23 February 2022

NETCALL PLC
(“Netcall”, the “Company”, or the “Group”)

Interim results for the six months ended 31 December 2021

Double-digit revenue and profit growth

Netcall plc (AIM: NET), the leading provider of intelligent automation and customer engagement software, today announces its unaudited interim results for the six months ended 31 December 2021.

Financial highlights

	H1 FY22	H1 FY21	
Revenue	£14.7m	£13.4m	+10%
Cloud services revenue	£4.93m	£4.08m	+21%
Total annual contract value[1] ACV	£19.8m	£17.7m	+12%
Cloud services ‘ACV’	£10.8m	£8.4m	+29%
Adjusted EBITDA[2]	£3.45m	£2.95m	+17%
Profit before tax	£1.15m	£0.96m	+20%
Adjusted basic earnings per share	1.09p	0.90p	+21%
Group cash at period end	£10.7m	£12.9m	
Net funds at period end	£6.5m	£5.1m	

Operational highlights

- Continued strong trading with main contribution from Cloud services
- Growing demand for both Intelligent Automation and Customer Engagement solutions from all key market segments of financial services, healthcare and government
- Annual revenue run-rate from Intelligent Automation is now £13m, representing approximately 44% of Group revenue and generating a growing contribution to Group profitability
- Continued cross- and up-sell into the Group’s broad customer base, with 24% of ACV coming from customers who have purchased both Intelligent Automation and Customer Engagement solutions (H1 FY21: 21%)
- Acceleration in ACV growth to 12% for H1-FY22, up from 7% for H1-FY21
- Cloud net retention rate[3] increased to 119% (H1 FY21: 115%)
- Released several new enhancements to the Liberty platform with a focus on expanded automation capabilities, improved user experience and new product functionality

Outlook

- Trading in the early part of the H2 remains comfortably in line with expectations and the Board is confident of continued progress during the second half.

Henrik Bang, Chief Executive, said:

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

"Our profitable and cash generative business model enables us to invest in our offering to capture the significant market opportunity presented by helping customers turn their digital strategies into successful journeys and build smarter, leaner and more customer-centric organisations. With our sector expertise, breadth of customer base and powerful offering, combined with a healthy sales pipeline, we look to the future with confidence."

(1) ACV, as at 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 acquisition, impairment, contingent consideration, share-based payments 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.

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About Netcall:
Netcall's Liberty software platform with Intelligent Automation and Customer Engagement solutions helps organisations digitally 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 including Legal and General, Lloyds Banking Group, Aon and Nationwide Building Society.

For further information, please go to www.netcall.com.

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 traded comfortably in line with management expectations during the period, delivering revenue growth of 10% to £14.7m and an increased adjusted EBITDA by 17% to £3.4m. This is as a result of good performance across the Group's key market segments, with healthy demand for both Intelligent Automation and Customer Engagement solutions.

In line with the Group's strategy, Cloud services revenue was the primary driver for the double-digit organic revenue and profitability growth with Cloud services bookings contributing to more than 85% of new bookings in the period. As a result, Cloud services ACV increased by 29% to £10.8m (H1 FY21: 25% and £8.4m). This represents a leading indicator of continued Cloud revenue growth with total future contracted revenues having increased by 20% to £35.9m (H1 FY21: £29.9m).

New customer acquisition was complemented by cross and up-selling into the Group's broad customer base, with 24% of ACV coming from customers who have purchased both Intelligent Automation and Customer Engagement solutions (H1 FY21: 21%). This supported Netcall's Cloud net retention rate which increased to 119% (H1 FY21: 115%), as we continued to see wider adoption of the Liberty platform and maintained low customer churn as a result of high and improving customer satisfaction rates.

The Group's balance sheet is robust, with cash at period end of £10.7m (30 June 2021: £14.5m) after the payment of £4.9m for early redemption of loan notes to BGF Nominees Limited (part of the BGF Group plc) and deferred VAT due to Covid-19. This more than offsets borrowings of £3.4m (30 June 2021: £6.9m). The strong financial position provides the flexibility and resources to continue to invest in Netcall's growth strategies.

Current Trading and Outlook

Trading in the early part of H2 remains comfortably in line with expectations with our cloud solutions continuing to perform strongly. The pipeline of opportunities remains encouraging and includes our established customer base which continues to increase their engagement with the platform.

