NETCALL

11 October 2023

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

Final Results for the Year Ended 30 June 2023

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 2023.

Financial highlights

	FY23	FY22	
Total Revenue	£36.0m	£30.5m	+18%
Cloud services revenue	£16.6m	£10.7m	+55%
Total annual contract value(1) (“ACV”)	£27.9m	£24.2m	+15%
Cloud services ACV	£18.1m	£15.0m	+21%
Adjusted EBITDA(2)	£8.0m	£6.4m	+25%
Profit before tax	£4.0m	£2.3m	+74%
Adjusted basic earnings per share	3.33p	2.15p	+55%
Group cash at period end	£24.8m	£17.6m	+41%
Net funds at period end	£24.3m	£13.4m	+81%
Final ordinary dividend per share	0.83p	0.54p	+54%

Operational highlights

- Continued good demand for Liberty solutions, with strong contribution from new customer acquisition
- Total revenue increased by 18% driven by Cloud services which accounted for more than 80% of new product bookings
- Intelligent Automation solutions now accounts for more than half of Group revenue increasing by 34% to £18.5m (FY22: £13.8m)
- Customer Engagement customers that have purchased Intelligent Automation solutions increased by 6 percentage points to 21%
- Cloud net retention rate(3) of 113% (FY22: 152%) or 122% (FY22: 117%) excluding the effect of the significant contract win announced in June 2022 and renewed in July 2023
- Current Remaining Performance Obligations, being contracted revenue expected to be recognised within FY24, increased by 18% to £31.4m (FY23: £26.5m)
- Contract with S&P 500 firm using Liberty platform in more than 60 countries replaced with new five-year contract valued in total at $20m, representing a $6m uplift to the remaining contract value
- Positive sales momentum continued to date in FY24
- With more than a third of Customer Engagement solutions now deployed as a cloud service and the pipeline increasing, the Board has decided to invest further in the Group’s development and technology teams to capitalise on growing demand and support future growth

Henrik Bang, Chief Executive, said:

“Netcall had a strong year of trading, delivering double digit organic revenue and profit growth which was fueled by a strong demand for our cloud services as we transition to a predominately cloud-based business.

"We have continued to see strong demand for our offering as customers increasingly prioritise automation and improvements to customer experience, which, in addition to solid cross and up-sales, also resulted in an increased number of new customer wins.

"Based on the increased wins and growing pipeline in Customer Engagement cloud sales with more than a third of such solutions now deployed in the cloud, the Board has decided to increase investments into this offering to meet anticipated future demand, gain operational efficiencies and deliver an improved proposition.

"Sales momentum has remained strong into the start of the new financial year and our significant order book alongside our increasing recurring revenues and strong pipeline of new business opportunities, gives the Board 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 renewal announced on 20 July 2023 is included in FY23 ACV at the new annual amount of $4m).

(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.

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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 leaner, more customer-centric organisations.

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.

NETCALL

Overview

The Group delivered another year of growth, with solid sales momentum and strong cash generation. Revenue grew 18% to £36.0m (FY22: £30.5m) and adjusted EBITDA increased 25% to £8.0m (FY22: £6.4m).

As Netcall continues its transition to a predominantly cloud-based business with 72% (FY22: 65%) of its revenue coming from recurring revenue contracts, we achieved good progress against each of our four core strategic pillars. New customer acquisition progressed particularly well during the year, contributing to overall growth. We have also continued to work closely with existing customers resulting in a strong cross and up-sales performance, reflected in the Cloud net retention rate of 113% or 122% excluding the effect of the significant contract win announced in June 2022 and renewed in July 2023. Netcall's partner base continued to expand throughout FY23 with bookings increasing by approximately a quarter. These results were underpinned by continuous product releases, including enhancements to Liberty AI, which was originally released in April 2022.

The main growth driver in the period continued to be our cloud offerings where revenues increased by 55% to £16.6m, as secular trends including the move to cloud computing, increased use of automation and intensified focus on improving customer experience continue to benefit the Group. Revenues from Intelligent Automation solutions increased by 34% to £18.5m (FY22: £13.8m), now representing over half of total revenues for the year. This has materially contributed to Cloud revenues, which have grown 30% CAGR over the last 5 years.

