(5,021)**	(4,452)
Gross profit	**25,437**	22,702
Administrative expenses	**(22,363)**	(20,832)
Other gains/(losses) - net	**113**	(119)
Adjusted EBITDA	**6,405**	5,338
Depreciation	**(437)**	(542)
Net loss on disposal of property, plant and equipment	**-**	(52)
Amortisation of acquired intangible assets	**(522)**	(488)
Amortisation of other intangible assets	**(1,239)**	(1,391)
Post-completion services (see note 4)	**(56)**	(285)
Share-based payments	**(964)**	(829)
Operating profit	**3,187**	1,751
Finance income	**6**	3
Finance costs	**(881)**	(769)
Finance costs – net	**(875)**	(766)
Profit before tax	**2,314**	985
Tax credit/ (charge)	**88**	(11)
Profit for the year	**2,400**	974
Earnings per share – pence		
Basic	**1.61**	0.66
Diluted	**1.52**	0.64

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 2022

	2022	2021
	£'000	£'000
Profit for the year	**2,400**	974
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(14)**	35
Total other comprehensive income for the year	**(14)**	35
Total comprehensive income for the year	**2,386**	1,009

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

Audited consolidated balance sheet at 30 June 2022

	2022	2021
	£'000	£'000
Assets		
Non-current assets		
Property, plant and equipment	**477**	608
Right-of-use assets	**539**	711
Intangible assets	**29,976**	30,070
Deferred tax asset	**906**	648
Financial assets at fair value through other comprehensive income	**72**	72
Total non-current assets	**31,970**	32,109
Current assets		
Inventories	**37**	84
Other current assets	**2,767**	1,563
Contract assets	**888**	898
Trade receivables	**3,704**	2,635
Other financial assets at amortised cost	**8**	10
Cash and cash equivalents	**17,605**	14,520
Total current assets	**25,009**	19,710
Total assets	**56,979**	51,819
Liabilities		
Non-current liabilities		
Contract liabilities	**525**	22
Borrowings	**2,304**	6,858
Lease liabilities	**521**	672
Deferred tax liabilities	**899**	881
Total non-current liabilities	**4,249**	8,433
Current liabilities		
Trade and other payables	**7,963**	6,918
Contract liabilities	**16,005**	11,691
Borrowings	**1,167**	-
Lease liabilities	**177**	171
Total current liabilities	**25,312**	18,780
Total liabilities	**29,561**	27,213
Net assets	**27,418**	24,606
Equity attributable to owners of Netcall plc		
Share capital	**7,587**	7,534
Share premium	**3,015**	3,015
Other equity	**4,900**	4,900
Other reserves	**4,462**	3,840
Retained earnings	**7,454**	5,317
Total equity	**27,418**	24,606

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Audited consolidated statement of cash flows for the year ended 30 June 2022

	2022	2021
	£'000	£'000
Cash flows from operating activities		
Profit before income tax	**2,312**	985
Adjustments for:		
Depreciation and amortisation	**2,198**	2,421
Loss on disposal of property, plant and equipment	**-**	52
Share-based payments	**964**	829
Finance costs - net	**875**	766
Other non-cash expenses	**-**	11
Changes in operating assets and liabilities, net of effects from purchasing of subsidiary undertaking:		
Decrease in inventories	**47**	54
(Increase)/ decrease in trade receivables	**(1,064)**	1,337
Decrease/ (increase) in contract assets	**32**	(320)
Decrease/ (increase) in other financial assets at amortised cost	**3**	(7)
Increase in other current assets	**(1,237)**	(184)
Increase/ (decrease) in trade and other payables	**1,040**	(114)
Increase/ (decrease) in contract liabilities	**4,817**	(142)
Cash flows from operations	**9,987**	5,688
Analysed as:		
Cash flows from operations before VAT deferral scheme and payment of post completion service consideration	**11,500**	6,718
Net effect of VAT deferral scheme	**(1,407)**	(805)
Payment of post completion service consideration	**(106)**	(225)
Interest received	**6**	3
Interest paid	**(7)**	(10)
Income taxes paid	**(1)**	(2)
Net cash inflow from operating activities	**9,985**	5,679
Cash flows from investing activities		
Payment for property, plant and equipment	**(134)**	(36)
Payment of software development costs	**(1,610)**	(1,571)
Payment for proprietary software	**(136)**	(1,049)
Payment for other intangible assets	**(57)**	(97)
Proceeds from sale of property, plant and equipment	**-**	1
Net cash outflow from investing activities	**(1,937)**	(2,752)
Cash flows from financing activities		
Proceeds from issues of ordinary shares	**53**	222
Interest paid on Loan Notes	**(759)**	(717)
Repayment of borrowings	**(3,500)**	-
Principal element of lease payments	**(169)**	(294)
Dividends paid to Company's shareholders	**(554)**	(369)
Net cash outflow from financing activities	**(4,929)**	(1,158)
Net increase in cash and cash equivalents	**3,119**	1,769
Cash and cash equivalents at beginning of the financial year	**14,520**	12,710
Effects of exchange rate on cash and cash equivalents	**(34)**	41
Cash and cash equivalents at end of financial year	**17,605**	14,520