In the Board's view the strong current trading warrants continued investment into the business, at a similar rate as H2 last year. Considering the higher future contract revenues and ACV providing forward revenue visibility combined with a healthy sales pipeline the Board is confident in delivering continued progress during the second half.

Business Review: *Supporting customers' digital journeys*

Across industries, organisations are embarking on digital transformation journeys, where they adopt technology to radically advance their performance and reach. This improves important business drivers such as topline growth, cost efficiency, operational effectiveness, customer and employee satisfaction, and makes them more customer centric, effective and competitive. Through digital transformation employees find it easier to do their jobs and customers find it easier to interact with organisations.

A recent survey(1) highlights that more than 90% of organisations plan to invest more in digital technology over the coming years than in the years before the pandemic. Meanwhile, the limited availability of skilled staff to implement digital initiatives remains a challenge and therefore organisations increasingly look to new technologies to meet their requirements, including Low-code platforms, which enable both professional and business developers to implement new solutions faster. Others predicts that by 2025 70% of new applications developed by organisations will use Low-code of No-code technologies, up from less than 25% in 2020, to speed-up implementation of digital strategies necessary to support growth and competitiveness.

Through the delivery of cloud-based technologies, Netcall helps organisations to improve and automate processes, integrate communications, data and systems to support digital transformation journeys. The Group's Liberty platform of modular and integrated solutions offers Intelligent Automation and Customer Engagement solutions, delivering a broad range of product capabilities, comprising four main categories:

Intelligent Automation

- **Liberty Create**: Enables both professional and business developers to create enterprise grade applications that drive and automate workflows and business processes using a low-code software for faster development utilising an intuitive drag-and-drop environment. This is combined with 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 which frees-up people from mundane and cumbersome tasks, enabling them to be more productive.

Customer Engagement

- **Liberty Converse**: Seamless communication using our complete omni-channel contact centre solution for customer engagement which also includes solutions such as automated speech bots, workforce and quality management amongst others.

- **Liberty Connect**: A cloud conversational messaging and chatbot platform that enables organisations to reach and respond to customers over digital channels like web chat, SMS, Facebook Messenger and Twitter. Queries can be handled automatically using AI-powered virtual agents, or handed off to Liberty Converse to reach the most appropriately skilled live agent.

Strategy: *Execution across four strategic growth pillars*

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.

We remain focused on our core segments of financial services, healthcare and public sector, which comprise 87% of the Group's revenue, whilst the Liberty platform also has applicability into other markets segments. Our target customers are typically operating complex businesses with large numbers of customers, employees and stakeholders, and in many cases are subject to a high level of regulation.

The overall market remains fragmented with multiple suppliers across a number of differing product offerings. The Group's comprehensive yet easy-to-use Liberty platform, combined with our segment focus, continue to differentiate Netcall.

The Group's progress in the period is the result of successful execution against its four strategic growth pillars: new customer acquisition, growing engagement across the customer base ('land-and-expand'), value enhancing R&D, and growth through partnerships.

Supported by a strong balance sheet, the Board continues to assess the market for M&A opportunities to complement its organic growth.

1. Customer base expansion

Our cloud solutions remain the main driver of new customer acquisition. During the period we continued to add new customers across our core markets and in new growing market segments such as transportation and utilities. New business highlights from the period include:

- Continued wins within the healthcare sector for our appointment management Patient Hub solution. We have also expanded the usage of Patient Hub across more hospital departments resulting in a six-fold increase in volumes of digital letters and notifications sent and, a more than four-fold increase in patients accessing Patient Hub to manage their appointments compared to same period last year.

- A global insurer has continued to increase the use of the platform. From initially deploying an insurance management platform in continental Europe, Liberty has now been deployed for other solutions such as a claims management application in North America.

2. Land-and-expand

The Group's land-and-expand strategy is underpinned by high customer retention and incremental value created through continuous product enhancements. The Group achieves up- and cross-sales in three main areas:

- Customer Engagement customers purchasing Intelligent Automation to combine into more powerful solutions, which on average drive a threefold increase in the contract value. Approximately 24% of Group ACV is from customers who have purchased both solutions, a share which continues to increase.

- Migrating on-premise Customer Engagement customers to the cloud environment, which on average results in a 1.5x uplift in annual contract value.