The momentum towards cloud services also meant that other revenue streams declined by 1% to £19.4m (FY22: £19.7m), with lower professional services as enterprise accounts increasingly use accredited IT service providers for application development and support together with fewer call-back and SMS transactions in the year.

The ongoing sales momentum is also reflected in Cloud annual contract value ('ACV') which increased 21% to £18.1m (FY22: £15.0m), contributing to Total ACV growth of 15% to £27.9m (FY22: £24.2m). Underlying cloud ACV, excluding the significant contract announced in June 2022 and renewed in July 2023, increased 33% and underlying Total ACV grew 20%.

As announced at the end of the year, the Group's landmark $19m three-year cloud subscription contract with a S&P 500 financial services firm was renegotiated at the end of the period, after the customer instigated an internal review of its vendor landscape. As a result, we have now agreed a replacement five-year contract valued at $20m in total (the "Contract Renewal") representing a $6m uplift to the remaining contract value, with an expected revenue contribution of $4m per annum over the extended term.

The Group's changing business model to cloud and recurring revenue streams has translated into excellent cash flow and a significant increase in net funds which at year end was £24.3m (30 June 2022: £13.4m).

Current Trading and Outlook

Sales momentum has remained strong into the start of the new financial year with cloud solutions performing particularly well which, together with visibility of £31.4m of contracted revenue expected to be recognised in FY24, provides good forward momentum and revenue visibility.

In addition, the Company has a strong sales pipeline with the majority of opportunities being for cloud solutions combined with an ongoing new product pipeline which we expect will provide new sales opportunities.

Based on the increased wins in Customer Engagement cloud sales, with more than a third of such solutions now deployed in the cloud, and a growing pipeline the Board has decided to increase investments into this offering to meet anticipated future demand, gain operational efficiencies and deliver an improved proposition. The Group will make a step change investment of approximately £1.0m pa in its development and technology teams, mainly occurring in FY25. In addition, cloud computing expenses within cost of sales will be approximately £0.5m higher, also largely expected in FY25 and which in future periods will be volume dependent. The underlying operating margin is expected to remain robust and over time benefit from the increased investment in cloud solutions.

The Group's strong balance sheet and cash generation supports continued investment in our growth strategies which are underpinned by supportive macro-trends for both cloud computing, automation and customer experience. Therefore, the Board remains confident in the Group's future success.

Business Review

Netcall unifies Intelligent Automation and Customer Engagement software, providing organisations with an easy-to-use platform that enables rapid process automation and improved customer engagement. From councils interacting with citizens, NHS trusts helping patients, or financial services firms servicing customers, there is increasing pressure on organisations to improve operations to deliver successful outcomes for stakeholders. This is achieved through the Liberty platform which enables organisations to improve operational efficiencies as well as customer and employee experiences.

In the current economic environment which has increased the need for cost efficiencies, business automation remains a key strategic priority for organisations, creating a significant opportunity for improvements. In the face of rising costs, skill shortages and evolving consumer expectations, organisations are turning to solutions such as Low-code development, Robotic Process Automation (RPA), AI and machine learning, as well as omni-channel engagement as an interconnected toolkit for implementing automation programmes more effectively.

Addressing these challenges sits at the core of Netcall's Liberty platform which provide a 'one-stop-shop' Digital Transformation suite. The integration of Intelligent Automation and Customer Engagement technologies on one easy to use platform with the inclusion of industry specific implementations are key differentiating factors that have contributed to increased demand during the period.

The Liberty platform's main product categories are:

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 contact centre solution including conversational messaging, chatbots and AI-powered virtual agents. Converse blends practical AI and automation with agent-assisted technology to boost operational and agent productivity, reduce costs and improve customer experience.

Strategy

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

Our main market verticals are financial services, healthcare, and public sector industries, which in the period accounted for 89% of total Group revenues, with the Liberty platform also being implemented in other sectors like utilities and transportation. The Group's 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 flexibility of the platform and its cloud deployment enables customers to rapidly scale the platform usage to support their expansion plans across the world.

