NETCALL

A new way to transform business

Netcall plc

Annual Report and Accounts
for the year ended 30 June 2021

Stock code: NET

NETCALL

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

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

View more online at:
netcall.com

The Liberty Platform

An all-in-one customer experience platform that lets you make huge, transformational changes, fast.

Liberty is a tightly integrated suite of customer engagement and intelligent automation solutions that lets you manage and improve your customer experience, effortlessly.

Liberty Create
Accelerate app development with our low-code solution.

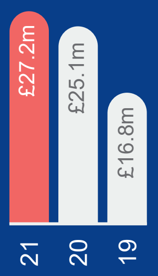
Liberty Converse
Deliver exceptional experiences with an omnichannel contact centre.

Liberty RPA
Free-up people with AI-powered robotic process automation.

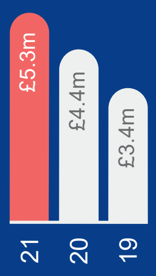
Liberty Connect
Outstanding customer experience with conversational messaging.

Financial and operational highlights

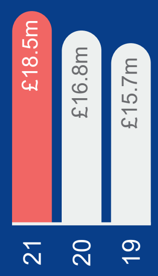
Total revenue



Adjusted EBITDA



Annual contract value



Financial highlights

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

Operational highlights

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

Contents

(1) ACV, as of a given date, is the total of the value of each cloud and support contract divided by the total number of years of the contract.
(2) Profit before interest, tax, depreciation and amortisation adjusted to exclude the effects of share-based payments, acquisition, impairment, profit or loss on disposals, contingent consideration and non-recurring transaction costs.
(3) Cloud net retention rate is calculated by starting with the Cloud ACV from all customers 12 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 12 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.

Chairman and Chief Executive's review

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

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

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

Henrik Bang
CEO of Netcall

Overview

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

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

The Board is grateful to the Netcall team who made this performance possible by responding positively during the COVID-19 pandemic and showing tremendous flexibility, resilience and creativity. The Group's trading performance and robust financial footing meant that no pay-cuts, furlough or redundancies were required and with a move to flexible working, Netcall took the decision to permanently close two office locations, whilst retaining two offices and moving the Group's registered office to Bedford.

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

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

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

The CX Dreams are made of

With a boom in demand for its customer service team during the pandemic, Dreams needed technology that would empower its agents to deliver personable, personalised and memorable customer interactions. They chose Liberty Converse and Connect to improve customer experience.

- Described as "a complete breath of fresh air"
- Teams could easily see and explain what they're doing for all customers
- Place customers in more appropriate queues
- Make changes at the touch of a button
- Supports the team in doing a better job

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

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

Current trading and outlook

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

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

Business Review

Creating meaningful connections through powerful technology

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

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

Chairman and Chief Executive's review

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

Intelligent Automation:
- Liberty Create: A low-code software solution for faster development of applications utilising an intuitive drag-and-drop environment, enabling both professional and business developers to create enterprise grade applications that drive and automate workflows and business processes. This is combined with easy integration to other parts of the Liberty platform, as well as third-party solutions, such as SAP and Salesforce.
- Liberty RPA: An AI-powered robotic process automation solution, acquired through Automagica, which frees up people from mundane and cumbersome tasks, enabling them to be more productive. Liberty RPA is available in both an unattended and attended version, where it can function as a personal assistant to knowledge workers, such as contact centre agents and take over repetitive tasks and updating of records.

Customer engagement:
- Liberty Converse: A complete omnichannel contact centre solution for customer engagement which also includes solutions, such as automated speech bots, workforce and quality management, switchboard and auto attendant.
- Liberty Connect: A cloud messaging and bot platform enabling customers to extend their reach using digital channels like web chat, Facebook Messenger and Twitter, as well as benefiting from bots and automation.

Strategy

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

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

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

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

Four Strategic Pillars

Customer-based expansion

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

South Hams District Council

South Hams accelerate process delivery

Looking to accelerate process delivery and drive improved customer experiences during the pandemic, South Hams turned to Liberty Create to host customer requests, perform complex case management and operate workflows. It has enabled the council to transform three times faster than previous systems allowed.

- Built and went live with an application in only six days
- 70 processes went live in less than a year
- Over 200,000 cases started by customers
- Around 50% of the Council are active users
- Integrated with Liberty Converse
- £250k in reduced costs

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

New customer implementations include:

- A utility company used the Liberty Create low-code platform to develop a tailor-made customer portal to allow 24/7 payment support for customers, including communications options to resolve payment plans entirely online. This is an example of our Low-code technology being used to quickly create a departmental solution solving a specific problem which can then be scaled across the business.
- A leading insurance firm purchased the Liberty Create low-code platform to build a digital-first insurance claims management platform. This is an example of a direct license win for our technology and implemented through our partner channel.
- A Fortune 500 financial services firm, spanning 120 countries signed a global framework agreement to utilise the Liberty platform to build and deploy business applications at scale.

KEY STATS

+10%
Annual contract value

+20%
Intelligent Automation revenue

+26%
Cloud revenue

Chairman and Chief Executive's review

Land and Expand

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

- The ongoing migration of on-premise Customer Engagement base to cloud solutions where sales to date show that these migrations deliver more than a 50% increase in ACV.
- Further cross-selling as the Group continues to roll-out new product capabilities.
- Considerable progress in cross-selling Intelligent Automation solutions to Customer Engagement customers, where sales to date show that these cross-sales, on average, triple the customer ACV, which illustrates the growth potential within the customer base alone.

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

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

- A pan-European retailer and service provider who is an existing customer expanded their use of the platform by adopting Liberty RPA to automate a specific manual data entry process to free up internal capacity, enable volume growth and de-risk data entry accuracy. The customer is currently expanding the usage of Liberty RPA with additional processes being automated.
- A number of public sector customers currently engaged with Netcall for Customer Engagement solutions have subsequently taken up our Tenant Hub and Citizen Hub offerings, comprising both low-code and customer engagement offerings and tailored to the sector focus.
- A number of existing NHS Foundation Trusts which were existing on-premise Customer Engagement customers undertook transformation projects to migrate to Netcall's Liberty Converse cloud solution.

Innovation and product enhancement

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

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

The Liberty platform was enhanced with a new Monitoring Studio, a feature providing on-demand analytics and historical data to analyse application performance. A new native Mobile App was developed and published to Apple and Android delivering enhanced offline capabilities, push notifications and geolocation tracking.

A further focus for investment was on continued expansion of the platform's ecosystem and tighter integration with third-party platforms, including Amazon Chime, Microsoft Teams and Microsoft Dynamics.

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

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

The functionality of both Citizen Hub and Patient Hub were also enhanced in the period, with new capabilities to help councils effectively manage tasks and book resources. For hospitals, Patient Hub was expanded to deliver test results, including COVID-19 results, and the ability added to allow patients to report their arrival to hospital using an app without having to report to reception, which all deliver additional value to both organisations and customers.

Partner base

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

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

KEY STATS

£5.34m
Adjusted EBITDA
(2020: £4.41m)

£14.5m
Cash
(2020: £12.7m)

1.49p
Adjusted basic earnings per share
(2020: 1.01p)

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

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

Chairman and Chief Executive's review

Financial Review

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company acquired 100% of the issued share capital of Oakwood Technologies BV in October 2020 for an initial cash consideration of €1.2 million (of which €0.12m is deferred for a year) and a potential further payment of €0.9 million in cash and up to €0.9 million in Netcall shares. The potential further payments are dependent on achieving specified performance targets during the two-year period from completion of the acquisition. In the period, the total cash outflow from the Company in relation to the transaction was £1.27m. See note 14 for further information.

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

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

Dividend

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

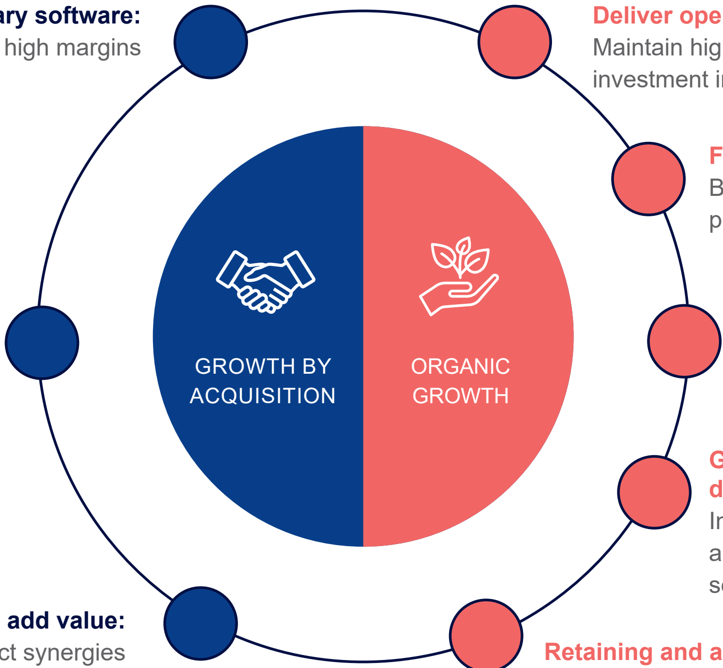
Business model

The Group focuses on the following primary value drivers:

Proprietary software:
Maintain high margins

Complementary product or customer type:
Cross-selling Group products and services is important for future growth

Ability to add value:
Opportunity to extract synergies



Deliver operational efficiency:
Maintain high margins to allow for investment in the business

Focus on cross-selling:
Broadening the use of our platform in our customer base

Expand our product suite and cloud offerings:
To provide organic growth

Grow our customer base and distribution channels:
Increasing our market presence and providing future cross-selling opportunities

Retaining and attracting high-quality people:
To build organisational strength and capabilities

See page 21 for further information.

Key performance indicators

The Directors monitor a wide range of financial and operating measures to track the Group's progress. There are six core key performance indicators ('KPIs') which are set out below. A review of these KPIs is provided in the Chairman's and Chief Executive's review:

Revenue (£m)

8% change

21	£27.2m
20	£25.1m

Annual contract value (£m)

10% change

21	£18.5m
20	£16.8m

Gross profit margin (%)

2pp change

21	90%
20	88%

Adjusted EBITDA (£m)

21% change

21	£5.34m
20	£4.41m

Cash generated from operations before payment of non-recurring transaction costs (£m)

-37% change

21	£5.91m
20	£9.39m

Total equity (£m)

7% change

21	£24.6m
20	£22.9m

Principal risks and uncertainties

The principal risks facing the Group and considered by the Board are:

Economic

Risk area and potential impact

- The Group's markets may fall into decline.
- Weak economic conditions, including the effect of the COVID-19 pandemic, may impact upon the ability of the Group's clients to do business.

Management of risks

- The Group has a diversified portfolio of customers and vertical markets.
- Innovative solutions are offered in a variety of ways to best suit each customer's business needs, including traditional software licensing or payment by subscription via software as a service.