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Audited consolidated statement of changes in equity at 30 June 2022

	Share capital £'000	Share premium £'000	Other equity £'000	Other reserves £'000	Retained earnings £'000	Total £'000
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**
Proceeds from share issue	53	-	-	-	(1)	**52**
Increase in equity reserve in relation to options issued	-	-	-	775	-	**775**
Tax credit relating to share options	-	-	-	153	-	**153**
Reclassification following exercise or lapse of options	-	-	-	(292)	292	**-**
Dividends paid	-	-	-	-	(554)	**(554)**
Transactions with owners	**53**	**-**	**-**	**636**	**(263)**	**320**
Profit for the year	-	-	-	-	2,400	**2,400**
Other comprehensive income for the year	-	-	-	(14)	-	**(14)**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**(14)**	**2,400**	**2,386**
Balance at 30 June 2022	**7,587**	**3,015**	**4,900**	**4,462**	**7,454**	**27,418**

NETCALL

Notes to the financial information for the year ended 30 June 2022

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 2022.

During the year there was increased demand for the Group's technical staff to provide consulting services to support customers' intelligent automation projects. The Group has therefore reconsidered its accounting policy for the presentation of expenses in the income statement to include the proportion of staff costs relating to the delivery of services within cost of sales. The prior year consolidated income statement has been restated for the reclassification of costs between cost of sales and administrative expenses. As a result, 2021 reflects an increase in cost of sales of £1.83m, with a corresponding decrease in administrative expenses. The overall operating profit for the year for the Group remains unchanged.

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 2022 or 2021. Statutory accounts for the years ended 30 June 2022 and 30 June 2021 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 2021 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 June 2022 will be delivered to the Registrar in due course. Copies of the Annual Report 2022 will be posted to shareholders on or about 10 November 2022. 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 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, , acquisition and reorganisation expenses and share-based payments, which is set out on the consolidated income statement.

4. Material profit or loss items

The Group identified the following item in the prior year which was material due to the significance of its nature and/or its amount. It is listed separately here to provide a better understanding of the financial performance of the Group in this and the prior year.

	2022	2021
	£'000	£'000
Post completion services expense[(1)]	**(56)**	(285)
	(56)	(285)

[(1)] A number of former owners of Oakwood Technologies BV continued to work in the business following its acquisition in October 2020 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 2022	30 June 2021
Net earnings attributable to ordinary shareholders (£'000)	2,400	974
Weighted average number of ordinary shares in issue (thousands)	149,462	146,675
Basic earnings per share (pence)	**1.61**	**0.66**

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 2022	30 June 2021
Weighted average number of ordinary shares in issue (thousands)	149,462	146,675
Adjustments for share options (thousands)	8,150	6,416
Weighted average number of potential ordinary shares in issue (thousands)	157,612	153,091
Diluted earnings per share (pence)	**1.52**	**0.64**

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 2022	30 June 2021
Profit used for calculation of basic and diluted EPS	**2,400**	**974**
Share-based payments	964	829
Post-completion services (see note 4)	56	285
Amortisation of acquired intangible assets	522	488
Unwinding of discount – contingent consideration & borrowings	116	120
Tax effect of adjustments	(842)	(503)
Profit used for calculation of adjusted basic and diluted EPS	**3,216**	**2,193**

	30 June 2022	30 June 2021
Adjusted basic earnings per share (pence)	**2.15**	1.49
Adjusted diluted earnings per share (pence)	**2.04**	1.43

6. Dividends

Year to June 2022	Paid	Pence per share	Cash flow statement (£'000)	Statement of changes in equity (£'000)	June 2022 balance sheet (£'000)
Final ordinary dividend for the year to June 2021	8/2/22	0.37p	554	554	-
			554	**554**	**-**

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**	**-**

It is proposed that this year's final ordinary dividend of 0.54p pence per share will be paid to shareholders on 31 January 2023. Netcall plc shares will trade ex-dividend from 15 December 2022 and the record date will be 16 December 2022. The estimated amount payable is £0.84m. 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 2022	30 June 2021
Cash and cash equivalents	17,605	14,520
Borrowings – fixed interest and repayable within one year (1)	(1,167)	-
Borrowings – fixed interest and repayable after one year (1)	(2,304)	(6,858)
Lease liabilities	(698)	(843)
Net funds	**13,436**	**6,819**

(1) To support the acquisition of MatsSoft Limited in August 2017, the Company issued a £7m Loan Note with options over 4,827,586 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. In November 2021, the Company issued an early redemption notice and redeemed £3.5m of the Loan Note. On 28 September 2022, the options granted to the Loan Note holder were exercised and the Company issued and allotted 4,827,586 new ordinary shares and the proceeds from the exercise of the options totalled £2.8m which is intended to be used to part repay the outstanding £3.5m of the Loan Note.