Netcall pursues its market opportunity through execution of its growth strategy centred on four strategic pillars: new customer acquisition, growth within the existing base, ongoing product innovation and partner network expansion.

Customer base expansion

Despite the challenging economic environment, contribution from new customer acquisition increased significantly during the year. Cloud solutions continues to be the primary driver of new business opportunities, accounting for the majority of the new customer wins in the period. Demand for the Group's sector-tailored solutions, particularly CitizenHub for local councils, proved in demand, demonstrating the strong referenceability the Group's has established in this sector.

Land and expand

The opportunity available for the Group within its extensive customer base remains significant and cross/upselling products has been a major contributor to growth during the year, as customers increasingly deploy upgrades and new Netcall solutions. The number of Customer Engagement customers who have also purchased Intelligent Automation solutions increased in the year to 21% from 15% in FY22.

Netcall's Community continues to be a valuable resource connecting our customer base by providing a forum for knowledge sharing, training, and providing pre-built accelerators and modules to enrich customers' interaction with the Liberty platform solutions. This community continues to grow, and currently consists of more than 4,500 members including developers and administrators. As part of the Community, Netcall launched its Academy, which offers more than 150 eLearning courses on a range of Netcall solutions and in its initial phase has seen more than 2,000 delegates enrolling to available courses.

Growing the partner channel

Netcall's growing partner network includes large global advisory firms as well as specialised technology experts, offering opportunities in existing markets while also expanding the Group's reach into adjacent sectors and geographies. Throughout the period, the partner network has shown steady growth, with order bookings increasing by approximately a quarter, and it remains a priority to further increase the contribution from our expanding partner network.

Innovation and product enhancement

Innovation and platform expansion continually provide customers with new capabilities and features to enhance the value of the platform, generating new opportunities for the business. During the year this included a wide range of new features including Microsoft Teams integration which allows organisations to embed video calling within their applications and AI Optical Character Recognition processing of documents enabling the delivery of intelligent document management capabilities together with enhancements to Liberty AI offering customers new capabilities and pre-trained AI models.

Netcall was an early adopter of AI/ML type technologies such as speech recognition, OCR and computer vision which are used by many customers today. In April 2022, Netcall enhanced its AI footprint by launching Liberty AI, building Artificial Intelligence capabilities into the Liberty platform allowing customers to use custom or pre-trained private AI models in their apps or interactions. Today a growing number of sales engagements are exploring the use of Liberty AI capabilities.

Recent studies[1], show generative AI can unlock significant benefits within both the software development delivery cycle, and customer and agent experience within Intelligent Automation and Customer Engagement solutions. Netcall believes that in order to most effectively capitalise on AI, it needs to be fully integrated into a platform that offers a wide range of capabilities, as well as the tools to deploy and govern them securely, to all teams in the enterprise, not just specialist data scientists.

As a Group, Netcall is cognisant of the developments of AI and the increased demand for adoption into a range of business systems. As part of its AI strategy, Netcall's roadmap will enable customers to:

- Deploy further Private AI models tailored to customer needs, built on their data, giving reliable and accurate results for bespoke use-cases.
- Connect to Public AI models, incorporating intelligence within workflows while retaining control over the data the organisation is willing to share.
- And, embed Generative AI within the platform to enable features such as natural language authoring, code generation and communication sentiment and summarisation, to further increase the value customers can derive from Liberty.

During the year, Netcall increased its investments in AI and is planning to continue these investments as the market develops.

[1]McKinsey: July 2023, "The economic potential of generative AI"

Cloud first investments

Cloud contact centre market growth rates are forecast to accelerate(1) as decision makers implement solutions to modernise their customer service operations, including supporting a broader mix of communications channels, conversational AI and virtual assistant capabilities.

A third of Netcall's Customer Engagement solutions are now deployed in the cloud and the related Cloud Services ACV grew by 37% year over year. This momentum has continued into the beginning of the FY24, supported by a growing Customer Engagement solution pipeline.