Pandemic risk

Risk area and potential impact

- The Group responded positively to the uncertainty caused by the COVID-19 pandemic and recorded a positive trading performance throughout. The COVID-19 pandemic remains a risk which could cause shortage of staff if they become ill or disruption to the supply of components for our on-premise products.

Management of risks

- All employees were able to work remotely from home during the pandemic. Due to the digital and physically remote nature of our technology and solutions we are able to maintain high service levels during these periods. We continually monitor our suppliers to ensure the components we require for our on-premise solutions are available.

Intellectual property rights ('IPR')

Risk area and potential impact

- The Group is reliant on IPR surrounding its internally generated and licensed-in software. It may be possible for third parties to obtain and use the Group's IPR without its authorisation. Third parties may also challenge the validity and/or enforceability of the Group's IPR.
- There is a supply risk of losing key software partners. This would have an impact on the Group as it sought to identify and then train staff in alternative products.

Management of risks

- The Group relies upon IPR protections including patents, copyrights and contractual provisions.
- The Group's product team monitors contracts, and reviews and evaluates alternate suppliers.

Product development

Risk area and potential impact

- Competitors may develop similar products; the Group's technology may become obsolete or less effective; or consumers may use alternative channels of communication, which may reduce demand for the Group's products and services. In addition, the Group's success depends upon its ability to develop new, and enhance existing, products on a timely and cost-effective basis, that meet changing customer requirements and incorporate technological advancements.

Management of risks

- The Group continues to monitor the market place for competitor development and maintains a significant investment in research and development.

Loss of key management and staff

Risk area and potential impact

- Could potentially lead to a lack of necessary expertise and continuity.

Management of risks

- The Group places a significant emphasis on staff retention. Key management and staff are incentivised via bonus plans and share schemes.

Principal risks and uncertainties

Project delivery

Risk area and potential impact
- The Group contracts for multiple projects each year to deliver products and services to clients. Failure to deliver large or even smaller projects can result in significant financial loss.

Management of risks
- The Group has proven procedures and policies for project delivery and regularly measures and reviews project progress. Regular testing of quality management processes is carried out. If issues arise on projects, senior management are involved to ensure timely resolution.

Data security and business continuity

Risk area and potential impact
- A security breach or the loss or failure of Netcall systems would impact both on the Group's operations and those of its clients. This could cause harm to the business or its reputation, resulting in financial loss, loss of customers or revenue.

Management of risks
- The Group maintains formal data security policies and procedures and a documented business continuity and disaster recovery plan which are tested and regularly reviewed.

Acquisitions

Risk area and potential impact
- The Group may fail to execute its acquisition strategy successfully, retain key acquired personnel, or encounter difficulties in integrating acquired operations.

Management of risks
- Before an acquisition, management commissions financial and legal due diligence reports to highlight potential risks and post-acquisition it implements an integration plan which is monitored.

Environmental statement

Netcall is committed to reducing our environmental impact and enhancing our environmental policy and environmental management systems to establish and measure improvement in this area.

The Group is at the start of its journey to measure and improve its impact on the environment and the business is committed to working towards 'carbon neutral' status with an ambition to be carbon neutral by the end of 2026.

During the financial year, Netcall has measured and is voluntarily reporting its Scope 1 and Scope 2 emissions, which have reduced by 31% to 46 tonnes of carbon dioxide equivalent 'tCO_2e' (FY20: 67 tCO_2e). Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by a reporting company.

The Group plans to measure Scope 3 emissions, which cover indirect emissions that occur in a company's value chain, and establish science-based targets to provide a path to reduce emissions to net-zero in the next financial year.

While starting with its operations, Netcall's strategy expands beyond its business by ensuring the changes implemented flow into the Group's product strategies and also benefit the organisations and communities in which it operates.

For example, today Netcall customers benefit from solutions:

- that reduce resource requirements and associated office and transportation costs, such as contact centre agents working from home;
- such as Patient Hub, which reduces carbon emissions with electronic communications replacing printed and posted materials;
- utilising technologies, such as Automatic Speech Recognition ('ASR'), Optical Character Recognition ('OCR'), and Computer Vision to improve efficiency and lower the carbon intensity of operations; and,
- that are cloud based and leverage cloud operators large-scale efficiency innovations combined with their ongoing carbon reduction strategies.

In general, digital transformation by increasing automation and improving stakeholder engagement and communications, makes processes and interactions more efficient and supports reduction of carbon emissions for our customers and their eco-systems. Therefore, by implementing our solutions and delivering our roadmap, Netcall also supports our customers environmental strategies, while at the same time working towards our own environmental targets.

Section 172(1) statement

Introduction

The Directors are aware of their duty under section 172 of the Companies Act 2006 to act in the way that they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole.

They consider:

- the likely consequences of any decision in the long term(1);
- the interests of the Group's employees(2);
- the need to foster the Group's business relationships with suppliers, customers and others(2);
- the impact of the Group's operations on the community and the environment(2);
- the desirability of the Company maintaining a reputation for high standards of business conduct(3); and
- the need to act responsibly with members of the Company(4).

Our stakeholders

To operate effectively it is important to understand the impact upon the stakeholders we interact with most. We have identified our key stakeholders to be:

- our customers and suppliers;
- our employees;
- the wider communities in which we operate; and
- our investors.

The Board will sometimes engage directly with certain stakeholders. However, most engagement takes place at the Executive level. Where direct engagement is not possible, the Board receive updates from Executives on key areas on a regular basis, for use in its decision-making.

Further details

For further details of how the Board operates and the way in which it makes decisions, including key activities during the financial year ended 30 June 2021 and Board governance, see: pages 21 to 26 and the Board Committee reports thereafter; and pages 2 to 9 for a summary of developments in the year.

It is the Group's policy to manage and operate worldwide business activities in conformity with applicable laws and regulations, as well as with the highest ethical standards. Both the Group's Board of Directors and its senior management team are determined to comply fully with the applicable law and regulations, and to maintain the Company's reputation for integrity and fairness in business dealings with third parties.

This Strategic Report was approved by the Board on 5 October 2021 and signed on its behalf by:

James Ormondroyd
Director
5 October 2021

(1) Refer to Principle 1 of the Corporate governance statement.
(2) Refer to Principle 3 of the Corporate governance statement. Also refer to the Environmental statement.
(3) Refer to Principle 8 of the Corporate governance statement.
(4) Refer to Principle 2 of the Corporate governance statement.

Directors' report

The Directors present their report and the audited financial statements of Netcall plc (the 'Company' or 'Netcall') and its subsidiaries (together the 'Group') for the year ended 30 June 2021.

Results and dividends

The Group's profit for the year after tax was £0.97m (2020: £0.49m).

Subject to shareholder approval at the Annual General Meeting to be held on 16 December 2021, the Board proposes paying a final ordinary dividend of 0.37 pence per share (2020: 0.25 pence per share). The estimated amount payable is £0.55m (2020: £0.36m).

Research and development

The Group continues an active programme of research and development into telecoms software and products. The total expenditure for research and development excluding amortisation was £3.79m (2020: £3.59m) comprising £2.22m in the Consolidated income statement (2020: £1.88m) and £1.57m capitalised development expenditure (2020: £1.71m).

Political donations and political expenditure

In accordance with the Board's policy, no political donations were made or expenditure incurred during the year (2020: £nil).

Post balance sheet events

For details of post balance sheet events see note 16 of the consolidated financial statements.

Directors

The Directors who held office during the year ended 30 June 2021 and up to the date of approval of these financial statements, unless otherwise stated, are as follows:

Henrik Bang
Chief Executive

James Ormondroyd
Group Finance Director

Michael Jackson
Chairman and Non-Executive Director

Michael Neville
Non-Executive Director

Tamer Ozmen
Non-Executive Director

Biographical details of persons currently serving as directors are set out on page 20.

Directors' remuneration

As the Company is quoted on the AIM Market of the London Stock Exchange ('AIM'), it is not required to set out its remuneration policy but is doing so on a voluntary basis. As required by AIM Rule 19, the Company has disclosed below the remuneration received by its Directors during the financial year.

The Company's policy is to remunerate Directors appropriately to secure the skills and experience the Group needs to meet its objectives and reward them for enhancing shareholder value and returns. Each review is set in the context of the Group's needs, individual responsibilities, performance and market practice.

The main components of Executive Directors' remuneration comprise:

- basic salary;
- performance-related bonus;
- contributions to personal pension plan;
- other benefits such as car allowances, medical and life assurance; and
- share option schemes.

The basic salary of the Executive Directors is reviewed annually by the Remuneration Committee, with changes, if any, taking effect on 1 December of each year.

The Executive Directors participate in a bonus plan linked to the achievement of financial and individual performance targets set by the Remuneration Committee. The bonus plan is structured so as to pay 100% of salary for Henrik Bang and James Ormondroyd, respectively, on achieving targets. Bonuses payable are subject to the discretion of the Remuneration Committee after considering an overall view of the Group's performances and its assessment of financial and personal performance. In the year ended 30 June 2021, performance against targets resulted in a bonus award of 90% of salary for Henrik Bang and 90% for James Ormondroyd.

In December 2013, the Company effected a Long-Term Incentive Plan ('LTIP') designed to provide the senior management team with share options vesting upon the attainment of certain criteria, including the performance of the Company's ordinary share price up to £1.20. Further details are set out on page 16.

The remuneration of Non-Executive Directors is determined by the Board within the limits set by the Company's Articles of Association and is based on fees paid in similar companies and the skills and expected time commitment required by the individual concerned.

Directors' report

The service contracts and letters of appointment of the Directors include the following terms:

	Date of appointment	Notice period
Executive Directors		
Henrik Bang	13 February 2004	12 months
James Ormondroyd	30 July 2010	12 months
Non-Executive Directors		
Michael Jackson	23 March 2009	12 months
Michael Neville	30 July 2010	12 months
Tamer Ozmen	21 November 2019	3 months

The table below sets out the detailed emoluments of each Director who served during the year:

	Salary and fees £000	Benefits in kind £000	Bonus £000	**2021 Total £000**	2020 Total £000
Executive Directors					
Henrik Bang	299	22	268	**589**	510
James Ormondroyd	226	19	189	**434**	371
Non-Executive Directors					
Michael Jackson	57	–	–	**57**	57
Michael Neville	46	–	–	**46**	36
Tamer Ozmen	30	–	–	**30**	18
	658	41	457	**1,156**	992

The table below sets out the contributions by the Company to Directors' personal pension schemes during the year:

	2021 £000	2020 £000
Executive Directors		
Henrik Bang	**30**	25
James Ormondroyd	**4**	9
	34	34

The table below sets out share options granted to Directors and exercised during the year:

Date of grant	Earliest exercise date	Expiry date	Exercise price (pence)	Number at 1 July 2020	Exercised in year	Number 30 June 2021
Henrik Bang						
29.04.14[(1)]	30.04.17	29.04.24	5.0	6,600,000	(1,894,461)	4,705,539
James Ormondroyd						
29.04.14[(1)]	30.04.17	29.04.24	5.0	4,100,000	(1,343,899)	2,756,101
Michael Jackson						
29.04.14[(1)]	30.04.17	29.04.24	5.0	672,220	–	672,220
				11,372,220	(3,238,360)	8,133,860

(1) LTIP options are conditional on certain vesting criteria including: various share price hurdles based on the average share price over 40 business days up to a share price of £1.20 from the date of grant until 30 April 2023; and, the option holder being in employment during the vesting period.