- Incremental expansion of the platform through continuous product enhancements and features. This is further stimulated through the Group's AppShare community where several pre-built accelerators and modules are made available to share.

An example of a land-and-expand progression during the period is an existing on-premise customer which upgraded its Liberty environment to the latest version and at the same time implemented Liberty Connect to use cloud based digital messaging and intelligent bot functionality. Following implementation, approximately 4 in 5 of all digital enquiries, previously handled by human advisors, were resolved using virtual assistants built in Liberty Connect, available 24x7. This substantial reduction in interactions requiring human advisor help delivered efficiency savings and also enabled the organisation to focus more on complex enquiries and as part of this re-skilled employees to create a more varied and interesting workplace.

3. Innovation and product development

Netcall's investment in innovation and platform expansion continues to help differentiate its offering, and further presents the Group as an innovative provider of Customer Engagement and Intelligent Automation solutions providing a compelling one-stop shop to our customer base.

The Group made a number of capability and feature updates to the Liberty platform during the period, including:

- Liberty Create, our low-code development platform, was enhanced to include geospatial features giving organisations new mapping capability in app creation. A security checklist was also added to ensure customers follow best practice and secure design principles during the creation of apps. Finally, Monitor Studio was enhanced to expose performance metrics that highlight the performance of applications and identifies areas to investigate.

- Liberty RPA was enhanced with improved computer vision algorithms, the release of RPA Snap, an improvement to the way bots deal with failure, and enhancements to the developer experience within RPA Studio.

- In Liberty Converse, its built-in workforce management module, has been enhanced with omni-channel interaction forecasting to allow predictions of future demand by channel. There have also been enhancements to support RPA directly within the Contact Centre to allow agents to automate repetitive tasks and lower interaction handling times.

- In our health solution, Patient Hub, we continue to help hospital trusts automate how they manage the appointment process and have added further functionality to digitise pre-operative surveys, automatically remove patients from the waiting list who no longer require treatment, and have also included easy migration so customers can smoothly transition from an existing on-premise platform to Patient Hub in the cloud.

4. Growing the partner channel

The Group has an established and growing ecosystem of technology and solution providers, giving access to new markets and additional opportunities to scale the business faster. This represents an important growth pillar for the Group, and during the period sales via the channel network accounted for approximately 20% of the total sales mix.

An example win via the partner network included a European consultancy deploying RPA alongside Liberty Create to automate the automatic gathering of market intelligence and updating of an environmental management application.

(1) https://www2.deloitte.com/uk/en/pages/finance/articles/deloitte-cfo-survey.html
(2) https://www.gartner.com/en/newsroom/press-releases/2021-11-10-gartner-says-cloud-will-be-the-centerpiece-of-new-digital-experiences

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 29% higher at £10.8m (H1-FY21: £8.4m) with growth in both Customer Engagement and Intelligent Automation solutions of approximately 30% and 26% respectively compared to H1-FY21. The growth in Cloud ACV contributed to a 12% growth in total ACV to £19.8m (H1-FY21: £17.7m).

The table below sets out ACV for the last three reporting periods:

£'m ACV	H1-FY22	FY21	H1-FY21
Cloud services	10.8	9.4	8.4
Product support contracts	9.0	9.1	9.3
Total	**19.8**	**18.5**	**17.7**

Product support contract ACV includes £0.4m (H1-FY21: £0.7m) of maintenance contracts for other solutions which declined in the second half of the last financial year, primarily as a result of retirement from support of products at end-of-life.

Group revenue for the period grew by 10% to £14.7m (H1-FY21: £13.4m). The year-on-year increase was primarily driven by growth in both Intelligent Automation solutions by 21% to £6.45m (H1-FY21: £5.35m), and Customer Engagement solutions before Product support contracts by 13% to £3.83m (H1-FY21: £3.40m). The Customer Engagement product line benefits from a highly cash generative, resilient and diverse customer product support contract base that underpins up- and cross-sale opportunities for cloud Intelligent Automation and Customer Engagement solutions. Customer Engagement product support contract revenues were £4.11m (H1-FY21: £4.16m) which moderated total Customer Engagement solution revenue growth to 5% to £7.94m (H1-FY21: £7.56m) as customers increasingly migrate to the cloud and recurring revenue models.