Therefore, the Board has decided to increase investments into this cloud service offering to meet this growing market opportunity, gain operational efficiencies and deliver an improved proposition by consolidating all cloud computing activities on a single public cloud platform. The Group will make a step change investment of approximately £1.0m pa in its development and technology teams, mainly occurring in FY25. In addition, cloud computing expenses within cost of sales will be approximately £0.5m higher, also largely expected in FY25 and which in future periods will be volume dependent. The underlying operating margin is expected to remain robust and over time benefit from the increased investment in cloud solutions.

(1) Gartner: https://www.gartner.com/en/newsroom/press-releases/2023-07-31-gartner-says-conversational-ai-capabilities-will-help-drive-worldwide-contact-center-market-to-16-percent-growth-in-2023

ESG initiatives

The Group remains focused on managing its impact on the environment. During the period, Netcall has continued to progress against its ambition to be carbon neutral by the end of 2026. Netcall has measured and is voluntarily reporting its total Scope 1 and Scope 2 emissions which have reduced by 48% to 32.2 tCO2e compared to the 2020 Baseline of 66.6 tCO2e. The Group has started to measure and analyse Scope 3 emissions, which cover indirect emissions that occur in a company's value chain and for the first time, Netcall is reporting on a subset of Scope 3 emissions; business travel. Emissions for business travel and accommodation were 78.5 tCO2e with employee commuting responsible for 12.0 tCO2e.

Moreover, to track progress on its carbon reduction strategy, Netcall has populated and utilised the Environmental Management System (EMS) built on the Liberty Create Low-code Application Platform. The implementation of the EMS supports management of key actions and improvements for environmental performance. The EMS app is also available to Netcall customers through the AppShare to support Netcall's customers' own objectives.

The Group is also pleased to report that is has seen a 9% improvement in energy intensity ratio to 0.96 tCO2e per £1m revenue.

In addition, the Board recognises that Netcall's solutions have a wider reach and impact on our customers and communities. More than 1 million patients have logged into our NHS applications, whilst our technology supports 1 in 4 UK councils, and 2 in 5 UK police forces. Netcall's solutions are designed to enable organisations to become more efficient and effective in delivering better services and thereby also enabling them to operate more sustainably.

Internally, the Group continues to evolve its employee value proposition. Our employee engagement score puts us in the top quartile of more than a 1000 UK and Global Technology businesses surveyed on Culture Amp, an employee satisfaction-focused platform made up of 21 million answered questions.

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 21% higher at £18.1m (FY22: £15.0m). The growth in Cloud ACV contributed to a 15% growth in total ACV to £27.9m (FY22: £24.2m). The underlying Cloud and Total ACV growth excluding the effect of the significant contract announced 20 July 2023 was 33% and 20% respectively.

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

£'m ACV	FY23	FY22	FY21
Cloud services	18.1	15.0	9.4
Product support contracts	9.8	9.2	9.1
Total ACV	**27.9**	**24.2**	**18.5**

Group revenue for the year grew by 18% to £36.0m (FY22: £30.5m). The year-on-year increase was primarily driven by growth in both Intelligent Automation solutions by 34% to £18.5m (FY22: £13.8m), and Customer Engagement solutions by 6% to £17.0m (FY22: £16.0m) of which the Customer Engagement Cloud services revenue stream grew by 20% to £3.6m (FY22: £3.0m).

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

£'m Revenue	FY23	FY22	FY21
Cloud services	16.6	10.7	8.3
Product support contracts	9.4	9.0	9.0
Total Cloud services & Product support contracts	**26.0**	**19.7**	**17.3**
Communication services	2.6	3.0	2.9
Product	2.2	2.2	2.7
Professional services	5.2	5.5	4.3
Total Revenue	**36.0**	**30.5**	**27.2**

Reflecting the year-over-year growth in ACV, Cloud services revenue (subscription and usage fees of our cloud-based offerings) was 55% higher at £16.6m (FY22: £10.7m) and product support contract revenue grew by 5% to £9.40m (FY22: £8.97m). This increased recurring revenues from Cloud service and Product support contracts to 72% of total revenue (FY22: 65%).

Communication services revenue were £2.56m (FY22: £3.00m) due to fewer call-back and messaging transactions in the financial services segment.

Product revenue (software license sales with supporting hardware) was maintained at £2.24m (FY22: £2.24m) 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.