The closing mid-market price of the Company's shares at 30 June 2021 was 73.0 pence. During the financial year the share price reached a high of 76.5 pence and a low of 35.0 pence.

Details of options exercised by Directors during the year are as follows:

Director	Number of shares	Exercise price (pence)	Mid-market share price on date of exercise (pence)	Gain on exercise £000
Henrik Bang	1,894,461	5.0	50.0	852
James Ormondroyd	1,343,899	5.0	50.0	605
	3,238,360	5.0	50.0	1,457

Directors' indemnity and insurance

The Group maintained insurance cover during the year for its Directors and Officers and those of subsidiary companies under a Directors and Officers liability insurance policy, against liabilities which may be incurred by them while carrying out their duties.

On the 25 April 2019 Netcall plc, (the 'Company') entered into deeds of indemnity ('Deeds') with each of Michael Jackson, Michael Neville, Henrik Bang and James Ormondroyd, comprising all the then directors of the Company. These indemnities, to the extent permitted by law, indemnify each such director in respect of all liabilities to third parties arising out of, or in connection with, the execution of his powers, duties and responsibilities, as a director of the Company or any Group Company in which, from time to time, the individual director holds office. A copy of each Deed is available for inspection at the registered office of the Company during business hours on any weekday except public holidays.

Corporate governance

The Company's statement on corporate governance can be found in the corporate governance statement on pages 21 to 26 of this Annual Report.

Employees

The Group encourages employee involvement in the business at all levels with the staff of Netcall being the key to continuing success. Employees participate, where possible, in incentive schemes to share in the success of the Group.

Every effort is made to keep all staff informed and involved in the operations and progress of the Group. This is achieved through the use of electronic communications, the Group's intranet and staff briefings.

The Group is an equal opportunities employer. Its policy is to ensure that no job applicant or employee receives less favourable treatment on the grounds of gender, race, disability, colour, nationality, ethnic or national origin, marital status, sexuality, responsibility for dependents, religion or belief, trade union activity or age. Selection criteria and procedures are kept under review to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities. Fair consideration is given to applications for employment from disabled people and the retention and retraining, where practicable, of employees who become disabled is encouraged.

Policy and practice on payment of creditors

The Group recognises the importance of good relationships with its suppliers and subcontractors. Although the Group does not follow any particular code or standard on payment practice, its established payment policy is to agree payment terms in advance of any commitment being entered into and to seek to abide by these agreed terms provided that the supplier has also complied with them. Trade creditor days for the Company, for the year were 11 days (2020: 13 days).

Financial instruments

Financial instruments, including financial risk management objectives and policies for hedging, exposure to market risk, credit risk and liquidity risk are disclosed in note 12 to the consolidated financial statements.

Share capital

Details of the issued share capital, together with details of the movement in the Company's issued share capital during the year are shown in note 9(a) to the consolidated financial statements.

Directors' report

The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. At the date of this report, the share capital of the Company comprised of 149,020,267 issued and fully paid ordinary shares with a nominal value of 5p per share, quoted on AIM, together with 1,869,181 ordinary 5p shares held in Treasury.

There are no specific restrictions on the size of holding, nor on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Details of share option schemes are set out in note 18 to the consolidated financial statements.

Auditor

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Grant Thornton UK LLP, who were reappointed on 17 December 2020, have expressed their willingness to continue in office as auditors and a resolution to appoint them and authorise the Directors to determine their remuneration for the ensuing year will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held on 16 December 2021 at 10.30 am. Details and an explanation of the resolutions to be proposed are contained in the Notice of Annual General Meeting and its accompanying explanatory notes either sent to shareholders with the Annual Report or available on the Company's website: netcall.com.

By order of the Board

James Ormondroyd
Director

5 October 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and applicable United Kingdom Accounting Standards have been followed for the Group and Parent Company respectively, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company or the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

James Ormondroyd
Director

5 October 2021

Directors and advisers

Chairman

Michael Jackson*^~(71) joined the Board in March 2009. For the past 30 years he has specialised in raising finance and investing in the smaller companies quoted and unquoted sector. Michael has been Chairman of two FTSE 100 companies including The Sage Group plc where he was Chairman from 1997 until August 2006.

Chief Executive Officer

Henrik Bang (63) was appointed to the Board in February 2004. Previously he was Vice President in GN Netcom 1999–2004, part of the Danish OMX listed GN Great Nordic Group. Before that, he held a number of international management positions in IBM and AP Moller-Maersk Line.

Group Finance Director

James Ormondroyd (49) was appointed to the Netcall Board on the acquisition of Telephonetics plc on 30 July 2010, where he served as the Finance Director and Company Secretary for 5 years, previously he was the Finance Director and Company Secretary at World Television Group plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Non-Executive Directors

Michael Neville*^~ (67) was appointed to the Netcall Board on 30 July 2010 following the acquisition of Telephonetics plc where he served as a Non-Executive Chairman from July 2005. He has extensive experience in capital markets, corporate restructuring and strategic development, and serves as a Non-Executive Director for a number of companies across a wide spectrum of industry sectors. His background is in the telecommunications and technology and media arena.

Tamer Ozmen (59) was appointed to the Netcall Board on 21 November 2019. He is an experienced technology professional with a background in the implementation of digital transformation projects. He has over 20 years' experience in senior management positions, including CEO of Microsoft Turkey and most recently as head of Microsoft Consultancy Services in the UK. He has also been Group Vice President of Online and Multichannel at Orange S.A. and is a Non-Executive Director of Charles Taylor.

* Denotes membership of the Audit sub-committee of the Board.
^ Denotes membership of the Remuneration sub-committee of the Board.
~ Denotes membership of the Nomination sub-committee of the Board.

Company registration number:	01812912
Registered office:	Suite 203, Bedford Heights, Brickhill Drive Bedford, MK41 7PH
Directors:	M Jackson H Bang J Ormondroyd M Neville T Ozmen
Secretary:	M Greensmith
Bankers:	Lloyds Bank plc Black Horse House, Progression Centre 42 Mark Road Hemel Hempstead HP2 7DW
Nominated advisers:	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR
Registrars:	Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD
Solicitors:	TaylorWessing LLP 5 New Street Square London EC4A 3TW
Auditors:	Grant Thornton UK LLP Chartered Accountants and Registered Auditor 101 Cambridge Science Park Milton Road Cambridge CB4 0FY

Corporate governance statement

Introduction

In accordance with the London Stock Exchange amended AIM Rules for Companies ('AIM Rules') the Board has chosen to apply the Quoted Companies Alliance's Corporate Governance Code 2018 (the 'QCA Code 2018'). The Board chose to apply this code as it believes that it is more suitable for small and mid-size companies.

The QCA Code 2018 includes ten governance principles and a set of disclosures. The Board has considered how we apply each principle to the extent appropriate. Below we provide an explanation of the approach taken in relation to each and also any areas where we do not comply with the QCA Code 2018.

Principle 1 – Establish a strategy and business model which creates long-term value for shareholders

The purpose of the Netcall Group ('Netcall' or the 'Group') is to help organisations transform their customer engagement activities and enable digital transformation faster and more efficiently, empowering them to get a return by driving improved customer experiences and operational efficiencies.

We achieve this by developing powerful and intuitive software that addresses the core elements of best-in-class customer experience. Our industry leading Liberty platform is a tightly integrated suite of Low-code, customer engagement and contact centre solutions.

This is underpinned by our business model which is to license our proprietary software and software-as-a-service marketed within a flexible and viable commercial framework.

Our key strategies are to:

- continue to enhance our Liberty platform;
- continue to invest in and transition to Cloud business while maintaining a lucrative premise-based business;
- leverage our enhanced product offering to unlock the potential from Netcall's existing customer base with up and cross-sales;
- take advantage of the Cloud and Low-code market opportunity to acquire new customers;
- enhance distribution, including international presence, via new channels including our AppShare;
- provide a flexible and viable commercial framework making it easy for customers to buy from us; and
- manage organisational and operational flexibility within a robust financial, control and compliance framework.

The objective is that this strategic framework will result in a growing, profitable and highly-valued business which will benefit all stakeholders.

The key challenges being addressed within the strategic framework include:

- Maintaining leading edge products in rapidly moving and changing technological markets – the Group stays in close contact with customers and leading industry analysts to assist in the creation of our technology roadmap which is developed and delivered by our qualified staff.
- Maintaining and improving high levels of quality across the business value chain – we have adopted a quality management system and are continuously increasing our use of technology to assist in improving quality. The quality management system is independently audited.
- Ensuring security of our customers' data – the safekeeping of customer data is of vital importance. Our IT services are regularly audited for security by external parties. Netcall is continuously developing its internal systems and framework to improve and reduce risks. In addition, features to reduce risks are implemented throughout our proprietary software and systems.
- Delivering continuous availability – a failure in the Group's systems could lead to an inability to deliver services. This is addressed by operating redundant systems across multiple availability zones, a comprehensive disaster recovery programme and employment of experienced staff.
- Recruiting and retaining suitable staff – the Group's ability to execute its strategy is dependent on the skills and abilities of its staff. We undertake ongoing initiatives to foster good staff engagement and ensure that remuneration packages are competitive in the market.

Principle 2 – Seek to understand and meet shareholder needs and expectations

The CEO and the CFO are the key shareholder liaison contacts. Shareholders can approach the Chairman or Non-Executive Directors should they have any questions about Executive Directors.

The Company has open communications with its shareholders about its strategy and performance. We communicate with shareholders through: the Annual Report and Accounts; full-year and half-year results announcements; trading updates; the Annual General Meeting (AGM); and meetings. A range of information is also available to shareholders and the public on our website.

Corporate governance statement

The AGM is the principal forum for dialogue with private shareholders. We encourage all shareholders to attend and take part, subject to any conditions imposed by HM Government during the COVID-19 pandemic and otherwise to ensure the health and safety of our employees and shareholders. The Notice of AGM is sent to shareholders at least 21 days before the meeting. All directors whenever possible attend the AGM and answer questions raised by investors. Shareholders vote on each resolution, by way of a poll. For each resolution, we announce the number of votes received for, against and withheld and publish them on our website.

The Directors seek to build a mutual understanding of objectives with institutional shareholders. Our CEO and CFO give results presentations to analysts and institutional investors. We communicate with institutional investors via meetings, conferences, roadshows and informal briefings with management. The Group's Nominated Adviser arranges the majority of these meetings, following which it provides anonymised feedback from the fund managers met. This together with direct feedback allows us to understand investor motivations and expectations.