The table below sets out revenue by component for the last three interim periods:

£'m Revenue	H1-FY22	H1-FY21	H1-FY20
Cloud services	4.9	4.1	3.2
Product support contracts	4.4	4.6	4.7
Total Cloud services & Product support contracts	**9.4**	**8.7**	**7.9**
Communication services	1.5	1.6	1.1
Product	1.1	1.0	1.2
Professional services	2.7	2.1	2.1
Total Revenue	**14.7**	**13.4**	**12.3**

Revenue from Cloud services (subscription and usage fees of our cloud-based offerings) increased by 21% to £4.93m (H1-FY21: £4.08m) reflecting the higher year over year Cloud ACV.

Product support contract revenue decreased by 2% to £4.44m (H1-FY21: £4.55m) as expected, with 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 of £9.3m.

Recurring revenue from Cloud service and Product support contracts totalled 64% of revenue (H1-FY21: 65%).

Communication services revenue (fees for telephony and messaging services) decreased by 3% to £1.54m (H1-FY21: £1.59m) due to lower revenues for call-back services partially offset by higher demand for messaging services.

Product revenue (software license sales with supporting hardware) increased by 9% to £1.12m (H1-FY21: £1.03m) due to continuing customer demand for on-premise license expansions or upgrades. 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 for new or replacement solutions.

Professional services revenue increased by 27% to £2.67m (H1-FY21: £2.10m) due to delivery of more implementation services for Intelligent Automation customers. 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 increased by 160 basis points to 91% (H1-FY21: 89%) mainly due to improved professional service expense and realisation rates.

Operating expenses, before depreciation, amortisation, share-based payments and acquisition related items, increased by 10% to £9.87m (H1-FY21: £8.98m) due to higher staff-related expenditure from headcount and pay growth.

Consequently, the Group's adjusted EBITDA increased by 17% to £3.45m (H1-FY21: £2.95m), a margin of 23% of revenue (H1-FY21: 22%).

The higher adjusted EBITDA led to a 34% increase in operating profit of £1.81m (H1-FY21: £1.35m) 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 (past of BGF Group plc). The interest cost of the early redemption was £0.30m and accordingly total finance costs increased to £0.66m (H1-FY21: £0.39m). See note 6 for further information.

As a result, profit before tax was 20% higher at £1.15m (H1-FY21: £0.96m).

The Group recorded a tax credit of £0.36m (H1-FY21: credit £0.35m) benefiting from tax relief available from the exercise of share options and additional deductions for R&D expenditure during the period together with the recognition of a deferred tax asset for timing differences due to share-based payment charges of £0.30m.

Basic earnings per share was 11% higher at 1.01 pence (H1-FY21: 0.91 pence) and increased by 21% to 1.09 pence on an adjusted basis (H1-FY21: 0.90 pence). Diluted earnings per share was 10% higher at 0.96 pence (H1-FY21: 0.87 pence) and increased by 18% to 1.03 pence on an adjusted basis (H1-FY21: 0.87 pence).

Cash generated from operations was £1.23m (H1-FY21: £2.39m). 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 and consideration paid to the vendors of Oakwood Technologies BV (acquired in October 2018) accounted for as post completion services, cash generated from operations increased by 5% to £2.52m (H1-FY21: £2.39m) a conversion of 73% of adjusted EBITDA (H1-FY21: 81%). Cash conversion is typically weighted to the second half of the financial year due to the timing of Cloud service and Support contract annual billings.

Spending on research and development, including capitalised software development, increased by 6% £1.97m (H1-FY21: £1.85m) of which capitalised software expenditure was £0.81m (H1-FY21: £0.80m).

Total capital expenditure was £0.98m (H1-FY21: £1.81m); the balance after capitalised development, being £0.18m (H1-FY21: £0.02m) relating to deferred consideration payments for the acquired proprietary software assets of Oakwood Technologies BV (Automagica).

As a result of these factors, net funds were £6.47m at 31 December 2021 (30 June 2021: £6.82m).

A final dividend of 0.37 pence per share for the year ended 30 June 2021 was approved by shareholders on 16 December 2021. The amount payable was £0.55m and is included as a liability in the 31 December 2021 balance sheet and was paid on 8 February 2022.