Professional services revenue was £5.21m (FY22: £5.51m) as a number of enterprise accounts, signed up in previous years, onboard global IT service providers to support further application development and support. 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.

Group Remaining Performance Obligations ("RPO"), being the total of future contracted revenue with customers that have not yet been recognised, inclusive of deferred income, at year end was £54.5m (FY22: £54.4m) demonstrating the material amount of revenue available to the Group to be recognised in future periods. Within this, current RPO, being revenue due to be recognised within the next 12 months, increased by 18% to £31.4m (FY22: £26.5m).

The Group's adjusted EBITDA was 25% higher at £8.00m (FY22: £6.41m), at a margin of 22% of revenue (FY22: 21%). The improved margin reflecting the higher contribution from Cloud services in the sales mix partially offset by continued investment in headcount and pay growth.

The higher adjusted EBITDA led to a 19% increase in operating profits to £3.81m (FY22: £3.19m) with the final Oakwood Technologies BV contingent consideration expense of £0.37m (FY22: £0.06m) and higher share-based payment charges of £1.64m (FY22: £0.96m).

To support the acquisition of MatsSoft Limited in 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 was unsecured, had an annual interest rate of 8.5% payable quarterly in arrears and was repayable in six instalments from 30 September 2022 to 31 March 2025. The Company made an initial repayment of £3.5m in November 2021, a scheduled repayment of £0.6m in September 2022 and in October 2022 redeemed the final £2.9m of the Loan Notes. Accordingly, total finance costs reduced to £0.14m (H1-FY22: £0.66m). In September 2022, the options were exercised and the Company received £2.8m in proceeds and issued 4.8m new ordinary shares of 5p each. with the amount in excess of nominal value, £2.56m, credited to the share premium account.

As a result, profit before tax was 73% higher at £4.00m (FY22: £2.31m).

The Group recorded a tax credit of £0.21m (FY22: credit of £0.09m) benefiting from tax relief available from the exercise of share options during the period.

Basic earnings per share was 2.69 pence (FY22: 1.61 pence) and increased by 55% to 3.33 pence on an adjusted basis (FY22: 2.15 pence). Diluted earnings per share was 2.52 pence (FY22: 1.52 pence) and increased by 53% to 3.12 pence on an adjusted basis (FY22: 2.04 pence).

Cash generated from operations increased by 12% to £11.2m (FY22: £9.99m). 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 to £11.6m (FY22: £11.5m) a conversion of 145% (FY22: 179%) of adjusted EBITDA.

Spending on research and development, including capitalised software development, was 22% higher at £4.98m (FY22: £4.07m) of which capitalised software expenditure was £2.27m (FY22: £1.61m).

Total capital expenditure was £2.74m (FY22: £1.94m); the balance after capitalised development, being £0.48m (FY22: £0.33m) relating to IT equipment and software.

As a result of these factors, net funds were £24.4m at 30 June 2023 (30 June 2022: £13.4m).

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 0.83p (FY22: 0.54p). If approved, the final dividend will be paid on 9 February 2024 to shareholders on the register at the close of business on 29 December 2023.

Audited consolidated income statement for the year ended 30 June 2023

	2023 £'000	2022 £'000
Revenue	**36,040**	30,458
Cost of sales	**(5,768)**	(5,021)
Gross profit	**30,272**	25,437
Administrative expenses	**(26,522)**	(22,363)
Other gains/(losses) - net	**62**	113
Adjusted EBITDA	**8,003**	6,405
Depreciation	**(377)**	(437)
Amortisation of acquired intangible assets	**(522)**	(522)
Amortisation of other intangible assets	**(1,287)**	(1,239)
Post-completion services (see note 4)	**(365)**	(56)
Share-based payments	**(1,640)**	(964)
Operating profit	**3,812**	3,187
Finance income	**344**	6
Finance costs	**(155)**	(881)
Finance costs – net	**189**	(875)
Profit before tax	**4,001**	2,312
Tax credit	**205**	88
Profit for the year	**4,206**	2,400
Earnings per share – pence		
Basic	**2.69**	1.61
Diluted	**2.52**	1.52