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success

The long-term success of the Group relies upon good relations with a range of different stakeholders, including our staff, customers, suppliers and shareholders. We engage with these stakeholders to obtain feedback as follows:

- Staff – management's close day-to-day connection with staff combined with periodic engagement surveys and virtual 'town hall meetings' ensure good relations with, and between, colleagues. These activities allow staff to share their views on ways in which the Group can improve products, processes and outcomes.
- Customers – delivering great customer service is a core attribute of the Group. Our success and competitive advantage are dependent upon fulfilling their requirements, particularly in relation to experience, integrity and quality of our software and services. We seek feedback on our software and services frequently, including: via our account managers, product owners and executive sponsors; project delivery boards; as well as, through a formal customer satisfaction survey programme.
- Suppliers – our key suppliers provide technology, which is incorporated into our software, and technology services, which enable the delivery of our Cloud platform and IT equipment support for on-premise solutions. We operate a formal supplier process covering supplier selection, onboarding and ongoing relationship management. This includes regular updates on our suppliers' strategies and inputs into our product and services design and development.
- Shareholders – our approach to obtaining feedback is set out in Principle 2 above.

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Directors are responsible for risk assessment and the systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

- **Company management:** The Board has put in place a system of internal controls, set within a clearly defined organisational structure with well understood lines of responsibility, delegation of authority, accountability, policies and procedures. Managers assume responsibility for running day-to-day operational activities with performance regularly reviewed and employees are required to follow procedures and policies appropriate to their position within the business.
- **Business risks:** The Board is responsible for identifying, evaluating and managing all major business risks facing the Group. To facilitate the assessment of risks, monthly reports on non-financial matters are received by the Board covering such matters as sales and operations performance and research and development progress.

- **Financial management:** An annual operating budget is prepared by management and reviewed and approved by the Board. Monthly accounts, together with key performance metrics, are received and discussed by the Board. The Group has in place documented authority levels for approving purchase orders, invoices and all bank transactions.
- **Quality management:** The Group is focused on meeting the highest levels of customer satisfaction. Quality procedures for the development of products, services and maintenance support are documented and reviewed frequently.
- **Internal audit:** The Directors do not currently believe that an additional separate internal audit function is appropriate for the size and complexity of the Group but will continue to review the position. The Group is ISO9001 and ISO27001 accredited which has been independently audited.

Principle 5 - Maintain the Board as a well-functioning, balanced team led by the Chair

The members of the Board have a collective responsibility and legal obligation to promote the interests of the Group. They are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the Chair of the Board.

The Board consists of five directors, of which two are executive and three are non-executives. The Executive Directors work full-time for Netcall. The Chairman and Non-Executive Directors are expected to commit one to two days per month. The relevant experience and skills that each Director brings to the Board are set out below.

The QCA Code 2018 notes that it is usually expected that at least half of the directors on a board are independent non-executive directors. The Company does not comply with the QCA Code 2018 as two non-executives are not deemed to be independent as:

- Michael Jackson became a Director and Chairman without the intervention of a Nomination Committee. He is also a participant in the Group's Long-Term Incentive Plan and a shareholder of the Company; and
- Michael Neville became a Director of the Company following the acquisition of Telephonetics plc, of which he was a Director. He is a Director of other companies in the Group and holds shares in the Company.

Tamer Ozmen provides consulting services to Gresham House Asset Management Ltd ('Gresham House') in relation to their investments in private technology companies. His consultancy work does not extend to Gresham House's investments in publicly listed companies, including Netcall. Through their managed funds, Gresham House is the Company's largest shareholder. He does not believe his consultancy agreement with Gresham House interferes with his exercise of independent judgment, and, therefore, he considers himself to be an independent director.

The Board has three committees: Audit, Remuneration and Nomination. The Board does not comply with the QCA Code 2018's recommendation that the Chairman of the Board should not sit on any of the Board's committees. The Chairman's participation is necessary due to the limited number of Non-Executive Directors.

Notwithstanding the above, the Non-Executive Directors have sufficient industrial and public markets experience in order to constructively challenge the Executive team and help drive value for all stakeholders. Moreover, the Board considers that the length of service of Michael Jackson and Michael Neville to be a valuable asset to constructive Board discussion. There are currently no female non-executive directors. The Board remains confident, both that the opportunities in the Company are not excluded or limited by any diversity issues (including gender), and that the Board nevertheless contains the necessary mix of experience, skills and other personal qualities and capabilities necessary to deliver its strategy. The QCA Code 2018 recognises that certain of its recommendations may not be suitable for growing companies and your Board considers that its present directors provide a wide range of expertise which benefits the Group and its stakeholders.

The Board meets regularly during the year. More meetings are arranged as necessary for specific purposes. It has a schedule of regular business, financial and operational matters. Each Board committee has a schedule of work to ensure that it addresses all areas for which it has responsibility during the year. To inform decision-making the Chairman is responsible for ensuring that Directors receive accurate, sufficient and timely information. The Company Secretary provides minutes of each meeting. Every Director is aware of the right to seek independent advice at the Group's expense where appropriate.

Corporate governance statement

Meetings held during the period under review and the attendance of Directors is set out below:

	Board meetings		Audit Committee		Remuneration Committee		Nomination Committee	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
Executive Directors								
Henrik Bang	12	12	–	3(1)	–	–	–	–
James Ormondroyd	12	12	–	3(1)	–	–	–	–
Non-Executive Directors								
Michael Jackson	12	12	3	3	5	5	–	–
Michael Neville	12	12	3	3	5	5	–	–
Tamer Ozmen	12	11	–	–	–	–	–	–

(1) Attended by invitation as not a member of the Audit Committee.

Principle 6 – Ensure that between them the Directors have all necessary up-to-date experience, skills and capabilities

All five members of the Board bring relevant sector experience in technology, four members have at least nine years of public markets experience, and two members are chartered accountants. The Board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. Directors attend seminars, courses and other regulatory and trade events to ensure that their knowledge remains current.

Michael Jackson, Non-Executive Chairman

Term of office: Appointed as Chairman on 23 March 2009; Chair of the Nomination Committee and member of the Audit and Remuneration Committees.

Background and suitability for the role: Michael Jackson studied law at Cambridge University, and qualified as a chartered accountant with Coopers & Lybrand before spending five years in marketing for various US multinational technology companies. For the past 30 years, he has specialised in raising finance and investing in the smaller companies quoted and unquoted sector. From 1983 until 1987 he was a director and from 1987 until 2006 was chairman of FTSE 100 company The Sage Group plc. He was also chairman of PartyGaming plc, another FTSE 100 company.

Michael Neville, Non-Executive Director

Term of office: Joined as Non-Executive Director on 30 July 2010; Chair of the Audit and Remuneration Committees and member of the Nomination Committee.

Background and suitability for the role: Michael Neville was appointed to the Netcall Board on 30 July 2010 following the acquisition of Telephonetics plc where he served as a Non-Executive Chairman from July 2005. He has extensive experience in capital markets, corporate restructuring and strategic development, and serves as a Non-Executive Director for a number of companies across a wide spectrum of industry sectors. His background is in the telecommunications, technology and media arenas.

Tamer Ozmen, Non-Executive Director

Term of office: Joined as a Non-Executive Director on 21 November 2019.

Background and suitability for the role: Tamer Ozmen is an experienced technology professional with a background in the implementation of digital transformation projects. He has over 20 years' experience in senior management positions, including CEO of Microsoft Turkey and most recently as head of Microsoft Consultancy Services in the UK. Tamer has also been Group Vice President of Online and Multichannel at Orange S.A. and is a non-executive director of Charles Taylor.

Henrik Bang, CEO

Term of office: Appointed CEO on 13 February 2004.

Background and suitability for the role: Henrik was previously Vice President in GN Netcom 1999–2004, part of the Danish OMX listed GN Great Nordic Group. Before that he held a number of international management positions in IBM and AP Moller-Maersk Line.

James Ormondroyd, Group Finance Director

Term of office: Joined as Group Finance Director on 30 July 2010.

Background and suitability for the role: James studied physics at the University of Manchester, and qualified as a chartered accountant with PwC. He was appointed to the Netcall Board on the acquisition of Telephonetics plc, a speech recognition and voice automation software provider, on 30 July 2010 where he served as the Finance Director and Company Secretary for five years. Prior to that he was the Finance Director and Company Secretary at World Television Group Plc a multi-national media and technology business.

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. The Company's Articles require that one-third of the current Directors must retire as Directors by rotation. The QCA Code 2018 recommends that independent directors who have served for more than nine years should be re-elected on an annual basis. The Company does not follow this recommendation due to the current size of the Board and considers the experience of the Company's current non-executive directors to be sufficient for the Company's needs. Michael Neville was proposed for re-election and reappointed in 2019 and Michael Jackson and Tamer Ozmen in 2020. Henrik Bang is proposed for re-election at the Company's Annual General Meeting on 16 December 2021.

Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The performance and effectiveness of the Board, its committees and individual Directors are reviewed by the Chairman and the Board on an ongoing basis. The performance and effectiveness of the Chairman is reviewed by the other Board members. Training is available should a Director request it, or if the Chairman feels it is necessary. The performance of the Board is measured by the Chairman with reference to the Company's achievement of its strategic goals. The Board does not undertake a formal evaluation of its performance, as this is constantly under review given its size.

The Board continually assesses the candidacy of Netcall staff with respect to succession planning for Executive Management and has in place a short-term plan to be instigated in the event of the loss or incapacity of either CEO or CFO. A number of senior managers are directors of subsidiary company boards and we continue to evaluate their progress.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviour

The Group's long-term growth is underpinned by a set of value-based operating principles. These have regularly been reviewed and adapted as the Group has developed and centres on customer focus, innovation, integrity, quality and teamwork. The culture of the Group is characterised by these values, and they are communicated widely, including within the Group's competency framework (which sets out how we want our colleagues to work within Netcall) and promoted throughout the organisation by managers in their daily work.

We monitor the culture through the use of employee and customer surveys and have in place comprehensive policies and procedures to support ethical behaviour. The Board is updated on the findings of these and what actions are required and considers its culture is positive.

The Board believes that a culture based on these core values is consistent with fulfilment of the Group's mission and execution of its strategy.

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board sets the Group's vision, strategy and business model to deliver value to its shareholders. It maintains a governance structure appropriate for the Group's size, complexity and risk and ensures this structure evolves over time in line with developments of the Group.

The Board defines a series of matters reserved for its decision. It has terms of reference for its Audit, Remuneration and Nomination Committees, to which it delegates certain responsibilities. The chair of each committee reports to the Board on the activities of that committee.

The Audit Committee monitors the integrity of the financial results. It reviews the need for internal audit and considers the engagement of external auditors, including the approval of non-audit services. The Audit Committee comprises Michael Jackson and Michael Neville. It is chaired by Michael Neville and meets at least twice per year. An Audit Committee report is set out on page 26. The terms of reference of the Audit Committee are available on the Company's website.

The Remuneration Committee sets and reviews the compensation of Executive Directors including the targets and performance frameworks for cash and share-based awards. The Remuneration Committee comprises Michael Jackson and Michael Neville. It is chaired by Michael Neville and meets at least once per year. A Remuneration Committee report is set out on page 26. The terms of reference of the Remuneration Committee are available on the Company's website.