Unaudited consolidated income statement for the six months to 31 December 2021

£'000	Unaudited Six months to 31 December 2021	Unaudited Six months to 31 December 2020	Audited 12 months to 30 June 2021
Revenue	**14,690**	**13,351**	**27,154**
Cost of sales	(1,376)	(1,472)	(2,625)
Gross profit	**13,314**	**11,879**	**24,529**
Administrative expenses	(11,530)	(10,434)	(22,659)
Other losses – net	23	(98)	(119)
Adjusted EBITDA	**3,448**	**2,949**	**5,338**
Depreciation	(228)	(305)	(542)
Net loss on disposal of property, plant and equipment	-	(52)	(52)
Amortisation of acquired intangible assets	(261)	(227)	(488)
Amortisation of other intangible assets	(619)	(655)	(1,391)
Post-completion services	(33)	(59)	(285)
Share-based payments	(500)	(304)	(829)
Operating profit	**1,807**	**1,347**	**1,751**
Finance income	-	1	3
Finance costs	(659)	(385)	(769)
Finance costs – net	**(659)**	**(384)**	**(766)**
Profit before tax	**1,148**	**963**	**985**
Tax credit/ (charge)	362	350	(11)
Profit for the period	**1,510**	**1,313**	**974**
Earnings per share – pence			
Basic	1.01	0.91	0.66
Diluted	0.96	0.87	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.

Unaudited statement of comprehensive income for the six months to 31 December 2021

£'000	Unaudited Six months to 31 December 2021	Unaudited Six months to 31 December 2020	Audited 12 months to 30 June 2021
Profit for the period	**1,510**	**1,313**	**974**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations	(5)	34	35
Total other comprehensive income for the year	**(5)**	**34**	**35**
Total comprehensive income for the period	**1,505**	**1,347**	**1,009**

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

Unaudited consolidated balance sheet at 31 December 2021

£'000	Unaudited 31 December 2021	Unaudited 31 December 2020	Audited 30 June 2021
Assets			
Non-current assets			
Property, plant and equipment	535	739	608
Right-of-use assets	625	797	711
Intangible assets	29,998	30,208	30,070
Deferred tax asset	1,057	833	648
Financial assets at fair value through other comprehensive income	72	72	72
Total non-current assets	**32,287**	**32,649**	**32,109**
Current assets			
Inventories	52	119	84
Other current assets	1,505	1,287	1,563
Contract assets	930	944	898
Trade receivables	4,722	3,159	2,635
Other financial assets at amortised cost	6	15	10
Cash and cash equivalents	10,670	12,903	14,520
Total current assets	**17,885**	**18,427**	**19,710**
Total assets	**50,172**	**51,076**	**51,819**
Liabilities			
Non-current liabilities			
Contract liabilities	140	42	22
Borrowings	2,832	6,802	6,858
Lease liabilities	610	759	672
Deferred tax liabilities	881	814	881
Total non-current liabilities	**4,463**	**8,417**	**8,433**
Current liabilities			
Trade and other payables	6,006	7,553	6,918
Dividend payable	554	369	-
Contract liabilities	12,340	10,268	11,691
Current tax liabilities	-	2	-
Borrowings	583	-	-
Lease liabilities	174	194	171
Total current liabilities	**19,657**	**18,386**	**18,780**
Total liabilities	**24,120**	**26,803**	**27,213**
Net assets	**26,052**	**24,273**	**24,606**
Equity attributable to the owners of the parent			
Share capital	7,579	7,483	7,534
Share premium	3,015	3,015	3,015
Other equity	4,900	4,900	4,900
Other reserves	4,090	3,381	3,840
Retained earnings	6,468	5,494	5,317
Total equity	**26,052**	**24,273**	**24,606**