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 2023

	2023 £'000	2022 £'000
Profit for the year	**4,206**	2,400
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**8**	(14)
Total other comprehensive income for the year	**8**	(14)
Total comprehensive income for the year	**4,214**	2,386

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

Audited consolidated balance sheet at 30 June 2023

	2023	2022
	£'000	£'000
Assets		
Non-current assets		
Property, plant and equipment	**699**	477
Right-of-use assets	**298**	539
Intangible assets	**30,453**	29,976
Deferred tax assets	**1,767**	906
Financial assets at fair value through other comprehensive income	**72**	72
Total non-current assets	**33,289**	31,970
Current assets		
Inventories	**31**	37
Other current assets	**2,333**	2,767
Contract assets	**599**	888
Trade receivables	**4,468**	3,704
Other financial assets at amortised cost	**57**	8
Cash and cash equivalents	**24,753**	17,605
Total current assets	**32,241**	25,009
Total assets	**65,530**	56,979
Liabilities		
Non-current liabilities		
Contract liabilities	**787**	525
Borrowings	**-**	2,304
Lease liabilities	**292**	521
Deferred tax liabilities	**1,151**	899
Total non-current liabilities	**2,230**	4,249
Current liabilities		
Trade and other payables	**7,232**	7,963
Contract liabilities	**20,578**	16,005
Borrowings	**-**	1,167
Lease liabilities	**113**	177
Total current liabilities	**27,923**	25,312
Total liabilities	**30,153**	29,561
Net assets	**35,377**	27,418
Equity attributable to owners of Netcall plc		
Share capital	**8,108**	7,587
Share premium	**5,574**	3,015
Other equity	**4,900**	4,900
Other reserves	**3,056**	4,462
Retained earnings	**13,739**	7,454
Total equity	**35,377**	27,418

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Audited consolidated statement of cash flows for the year ended 30 June 2023

	2023 £'000	2022 £'000
Cash flows from operating activities		
Profit before income tax	**4,001**	2,312
Adjustments for:		
Depreciation and amortisation	**2,186**	2,198
Share-based payments	**1,640**	964
Finance costs - net	**(189)**	875
Other non-cash expenses	**6**	-
Changes in operating assets and liabilities, net of effects from purchasing of subsidiary undertaking:		
Decrease in inventories	**7**	47
Increase in trade receivables	**(765)**	(1,064)
Decrease in contract assets	**281**	32
(Increase)/ decrease in other financial assets at amortised cost	**(49)**	3
Decrease/ (increase) in other current assets	**416**	(1,237)
(Decrease)/ increase in trade and other payables	**(1,148)**	1,040
Increase in contract liabilities	**4,835**	4,817
Cash flows from operations	**11,221**	9,987
Analysed as:		
Cash flows from operations before VAT deferral scheme and payment of post completion service consideration	**11,597**	11,500
Net effect of VAT deferral scheme	**-**	(1,407)
Payment of post completion service consideration	**(376)**	(106)
Interest received	**344**	6
Interest paid	**(8)**	(7)
Income taxes paid	**-**	(1)
Net cash inflow from operating activities	**11,557**	9,985
Cash flows from investing activities		
Payment for property, plant and equipment	**(458)**	(134)
Payment of software development costs	**(2,267)**	(1,610)
Payment for proprietary software	**-**	(136)
Payment for other intangible assets	**(19)**	(57)
Net cash outflow from investing activities	**(2,744)**	(1,937)
Cash flows from financing activities		
Proceeds from issues of ordinary shares	**3,079**	53
Interest paid on Loan Notes	**(204)**	(759)
Repayment of borrowings	**(3,500)**	(3,500)
Lease payments	**(214)**	(169)
Dividends paid to Company's shareholders	**(839)**	(554)
Net cash outflow from financing activities	**(1,678)**	(4,929)
Net increase in cash and cash equivalents	**7,135**	3,119
Cash and cash equivalents at beginning of the financial year	**17,605**	14,520
Effects of exchange rate on cash and cash equivalents	**13**	(34)
Cash and cash equivalents at end of financial year	**24,753**	17,605