The Nomination Committee reviews the structure, size and composition of the Board. It considers succession and identifies and nominates Board candidates. It comprises Michael Jackson and Michael Neville. It is chaired by Michael Jackson. The Nomination Committee did not meet formally during the year; however, members of the committee discussed these matters regularly in Board meetings.

Corporate governance statement

The primary responsibility of the Chairman is to lead the Board and to oversee the Group's corporate governance. He ensures that:

- the Board's agenda concentrates on key operational and financial issues with regular reviews of the Group's strategy and its implementation;
- committees are properly structured and operate with appropriate terms of reference;
- regular performance reviews of the individual Directors, the Board and its committees are undertaken;
- the Board receives accurate, timely and clear information; and
- oversees communication between the Group and its shareholders.

The CEO provides leadership and management of the Group. He:

- leads the development of objectives and strategies;
- delivers the business model within the strategy agreed by the Board;
- monitors and manages operational performance and key risks to ensure the business remains aligned with the strategy;
- leads on investor relations activities to ensure good communications with shareholders and financial institutions; and
- ensures that the Board is aware of the views and opinions of employees on relevant matters.

The Non-Executive Directors contribute independent thinking and judgement through the application of their external experience and knowledge. They scrutinise the performance of management and provide constructive challenge to the Executive Directors. They ensure that the Group is operating within the governance and risk framework approved by the Board.

The Company Secretary ensures that clear and timely information flows to the Board and its committees. He supports the Board on matters of corporate governance and risk.

The matters reserved for the Board are:

- setting long-term objectives and commercial strategy;
- approving annual operating and capital expenditure budgets;
- changing the share capital or corporate structure of the Group;
- approving half-year and full-year results and reports;
- approving dividend policy and the declaration of dividends;
- approving major investments, disposals, capital projects or contracts;
- approving resolutions and associated documents to be put to general meetings of shareholders; and
- approving changes to the Board structure.

Audit Committee Report

During the year, the Audit Committee has continued to focus on the effectiveness of the controls throughout the Group. The committee met three times, and the external auditor and the CEO and CFO were invited to attend these meetings. Consideration was given to the auditor's pre- and post-audit reports and these provide opportunities to review the accounting policies, internal controls and the financial information contained in both the Annual and Interim Reports. Matters considered included risk of revenue misstatement, management override of controls, going concern and impairment of intangible assets. The committee reviewed the independence, taking into account fees for non-audit services, and performance of the external auditor.

Remuneration Committee Report

During the period under review the Remuneration Committee met five times and:

- undertook an annual review of the Executive Directors remuneration packages and ensured that individual compensation levels, and total Board compensation, were comparable with those of other AIM-listed companies;
- considered and set the financial and individual performance targets, in light of the strategic framework, for the Executive Directors' annual bonus plans; and,
- it reviewed the long-term incentive plan for certain directors of the Company with the objective retention and incentivising delivery of the Group's growth objectives.

Principle 10 – Communicate how the Company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders

This Corporate Governance Report is available on the Netcall website. The Board will review and update it annually. Copies of the Annual Report & Accounts, AGM notices, outcomes of AGM votes and other governance materials are available on the Netcall website.

Michael Jackson
Chairman

Independent Auditor's report to the members of Netcall plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Netcall plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2021, which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement, the Parent Company balance sheet, the Parent Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Independent Auditor's report to the members of Netcall plc

Our approach to the audit

Overview of our audit approach

Overall materiality:

Group: £270,000, which represents 1% of the group's draft revenue.

Parent company: £243,000, which represents 0.55% of the parent company's draft total assets.

Key audit matters were identified as:

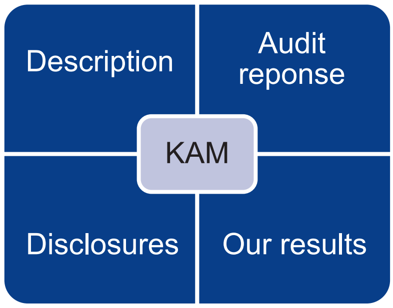
- the revenue cycle includes fraudulent transactions
- intangible assets (goodwill) may be impaired
- going concern

Our auditor's report for the year ended 30 June 2020 included the same key audit matters.

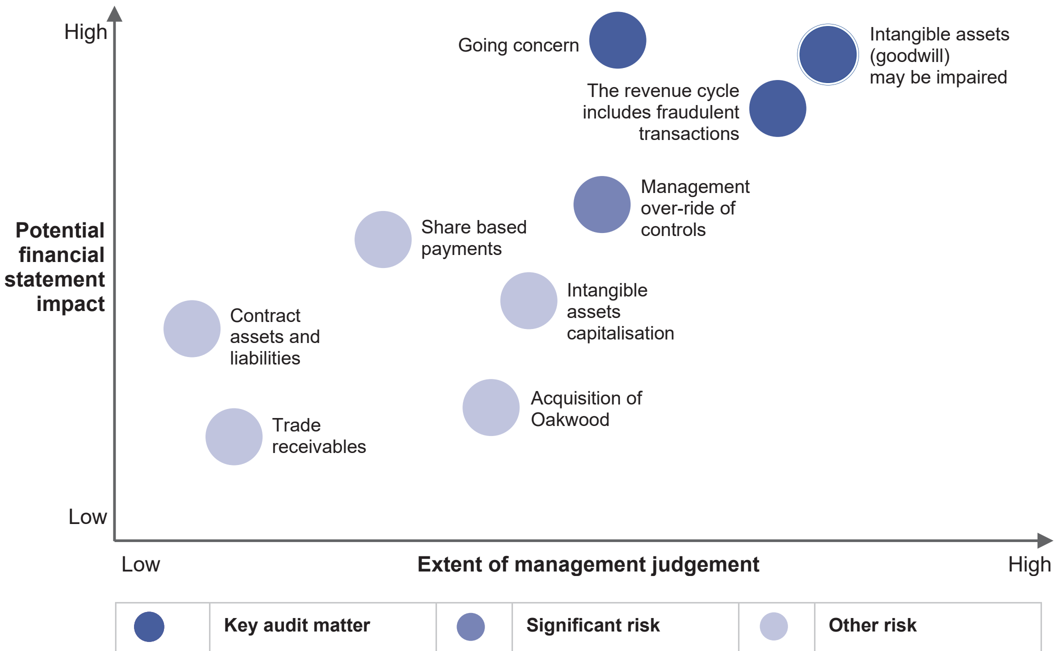
We performed full scope audit procedures on the financial statements of Netcall plc and on the financial information of Telephonetics Limited, Netcall Technology Limited and Netcall Systems Limited.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter – Group	How our scope addressed the matter – Group
The revenue cycle includes fraudulent transactions We identified the revenue cycle includes fraudulent transactions as one of the most significant assessed risks of material misstatement due to fraud. The group has recognised revenues of £27.2m (2020: £25.1m) in the year, which includes revenue from Cloud Services, Communication Services, Product Support, Product, and Services. Contracts include software licences, maintenance and hardware performance obligations. These performance obligations and associated revenues are separated and recognised accordingly in accordance with IFRS 15 Revenue from Contracts with Customers. The audit team considers that the significant risk in revenue is around the misallocation of the stand-alone selling prices between performance obligations and recognising revenue attributable to open performance obligations which have not yet been fulfilled. For all revenue streams noted above, the significant risks noted above are considered to be at the level of management override rather than at the transactional level.	In responding to the key audit matter, we performed the following audit procedures: • assessed whether the revenue recognition accounting policies adopted were in accordance with the financial reporting framework, including IFRS 15, and tested whether management had accounted for revenue in accordance with the accounting policies; • assessed the application of IFRS 15 for each revenue stream and in particular whether the performance obligations were distinct, whether they should be recognised separately and whether they were recognised at an appropriate stand-alone selling price by reviewing significant contracts and the allocation of pricing between performance obligations; • tested the occurrence of revenues by selecting a sample of transactions throughout the year and agreed the revenues to supporting evidence; • tested the open performance obligations in relation to project revenue by looking at hours recorded against budget, and by checking that project budgets were appropriate; and • tested revenue journals to highlight and corroborate any postings that were outside of our expectations and therefore at a higher risk of being fraudulent.
Relevant disclosures in the Annual Report and Accounts The group's accounting policies on revenue recognition are shown in notes 3(f) and 20(e) to the financial statements and related disclosures are included in note 3.	**Our results** Our audit testing did not identify any material misstatements in the revenue recognised during the year which, based on our audit work, has been recognised in accordance with the group's accounting policies.

Independent Auditor's report to the members of Netcall plc

Key Audit Matter – Group	How our scope addressed the matter – Group
Intangible assets (goodwill) may be impaired We identified intangible assets (goodwill) may be impaired as one of the most significant assessed risks of material misstatement due to error. At 30 June 2021, the group had goodwill of £22.8m (2020: £22.8m). In accordance with International Accounting Standard (IAS) 36, 'Impairment of Assets', an annual impairment review is required to be performed by management for goodwill to determine whether the carrying value is appropriate. The impairment review is based on comparing the carrying value of identified cash generating units with the recoverable amount (being the higher of value in use and fair value less costs to sell), based on a value in use discounted cash flow model. Management's assessment of the potential impairment of goodwill incorporates key assumptions including forecast revenues, growth rates, and the discount rate. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, we therefore identified the risk of impairment of goodwill as a significant risk, which was one of the most significant assessed risks of material misstatement.	In responding to the key audit matter, we performed the following audit procedures: • assessed whether the impairment accounting policy adopted is in accordance with the financial reporting framework, including IAS 36, and checking whether management have applied it appropriately; • compared the carrying value of the cash generating unit to management's value in use calculations; • checked the mathematical accuracy of the impairment models; • assessed and challenged management on the appropriateness of the forecast growth rates to historical performance and performed sensitivity analysis; • using an auditor's expert, assessed and challenged management on the appropriateness of the discount rate applied to future cash flows by calculating an appropriate rate and applying sensitivities; • evaluated the other assumptions included in the impairment models through comparison with historical results, our knowledge of the business and discussions with management; and • assessed the adequacy of related disclosures within the annual report and financial statements.
Relevant disclosures in the Annual Report and Accounts The group's accounting policy on impairment of assets, including goodwill, is shown in note 20(i) and related disclosures are included in note 8(c) to the financial statements.	**Our results** Our audit testing did not identify any material misstatements relating to the impairment of goodwill included on the consolidated balance sheet.