Unaudited consolidated statement of changes in equity at 31 December 2021

£'000	Share capital	Share premium	Other equity	Other reserves	Retained earnings	Total equity
Balance at 30 June 2020	**7,312**	**3,015**	**4,900**	**3,996**	**3,654**	**22,877**
Proceeds from share issue	171	-	-	-	-	171
Increase in equity reserve in relation to options issued	-	-	-	218	-	218
Reclassification following exercise or lapse of share options	-	-	-	(896)	896	-
Tax credit relating to share options	-	-	-	29	-	29
Dividends declared	-	-	-	-	(369)	(369)
Transactions with owners	**171**	**-**	**-**	**(649)**	**527**	**49**
Profit for the period	-	-	-	-	1,313	1,313
Other comprehensive income for the period	-	-	-	34	-	34
Profit and total comprehensive income for the period	**-**	**-**	**-**	**34**	**1,313**	**1,347**
Balance at 31 December 2020	**7,483**	**3,015**	**4,900**	**3,381**	**5,494**	**24,273**
Proceeds from share issue	51	-	-	-	-	51
Increase in equity reserve in relation to options issued	-	-	-	511	-	511
Reclassification following exercise or lapse of share options	-	-	-	(162)	162	-
Tax credit relating to share options	-	-	-	109	-	109
Transactions with owners	**51**	**-**	**-**	**458**	**162**	**671**
Loss for the period	-	-	-	-	(339)	(339)
Other comprehensive income for the period	-	-	-	1	-	1
Loss and total comprehensive income for the period	**-**	**-**	**-**	**1**	**(339)**	**(338)**
Balance at 30 June 2021	**7,534**	**3,015**	**4,900**	**3,840**	**5,317**	**24,606**
Proceeds from share issue	44	-	-	-	-	44
Increase in equity reserve in relation to options issued	-	-	-	404	-	404
Reclassification following exercise or lapse of share options	1	-	-	(196)	195	-
Tax credit relating to share options	-	-	-	47	-	47
Dividends declared	-	-	-	-	(554)	(554)
Transactions with owners	**45**	**-**	**-**	**255**	**(359)**	**(59)**
Profit for the period	-	-	-	-	1,510	1,510
Other comprehensive income for the period	-	-	-	(5)	-	(5)
Profit and total comprehensive income for the period	**-**	**-**	**-**	**(5)**	**1,510**	**1,505**
Balance at 31 December 2021	**7,579**	**3,015**	**4,900**	**4,090**	**6,468**	**26,052**

Unaudited consolidated cash flow statement for the six months to 31 December 2021

£'000	Unaudited Six months to 31 December 2021	Unaudited Six months to 31 December 2020	Audited 12 months to 30 June 2021
Cash flows from operating activities			
Profit before income tax	1,148	963	985
Adjustments for:			
Depreciation and amortisation	1,108	1,187	2,421
Loss on disposal of property, plant and equipment	-	52	52
Share-based payments	500	304	829
Net finance costs	659	384	766
Other non-cash expenses	-	11	11
Changes in operating assets and liabilities, net of effects from acquisition of subsidiaries:			
Decrease in inventories	32	20	54
Decrease/ (increase) in trade receivables	(2,085)	818	1,337
(Increase)/ decrease in contract assets	(29)	(362)	(320)
(Increase)/ decrease in other financial assets at amortised cost	5	(10)	(7)
Decrease/ (increase) in other current assets	29	97	(184)
Increase/ (decrease) in trade and other payables	(902)	472	(114)
(Decrease)/ increase in contract liabilities	766	(1,548)	(142)
Cash generated from operations	**1,231**	**2,388**	**5,688**
Analysed as:			
Cash flows from operations before VAT deferral scheme and post completion service consideration payments	**2,520**	**2,388**	**6,718**
Payment of VAT deferral scheme	(1,206)	-	(805)
Payment of post completion service consideration	(83)	-	(225)
Interest received	-	2	3
Interest paid	(4)	(3)	(10)
Income taxes paid	-	-	(2)
Net cash inflow from operating activities	**1,227**	**2,387**	**5,679**
Cash flows from investing activities			
Payment for property, plant and equipment	(69)	(15)	(36)
Payment of software development costs	(805)	(802)	(1,571)
Payment for proprietary software	(101)	(984)	(1,049)
Payment for other intangible assets	(5)	(7)	(97)
Proceeds from sale of property, plant and equipment	-	1	1
Net cash outflow from investing activities	**(980)**	**(1,807)**	**(2,752)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	44	170	222
Interest paid on Loan Notes	(561)	(420)	(717)
Repayment of borrowings	(3,500)	-	-
Principal element of lease payments	(71)	(172)	(294)
Dividends paid to Company's shareholders	-	-	(369)
Net cash outflow from financing activities	**(4,088)**	**(422)**	**(1,158)**
Net (decrease)/ increase in cash and cash equivalents	**(3,841)**	**158**	**1,769**
Cash and cash equivalents at beginning of period	14,520	12,710	12,710
Effects of exchange rate changes on cash and cash equivalents	(9)	35	41
Cash and cash equivalents at end of period	**10,670**	**12,903**	**14,520**

Notes to the financial information for the six months ended 31 December 2021

1. General information

Netcall plc (AIM: “NET”, “Netcall”, “Group” or the “Company”) is a leading provider of Low-code and customer engagement software. It is a public limited company which 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 interim results consolidate those of the Company and its subsidiaries (together referred to as the ‘Group’). The principal trading subsidiaries of Netcall are Netcall Technology Limited and Netcall Systems Limited.