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Audited consolidated statement of changes in equity at 30 June 2023

	Share capital £'000	Share premium £'000	Other equity £'000	Other reserves £'000	Retained earnings £'000	Total £'000
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)**
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**
Proceeds from share issue	521	2,559	-	-	-	**3,080**
Increase in equity reserve in relation to options issued	-	-	-	1,099	-	**1,099**
Tax credit relating to share options	-	-	-	405	-	**405**
Reclassification following exercise or lapse of options	-	-	-	(2,918)	2,918	**-**
Dividends paid	-	-	-	-	(839)	**(839)**
Transactions with owners	**521**	**2,559**	**-**	**(1,414)**	**2,079**	**3,745**
Profit for the year	-	-	-	-	4,206	**4,206**
Other comprehensive income for the year	-	-	-	8	-	**8**
Total comprehensive income for the year	**-**	**-**	**-**	**8**	**4,206**	**4,214**
Balance at 30 June 2023	**8,108**	**5,574**	**4,900**	**3,056**	**13,739**	**35,377**

NETCALL

Notes to the financial information for the year ended 30 June 2023

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 final results has been prepared in accordance with UK-adopted 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 2023.

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 2023 or 2022. Statutory accounts for the years ended 30 June 2023 and 30 June 2022 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 2022 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 June 2023 will be delivered to the Registrar in due course. Copies of the Annual Report 2023 will be posted to shareholders on or about 19 November 2023. 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.

	2023	2022
	£'000	£'000
Post completion services expense[1]	**(365)**	(56)
	(365)	(56)

[1] The former owners of Oakwood Technologies BV acquired in October 2020 continued to work in the business following its acquisition and in accordance with IFRS 3 a proportion of the contingent consideration arrangement is treated as remuneration and expensed in the income statement. The final payment under this arrangement of £0.38m was made during the year.

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 2023	30 June 2022
Net earnings attributable to ordinary shareholders (£'000)	4,206	2,400
Weighted average number of ordinary shares in issue (thousands)	156,352	149,462
Basic earnings per share (pence)	**2.69**	1.61

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 2023	30 June 2022
Weighted average number of ordinary shares in issue (thousands)	156,352	149,462
Adjustments for share options (thousands)	10,630	8,150
Weighted average number of potential ordinary shares in issue (thousands)	166,982	157,612
Diluted earnings per share (pence)	**2.52**	**1.52**

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 2023	30 June 2022
Profit used for calculation of basic and diluted EPS	**4,206**	2,400
Share-based payments	1,640	964
Post-completion services (see note 4)	365	56
Amortisation of acquired intangible assets	522	522
Unwinding of discount – contingent consideration & borrowings	29	116
Tax effect of adjustments	(1,548)	(842)
Profit used for calculation of adjusted basic and diluted EPS	**5,214**	3,216

	30 June 2023	30 June 2022
Adjusted basic earnings per share (pence)	**3.33**	2.15
Adjusted diluted earnings per share (pence)	**3.12**	2.04

6. Dividends

Year to June 2023	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 2022	31/1/23	0.54p	839	839	-
			839	**839**	**-**

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**	**-**

It is proposed that this year's final ordinary dividend of 0.83p pence per share will be paid to shareholders on 9 February 2024. Netcall plc shares will trade ex-dividend from 28 December 2023 and the record date will be 29 December 2023. The estimated amount payable is £1.33m. 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 2023	30 June 2022
Cash and cash equivalents	24,753	17,605
Borrowings – fixed interest and repayable within one year (1)	-	(1,167)
Borrowings – fixed interest and repayable after one year (1)	-	(2,304)
Lease liabilities	(405)	(698)
Net funds	**24,348**	**13,436**

(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 was unsecured, had an annual interest rate of 8.5% payable quarterly in arrears and was 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 was amortised via the profit and loss account over the expected option life of five years. The Company made an initial repayment of £3.5m in November 2021, a scheduled repayment of £0.6m in September 2022 and in October 2022 redeemed the final £2.9m of the Loan Notes. In September 2022, options were exercised and the Company received £2.8m in proceeds and issued 4.8m new ordinary shares of 5p each.