Key Audit Matter – Group	How our scope addressed the matter – Group
Going concern Covid-19 is one of the most significant economic events currently faced by the UK. Covid-19 could adversely impact the future trading performance of the group and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. As such we identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.	In responding to the key audit matter, we performed the following audit procedures: • obtained management's base case forecasts covering the period to December 2022, assessing how these forecasts were compiled by agreeing the opening position and checking the integrity of the model; • assessed the appropriateness of management's base case forecasts by applying sensitivities to the underlying assumptions, which we also challenged; • assessed the accuracy of management's forecasting by comparing the reliability of past forecasts to the base case forecast; • obtained management's reverse stress test scenario prepared to assess the potential impact on the forecasts and the relative likelihood and plausibility of the scenario; and • reviewed the related disclosures within the 2021 annual report and accounts. In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.
Relevant disclosures in the Annual Report and Accounts The group's going concern accounting policy and related disclosures are shown in the going concern note within note 20(a) to the financial statements.	**Our results** Our testing did not identify any material uncertainties relating to events or condition, that individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

There were no key audit matters for the parent company.

Independent Auditor's report to the members of Netcall plc

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

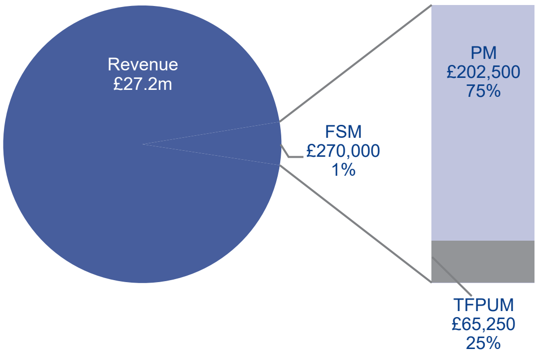
Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£270,000 which is 1% of the group's draft revenue.	£243,000 which is 0.55% of the parent company's draft total assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we considered the following factors: • Profitability of the business • Impact of macro-economic factors such as Covid-19 on the business • Expectations of key financial statement users • Industry benchmarking • Prior year measures of materiality Materiality for the current year is higher than the level that we determined for the year ended 30 June 2020 to reflect the increased profitability of the Group, increase in revenue year on year and resilient performance of the business throughout the pandemic.	In determining materiality, we considered an asset-based benchmark to be appropriate on the basis that the parent company acts as a holding company for the Group and does not generate its own earnings. The threshold was arrived at as a result of being restricted to 90% of Group materiality, so as not to exceed Group materiality. Materiality for the current year is higher than the level that we determined for the year ended 30 June 2020 which is a reflection of an increased Group materiality threshold.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£202,500 which is 75% of financial statement materiality.	£182,250 which is 75% of financial statement materiality.

Materiality measure	Group	Parent company
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we considered the following factors: • Control environment • Any changes in operations or key personnel • Frequency and materiality of errors and control deficiencies identified in previous audits 75% of materiality has been considered as sufficient to address the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.	In determining performance materiality, we considered the same factors as those assessed for arriving at Group performance materiality, on the basis that the Group and parent entity are both centrally managed by the same personnel, and share a control environment.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: • directors' remuneration • related party transactions	We determined a lower level of specific materiality for the following areas: • directors' remuneration • related party transactions
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£13,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£12,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

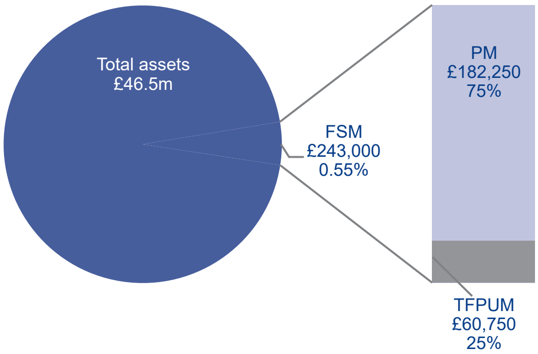
Independent Auditor’s report to the members of Netcall plc

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group’s and the parent company’s business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level.
- The engagement team obtained an understanding of the effect of the group organisational structure on the scope of the audit, identifying that the group financial reporting system is centralised.

Identifying significant components

Four significant components were identified, and the metrics used to assess their significance were total assets, revenues and profit before taxation.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- The four significant components in the UK are required to have an individual full-scope audit, these were Netcall plc, Netcall Technology Limited, Netcall Systems Limited and Telephonetics Limited.
- Two entities, MatsSoft Limited and Netcall Systems Inc, were not-significant and therefore we performed an audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit).
- The dormant or insignificant components were tested through analytical procedures as they were neither significant nor material. This included the newly acquired Oakwood Technologies BV, which is based in Belgium.

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage PBT
Full-scope audit	4	99.40	97.90	98.37
Specific-scope audit	2	0.34	1.96	1.63
Analytical procedures	8	0.26	0.14	0.00

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Independent Auditor’s report to the members of Netcall plc

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are most applicable to the group and determined the most significant are those that relate to the operational environment, the financial reporting framework (international accounting standards in conformity with the requirements of the Companies Act 2006) and relevant tax compliance regulations.
- We understood how the group is complying with legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We enquired of management and the Audit Committee about the group’s policies and procedures relating to the identification, evaluation and compliance with laws and regulations and the detection and response to the risks of fraud and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations including the Companies Act.
- We enquired of management and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- The engagement partner assessed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.
- We assessed the susceptibility of the group’s financial statements to material misstatement, including how fraud might occur, by evaluating management’s incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to areas of increased management judgement, and the impairment of intangible assets, both of which could be impacted by management bias, as well as the risk of fraud through the use of journal entries that increase revenues.

Use of our report

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Jones
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
5 October 2021

Consolidated income statement

for the year ended 30 June 2021

	Notes	2021 £000	2020 £000
Revenue	3	**27,154**	25,114
Cost of sales		**(2,625)**	(2,930)
Gross profit		**24,529**	22,184
Administrative expenses		**(22,659)**	(20,926)
Other losses	5(a)	**(119)**	(24)
Adjusted EBITDA	2b	**5,338**	4,413
Depreciation	8(a), 8(b)	**(542)**	(657)
Net loss on disposal of property, plant and equipment		**(52)**	–
Amortisation of acquired intangible assets	8(c)	**(488)**	(483)
Amortisation of other intangible assets	8(c)	**(1,391)**	(1,344)
Change in fair value of contingent consideration	4(a)	**–**	(37)
Post-completion services	4(b)	**(285)**	(33)
Share-based payments	18(c)	**(829)**	(625)
Operating profit		**1,751**	1,234
Finance income	5(e)	**3**	38
Finance costs	5(e)	**(769)**	(775)
Finance costs – net		**(766)**	(737)
Profit before tax		**985**	497
Tax charge	6	**(11)**	(10)
Profit for the year		**974**	487
Earnings per share		**Pence**	Pence
Basic	19(a)	**0.66**	0.34
Diluted	19(a)	**0.64**	0.33

All activities of the Group in the current and prior period are classed as continuing. All of the profit for the period is attributable to the shareholders of Netcall plc. The notes on pages 42 to 73 form part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 30 June 2021

	Notes	2021 £000	2020 £000
Profit for the year		**974**	487
Other comprehensive income			
Items that may be reclassified to profit or loss			
– Exchange differences arising on translation of foreign operations	9(c)	**35**	(14)
Total other comprehensive income for the year		**35**	(14)
Total comprehensive income for the year		**1,009**	473

All of the comprehensive income for the year is attributable to the shareholders of Netcall plc. The notes on pages 42 to 73 form part of these financial statements.

Consolidated balance sheet

as at 30 June 2021

	Notes	2021 £000	2020 £000
Assets			
Non-current assets			
Property, plant and equipment	8(a)	**608**	960
Right-of-use assets	8(b)	**711**	970
Intangible assets	8(c)	**30,070**	29,078
Deferred tax assets	8(d)	**648**	482
Financial assets at fair value through other comprehensive income	7(c)	**72**	72
Total non-current assets		**32,109**	31,562
Current assets			
Inventories	8(e)	**84**	139
Other current assets	8(f)	**1,563**	1,392
Contract assets	3(c)	**898**	585
Trade receivables	7(a)	**2,635**	3,957
Other financial assets at amortised cost	7(b)	**10**	4
Cash and cash equivalents	7(d)	**14,520**	12,710
Total current assets		**19,710**	18,787
Total assets		**51,819**	50,349
Liabilities			
Non-current liabilities			
Contract liabilities	3(c)	**22**	104
Borrowings	7(f)	**6,858**	6,745
Lease liabilities	8(b)	**672**	902
Deferred tax liabilities	8(d)	**881**	842
Total non-current liabilities		**8,433**	8,593
Current liabilities			
Trade and other payables	7(e)	**6,918**	6,907
Contract liabilities	3(c)	**11,691**	11,724
Lease liabilities	8(b)	**171**	248
Total current liabilities		**18,780**	18,879
Total liabilities		**27,213**	27,472
Net assets		**24,606**	22,877
Equity attributable to owners of Netcall plc			
Share capital	9(a)	**7,534**	7,312
Share premium	9(a)	**3,015**	3,015
Other equity	9(b)	**4,900**	4,900
Other reserves	9(c)	**3,840**	3,996
Retained earnings		**5,317**	3,654
Total equity		**24,606**	22,877

The notes on pages 42 to 73 form part of these financial statements. These financial statements on pages 37 to 73 were approved and authorised for issue by the Board on 5 October 2021 and were signed on its behalf by:

James Ormondroyd
Director

Netcall plc, registered no. 01812912

Consolidated statement of changes in equity

for the year ended 30 June 2021

	Notes	Share capital £000	Share premium £000	Other equity £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 30 June 2019		**7,259**	**3,015**	**4,832**	**4,440**	**2,402**	**21,948**
Issue of ordinary shares as consideration for an acquisition in a business combination	9(a), 9(b)	14	–	68	–	–	82
Proceeds from share issue	9(a)	39	–	–	–	–	39
Increase in equity reserve in relation to options issued	9(c)	–	–	–	622	–	622
Reclassification following exercise or lapse of options	9(c)	–	–	–	(1,052)	1,052	–
Dividends paid	13(b)	–	–	–	–	(287)	(287)
Transactions with owners		**53**	**–**	**68**	**(430)**	**765**	**456**
Profit for the year		–	–	–	–	487	487
Other comprehensive income		–	–	–	(14)	–	(14)
Total comprehensive income for the year		**–**	**–**	**–**	**(14)**	**487**	**473**
Balance at 30 June 2020		**7,312**	**3,015**	**4,900**	**3,996**	**3,654**	**22,877**
Proceeds from share issue	9(a)	222	–	–	–	–	222
Increase in equity reserve in relation to options issued	9(c)	–	–	–	729	–	729
Tax credit relating to share options	6(d)	–	–	–	138	–	138
Reclassification following exercise or lapse of options	9(c)	–	–	–	(1,058)	1,058	–
Dividends paid	13(b)	–	–	–	–	(369)	(369)
Transactions with owners		**222**	**–**	**–**	**(191)**	**689**	**720**
Profit for the year		–	–	–	–	974	974
Other comprehensive income		–	–	–	35	–	35
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**

The notes on pages 42 to 73 form part of these financial statements.