These condensed half year financial statements for the half year ended 31 December 2021 have been prepared in accordance with the AIM Rules for Companies and should be read in conjunction with the annual financial statements for the year ended 30 June 2021, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006

This results announcement is unaudited and does not constitute statutory accounts of the Group within the meaning of sections 434(3) and 435(3) of the Companies Act 2006 (the ‘Act’). The balance sheet at 30 June 2020 has been derived from the full Group accounts published in the Annual Report and Accounts 2020, which has been delivered to the Registrar of Companies and on which the report of the independent auditors was unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Act.

The results have been prepared in accordance with the accounting policies set out in the Group’s 30 June 2021 statutory accounts.

The results for the six months ended 31 December 2021 were approved by the Board on 22 February 2022. A copy of these interim results will be available on the Company’s web site www.netcall.com from 23 February 2022.

The principal risks and uncertainties faced by the Group have not changed from those set out on page 11 of the annual report for the year ended 30 June 2021.

3. Segmental analysis

The Board considers 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, a reconciliation of 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:

	Six months to 31 December 2021	Six months to 31 December 2020	12 months to 30 June 2021
Net earnings attributable to ordinary shareholders (£’000s)	1,510	1,313	974
Weighted average number of ordinary shares in issue (000s)	149,162	145,043	146,675
Basic earnings per share (pence)	**1.01**	**0.91**	**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 period, adjusted for potentially dilutive shares that are not anti-dilutive.

	Six months to 31 December 2021	Six months to 31 December 2020	12 months to 30 June 2021
Weighted average number of ordinary shares in issue (000s)	149,162	145,043	146,675
Adjustments for share options (000s)	8,480	5,753	6,416
Weighted average number of potential ordinary shares in issue (000s)	157,642	150,796	153,091
Diluted earnings per share (pence)	**0.96**	**0.87**	**0.64**

Adjusted basic and diluted 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 ongoing 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	Six months to 31 December 2021	Six months to 31 December 2020	12 months to 30 June 2021
Profit used for calculation of basic and diluted EPS	1,510	**1,313**	**974**
Amortisation of acquired intangible assets	261	227	488
Post-completion services	33	59	285
Share-based payments	500	304	829
Unwinding of discount - contingent consideration & borrowings	60	59	120
Tax adjustment	(742)	(656)	(503)
Profit used for calculation of adjusted basic and diluted EPS	**1,622**	**1,306**	**2,193**

Pence	Six months to 31 December 2021	Six months to 31 December 2020	12 months to 30 June 2021
Adjusted basic earnings per share	1.09	0.90	1.49
Adjusted diluted earnings per share	1.03	0.87	1.43

5. Dividends

Dividends paid or declared during the period were as follows:

Six months to December 2021	Paid	Pence per share	Cash flow statement (£'000)	Statement of changes in equity (£'000)	December 2021 balance sheet (£'000)
Final ordinary dividend for year to June 2021[(1)]	8/2/22	0.37p	-	554	554
			-	**554**	**554**

Six months to December 2020	Paid	Pence per share	Cash flow statement (£'000)	Statement of changes in equity (£'000)	December 2020 balance sheet (£'000)
Final ordinary dividend for year to June 2019	9/2/21	0.25p	-	369	369
			-	**369**	**369**

[(1)] The final ordinary dividend for the year ended 30 June 2021 was approved at the Annual General Meeting held on 16 December 2021.

6. Net funds/ (debt) reconciliation

£'000	31 December 2021	31 December 2020	30 June 2021
Cash and cash equivalents	10,670	12,903	14,520
Borrowings[1]	(3,415)	(6,802)	(6,858)
Lease liabilities	(784)	(953)	(843)
Net funds/ (debt)	**6,471**	**5,148**	**6,819**

[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. In November 2021, the Company issued an early redemption notice and redeemed £3.5m of the Loan Note.