Consolidated cash flow statement

for the year ended 30 June 2021

	Notes	2021 £000	2020 £000
Cash flows from operating activities			
Profit before income tax		**985**	497
Adjustments for:			
Depreciation and amortisation		**2,421**	2,484
Loss on disposal of property, plant and equipment		**52**	–
Share-based payments		**829**	625
Finance costs – net		**766**	737
Other non-cash expenses		**11**	1
Changes in operating assets and liabilities, net of effects from purchasing of subsidiary undertaking:			
Decrease in inventories		**54**	26
Decrease/(increase) in trade receivables		**1,337**	(92)
(Increase)/decrease in contract assets		**(320)**	589
(Increase)/decrease in other financial assets at amortised cost		**(7)**	100
Increase in other current assets		**(184)**	(107)
Increase in trade and other payables		**(114)**	3,334
(Decrease)/increase in contract liabilities		**(142)**	1,223
Decrease in provisions		**–**	(29)
Cash generated from operations		**5,688**	9,388
Analysed as:			
Cash flow from operations before VAT deferral and post completion service consideration		**6,718**	7,176
Net effect of VAT deferral scheme		**(805)**	2,212
Payment of post completion service consideration	14(a)	**(225)**	–
Interest received		**3**	38
Interest paid		**(10)**	(6)
Income taxes paid		**(2)**	–
Net cash inflow from operating activities		**5,679**	9,420
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired		**–**	(1,679)
Payment for property, plant and equipment	8(a)	**(36)**	(146)
Payment of software development costs	8(c)	**(1,571)**	(1,708)
Payment for proprietary software	14(a)	**(1,049)**	–
Payment for other intangible assets	8(c)	**(97)**	(9)
Proceeds from sale of property, plant and equipment		**1**	–
Net cash outflow from investing activities		**(2,752)**	(3,542)
Cash flows from financing activities			
Proceeds from issues of ordinary shares	9(a)	**222**	39
Interest paid on Loan Notes		**(717)**	(478)
Lease payments	8(b)	**(294)**	(199)
Dividends paid to Company's shareholders	13(b)	**(369)**	(287)
Net cash outflow from financing activities		**(1,158)**	(925)
Net increase in cash and cash equivalents		**1,769**	4,953
Cash and cash equivalents at beginning of the financial year		**12,710**	7,769
Effects of exchange rate on cash and cash equivalents		**41**	(12)
Cash and cash equivalents at end of financial year		**14,520**	12,710

The notes on pages 42 to 73 form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 30 June 2021

1 Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events during the reporting period:

- The Group acquired 100% of the issued share capital of Oakwood Technologies BV (trading as 'Automagica') in October 2020 for an initial cash consideration of €1.20 million (of which €0.12m is deferred for a year) and a potential further payment of €0.9 million in cash and up to €0.9 million in Netcall shares. This resulted in the recognition of £1.20m in acquired software intangible assets and post-completion expenses of £0.29m, and a cash outflow of £1.27m (see note 14).
- The Group opted to defer £2.21m of VAT payments in the last financial year that would usually have been paid between 20 March and 30 June 2020 under the coronavirus ('COVID-19') VAT deferral scheme. The Group paid £0.81m in the current financial year with the balance £1.41m to be paid by January 2022. This resulted in cash flows from operations and trade and other payables being £0.81m lower (2020: £2.21m higher) than would have been the case without deferral.

For a detailed discussion about the Group's performance and financial position please refer to the Chairman's and Chief Executive's review on pages 2 to 9.

2 Segment information

2(a) Description of segment and principal activities

The Group's Executive Board 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 it when making strategic decisions. Resources are reviewed on the basis of the whole business performance.

The Board primarily uses a measure of adjusted earnings before interest, taxation, depreciation and amortisation ('Adjusted EBITDA') to assess the performance of the segment. It also receives information about the segment's revenue and assets on a monthly basis. Information about the segment revenue is disclosed in note 3(a).

2(b) Adjusted EBITDA

Adjusted EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings, such as acquisition costs, contingent consideration and transaction costs and impairments when the impairment is the result of an isolated, non-recurring event. The Board believes this gives a better view of maintainable earnings levels. It also excludes the effects of equity-settled share-based payments.

Adjusted EBITDA reconciles to operating profit as follows:

	2021 £000	2020 £000
Adjusted EBITDA	**5,338**	4,413
Depreciation	**(542)**	(657)
Net loss on disposal of property, plant and equipment	**(52)**	–
Amortisation of acquired intangible assets	**(488)**	(483)
Amortisation of other intangible assets	**(1,391)**	(1,344)
Change in fair value of contingent consideration	**–**	(37)
Post completion services	**(285)**	(33)
Share-based payments	**(829)**	(625)
Operating profit	**1,751**	1,234

2(c) Segment assets and liabilities

Segment assets and liabilities are measured in the same way as in the financial statements.

The total of non-current assets other than financial instruments and deferred tax assets broken down by location of the assets is set out below:

	2021 £000	2020 £000
UK	**30,237**	31,008
Other countries	**1,152**	–
Total	**31,389**	31,008

3 Revenue from contracts with customers

3(a) Revenue by category

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	2021 £000	2020 £000
Cloud services	**8,254**	6,553
Communication services	**2,899**	1,929
Product support contracts	**9,057**	9,555
Product	**2,660**	3,065
Services	**4,284**	4,012
	27,154	25,114
Timing of revenue recognition:		
At a point in time	**5,559**	4,994
Over time	**21,595**	20,120

3(b) Revenue by location and major customers

The business is domiciled in the UK. The result of its revenue from external customers in the UK is £26.1m (2020: £23.9m), and the total from external customers from other countries is £1.1m (2020: £1.2m).

No single customer accounted for more than 10% of the Group's revenue in the year or the prior year.

3(c) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2021 £000	2020 £000
Contract assets	**940**	723
Loss allowance	**(42)**	(138)
Total contract assets	**898**	585
Contract liabilities – current	**11,691**	11,724
Contract liabilities – non-current	**22**	104
Total contract liabilities	**11,713**	11,828

Contract assets have increased by £0.31m due to the utilisation of brought forward loss allowance and as more products and services were delivered ahead of agreed payment schedules. Contract liabilities have decreased by £0.12m primarily due to an increase in advance subscription payments for to new Cloud services offset by lower advanced support contract billings.

3(d) Revenue recognised in relation to contract liabilities

Set out below is the amount of revenue recognised from:

	2021 £000	2020 £000
Amounts included in contract liabilities at the beginning of the year	**11,252**	9,850
Performance obligations satisfied in previous years	**–**	–

3(e) Unsatisfied long-term contracts

The unsatisfied performance obligations for communication services, product and professional service revenues are part of a contract that has an original expected duration of one year or less.

The unsatisfied performance obligations for cloud services and product support contracts as at 30 June may span a duration of more than one year, and as at 30 June are as follows:

	2021 £000	2020 £000
Within one year	**15,829**	12,761
More than one year	**11,491**	10,152

3 Revenue from contracts with customers continued

3(f) Accounting policies and significant judgements

Revenue is recognised at the transaction price being the amount of consideration to which the Group expects to be entitled for goods sold and services provided in the normal course of business during the year. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

Critical judgements in recognising revenue and allocating the transaction price

Revenue is recognised upon transfer of control of the promised product and/or services to customers. The Group enters into contracts which can include combinations of services, products, support fees and other professional services, each of which is capable of being distinct and is usually accounted for as a separate performance obligation. Where there are multiple performance obligations, revenue is measured at the value of the expected consideration received in exchange for the products or services, allocated by the relative stand-alone selling prices of each of the performance obligations.

The Group generates revenue principally through the supply of:

- **Cloud services** – comprises the subscription and usages fees to access our software through a hosted solution. The software, maintenance and support and hosting elements are not distinct performance obligations, and represent a combined service provided to the customer. Revenue is recognised as the service is provided to the customer on a straight-line basis over the period of supply.
- **Product support contracts** – provides customers with software updates, system monitoring and tuning and technical support services. Revenues are recognised over time on a straight-line basis over the contract period.
- **Communication services** – revenues comprise fees for telephony and messaging services. Fees are recognised when the call or message has been delivered over the Group's network.
- **Product** – consists of software product license fees and hardware. Revenue for products is recognised at a point in time when the customer has control of the asset.
- **Services** – consists primarily of consultancy, implementation services and training. Revenue from these services is recognised as the services are performed by reference to the costs incurred as a proportion of the total estimated costs of the service project. If an arrangement includes both software license or subscriptions and service elements, an assessment is made as to whether the software element is distinct in the context of the contract, based on whether the services provided significantly modifies or customises the base product. Where it is concluded that a licence is distinct, the licence element is recognised as a separate performance obligation. In all other cases, revenue from both licence and service elements is recognised when control is deemed to have passed to the customer.

Where invoices are raised in advance of the performance obligations being satisfied, these are recorded on the balance sheet as contract liabilities. This deferred income relates predominantly to services which are recognised on a straight-line basis over the period of supply. These services are typically invoiced at the beginning of the provision of service and the associated revenue is recognised over the service period which typically ranges from one to five years.

Where Group recognition criteria have been met, but no invoice to the customer has been raised at the reporting date, revenue is recognised and included as a contract asset, representing unbilled work in progress with substantially the same risk characteristics as trade receivables for the same types of contracts.

4 Material profit or loss items

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

	Notes	**2021 £000**	2020 £000
Change in fair value of contingent consideration	4(a)	**–**	(37)
Post completion services expense	4(b)	**(285)**	(33)
		(285)	(70)

4(a) Change in fair value of contingent consideration

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

4(b) Post completion services expense

The former owners of Oakwood Technologies BV (in the comparative year MatsSoft Ltd) 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 (see note 14(a)).

5 Other expense items

This note provides a breakdown of items included in 'other income', 'other losses', 'finance income and costs' and an analysis of expenses by nature and employee benefit expenses.

5(a) Other losses

	2021 £000	2020 £000
Net foreign exchange losses	**(67)**	(24)
Net loss on disposal of property, plant and equipment	**(52)**	–
Total other losses	**(119)**	(24)

5(b) Breakdown of expenses by nature

	Notes	2021 £000	2020 £000
Inventory recognised as an expense	8(e)	**91**	243
Employee benefit expenses	5(c)	**17,630**	15,194
Depreciation and amortisation	8(a), 8(b), 8(c)	**2,421**	2,484
Other expenses		**5,142**	5,935
Total cost of sales and administrative expenses		**25,284**	23,856

Research and development costs of £2.22m have been expensed during the year (2020: £1.88m).

The table below sets out the cost of services provided by the Company's auditors and its associates:

	2021 £000	2020 £000
Fees payable to Company's auditor for the audit of Parent Company and consolidated financial statements	**26**	23
Fees payable to the Company's auditor for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	**61**	53
– audit-related services	**11**	8
– tax advisory services	**7**	–
	105	84

5(c) Breakdown of employee benefit expenses

	Notes	2021 £000	2020 £000
Wages and salaries		**15,541**	13,809
Less: internal development costs capitalised in the year		**(1,434)**	(1,627)
Social security costs		**1,832**	1,599
Share options charge for Directors and employees	18(a)	**829**	625
Pension costs – defined contribution plans		**862**	788
		17,630	15,194

5(d) Average number of people employed during the year

	2021	2020
Average number of people (including Executive Directors) employed:		
Sales and marketing	**71**	68
Development and operations	**141**	143
Management and administration	**23**	23
Total average headcount	**235**	234

Notes to the consolidated financial statements
for the year ended 30 June 2021

5 Other expense items continued

5(e) Finance income and costs

	2021 £000	2020 £000
Finance income		
Interest income from financial assets held for cash management purposes	**3**	38
Finance income	**3**	38
Finance costs		
Interest and finance charges paid/payable for financial liabilities at amortised cost	**619**	620
Interest paid/payable for lease liabilities (see note 8(b))	**30**	32
Borrowings: unwinding of discount (see note 7(f))	**113**	113
Other payables: unwinding of discount (see note 7(g))	**7**	10
Finance costs expensed	**769**	775
Net finance costs	**(766)**	(737)

6 Tax expense

This note provides an analysis of the Group's tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

6(a) Tax expense

	2021 £000	2020 £000
Current tax		
Current tax on profits for the year	**–**	–
Adjustments in respect of prior years	**–**	–
Total current tax expense	**–**	–
Deferred tax		
(Increase)/decrease in deferred tax assets	**(28)**	19
Increase/(decrease) in deferred tax liabilities	**39**	(9)
Total deferred tax expense	**11**	10
Total tax charge	**11**	10

6(b) Significant estimate – tax

The Group is principally subject to United Kingdom corporate taxation and judgement is required in determining the provision for income and deferred taxation. The Group recognises taxation assets and liabilities based upon estimates and assessments of many factors including past experience, advice received on the relevant taxation legislation and judgements about the outcome of future events. To the extent that the final outcome of these matters is different from the amounts recorded, such differences will impact on the taxation charge made in the Consolidated income statement in the period in which such determination is made.

The Group has gross tax losses available for carrying forward against future taxable income of £8.43m (2020: £7.60m). The Group has recognised a deferred tax asset of £0.31m (2020: £0.32m) which is 19% of the total loss as management consider that it is more likely than not that the future taxable profits will exceed this amount within the next five years.

In addition, the Group has not recognised a deferred tax asset of £1.27m (2020: £1.27m) in respect of losses that are capital in nature amounting to £6.68m (2020: £6.68m) or a deferred tax asset of £0.11m (2020: £0.23m) in relation to temporary timing differences due to share-based payment charges of £0.58m (2020: £1.22m).

6(c) Reconciliation of tax expense to prima facie tax payable

The tax charge on the Group's profit before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK as explained below:

	2021 £000	2020 £000
Profit before tax	**985**	497
Tax expense calculated at 19% (2020: 19%)	**187**	94
Tax effects of:		
– expenses not deductible for tax purposes	**150**	133
– change in fair value of contingent consideration	**–**	7
– additional deductions for R&D expenditure	**(240)**	(301)
– utilisation of previously unrecognised tax losses	**(24)**	(3)
– tax losses arising in the period not provided as a deferred tax asset	**162**	59
– tax losses arising in the period provided as a deferred tax asset	**49**	–
– relief for employee share schemes	**(409)**	(42)
– other	**30**	17
Measurement of deferred tax – change in UK corporation tax rate	**106**	–
Adjustment in respect of prior year deferred tax	**–**	46
Total tax charge	**11**	10

6(d) Amounts recognised directly in equity

	2021 £000	2020 £000
Aggregate current and deferred tax arising in the year and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Deferred tax: share-based payments	**138**	–
	138	–

7 Financial assets and liabilities

This note provides information about the Group's financial instruments including:

- an overview of all financial instruments held by the Group;
- specific information about each type of financial instrument;
- accounting policies; and
- information about determining the fair value of the instruments including judgements and estimation of uncertainty involved.

The Group holds the following financial instruments:

	Notes	2021 £000	2020 £000
Financial assets			
Financial assets at fair value through other comprehensive income	7(c)	**72**	72
Financial assets at amortised cost			
• Trade receivables	7(a)	**2,635**	3,957
• Contract assets	3(c)	**898**	585
• Other financial assets at amortised cost	7(b)	**10**	4
• Cash and cash equivalents	7(d)	**14,520**	12,710
Total financial assets		**18,135**	17,328
Financial liabilities			
Liabilities at amortised cost			
• Trade and other payables (excluding statutory liabilities)	7(e)	**4,747**	3,708
• Borrowings	7(f)	**6,858**	6,745
• Lease liabilities	8(b)	**843**	1,150
Total financial liabilities		**12,448**	11,603

The Group's exposure to various risks associated with the financial instruments is discussed in note 12. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset mentioned above.

7 Financial assets and liabilities continued

7(a) Trade receivables

	2021 £000	2020 £000
Current assets		
Trade receivables	**2,744**	4,075
Loss allowance (see note 12(c))	**(109)**	(118)
	2,635	3,957

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and, therefore, are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the purpose of collecting the contractual cash flows and, therefore, measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided below.

Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Impairment and risk exposure

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in notes 12(a), 12(b), and 12(c).

7(b) Other financial assets at amortised cost

	2021 £000	2020 £000
Other receivables	**10**	4
	10	4

Classification as financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Fair values of other financial assets at amortised cost

Due to the short-term nature of the current other receivables, their carrying amount is considered to be the same as their fair value.

Impairment and risk exposure

Information about the impairment of other financial assets amortised at cost can be found in note 12. All amounts due are within one year and are denominated in UK Pounds.

7(c) Financial assets at fair value through other comprehensive income

Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income ('FVOCI') comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

Equity investments at fair value through other comprehensive income

	2021 £000	2020 £000
Non-current assets		
Unlisted equity		
Macranet Ltd	**72**	72

The investment in Macranet Ltd is denominated in Sterling (£). It is a provider of social media engagement solutions and has a historic cost of £0.29m. The fair value measurement is classified as level 3 in the hierarchy as there is no observable market data. The Company is a minority investor alongside Draper Esprit VCT plc a quoted venture capital trust. They have established fair value using the Private Equity and Venture Capital Guidelines. In line with this valuation there is no change in the fair value of the investment in the year (2020: £nil).

7(d) Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	**14,520**	12,710
Cash and cash equivalents	**14,520**	12,710

Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

7(e) Trade and other payables

	2021 £000	2020 £000
Current liabilities		
Trade payables	**152**	260
Payroll tax and other statutory liabilities	**2,171**	3,199
Other payables	**4,595**	3,448
	6,918	6,907

Trade payables are unsecured and are usually paid within 30 days of recognition. Other payables include the fair value of acquisition consideration liabilities of £0.16m (2020: £nil), see note 7(g). The carrying amounts of the remainder of trade and other payables are considered to be the same as their fair values, due to their short-term nature. Payroll tax and other statutory liabilities includes £1.41m (2020: £2.21m) for VAT payments that would usually have been paid between 20 March and 30 June 2020 under the coronavirus ('COVID-19') VAT deferral scheme.

7(f) Borrowings

	2021 Current £000	2021 Non-current £000	2021 Total £000	2020 Current £000	2020 Non-current £000	2020 Total £000
Unsecured						
Loan Notes	**–**	**6,858**	**6,858**	–	6,745	6,745
Total borrowings	**–**	**6,858**	**6,858**	–	6,745	6,745

Immediately prior to the acquisition of MatsSoft, on 4 August 2017, the Company entered into a subscription agreement with Business Growth Fund ('BGF') for a £7.0m investment. The investment comprises the issue of a £7.0m Loan Note and the award of options over 4,827,586 new ordinary shares of 5p each at a price of 58p per share. 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.

7 Financial assets and liabilities continued

The £7.0m investment was allocated between the fair value of the Loan Note, £6.42m, and the fair value of the share options granted, £0.58m which are classified as equity instruments. The fair value of the share options was determined using the Binomial valuation method. The significant inputs into the model were the mid-market share price of 66.5p at the grant date, volatility of 25%, dividend yield of 1.85%, an expected option life of five years, and an annual risk-free interest rate of 0.267%. The difference between the principal value of the Loan Note and the initial fair value is being charged to the income statement over a five-year period. The Loan Notes are presented in the balance sheet as follows:

	2021 £000	2020 £000
Face value of notes issued	**7,000**	7,000
Share schemes reserve – value of share option	**(584)**	(584)
	6,416	6,416
Unwinding of discount:		
Opening balance	**329**	216
Movement in the year	**113**	113
Closing balance	**442**	329
Non-current liability	**6,858**	6,745

Details of the Group's exposure to risks arising from borrowings are set out in note 12.

7(g) Other payables – acquisition consideration

	2021 Current £000	2021 Non-current £000	2021 Total £000	2020 Current £000	2020 Non-current £000	2020 Total £000
Acquisition consideration	**161**	**–**	**161**	–	–	–

Movements in contingent consideration liability during the year are set out below:

	2021 £000	2020 £000
Opening balance	**–**	1,680
Acquisition of Oakwood Technologies BV (see note 14(a))	**99**	–
Charged/(credited) to profit or loss:		
– post-completion services expense	**285**	33
– share-based payment charge	**–**	1
– unwinding of discount	**7**	10
– change in fair value of contingent consideration (note 4(a))	**–**	37
– effect of exchange rate	**(5)**	–
Amounts paid during the year:		
– cash	**(225)**	(1,679)
– shares	**–**	(82)
Closing balance	**161**	–

8 Non-financial assets and liabilities

This note provides information about the Group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
  - property, plant and equipment (note 8(a))
  - leases (note 8(b))
  - intangible assets (note 8(c))
  - deferred tax balances (note 8(d))
  - inventories (note 8(e))
  - other current assets (note 8(f))
- accounting policies
- information about determining the fair value of the asset and liabilities, including judgements and estimation of the uncertainty involved.

8(a) Property, plant and equipment

	Furniture, fittings and equipment £000	Computer equipment £000	Total £000
Cost			
At 30 June 2019	994	1,684	2,678
Additions	14	132	146
Disposals	–	(49)	(49)
At 30 June 2020	1,008	1,767	2,775
Additions	–	36	36
Disposals	(477)	–	(477)
At 30 June 2021	**531**	**1,803**	**2,334**
Accumulated depreciation			
At 30 June 2019	268	1,200	1,468
Depreciation charge	190	206	396
Disposals	–	(49)	(49)
At 30 June 2020	458	1,357	1,815
Depreciation charge	135	201	336
Disposals	(425)	–	(425)
At 30 June 2021	**168**	**1,558**	**1,726**
Net book amount			
At 30 June 2019	726	484	1,210
At 30 June 2020	550	410	960
At 30 June 2021	**363**	**245**	**608**

Depreciation expense of £0.34m (2020: £0.40m) has been charged in 'administrative expenses'.

Depreciation methods and useful lives

Depreciation is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

- Computer equipment 3–7 years
- Furniture, fittings and equipment 3–7 years

See note 20(n) for the other accounting policies relevant to property, plant and equipment.

8 Non-financial assets and liabilities continued

8(b) Leases

This note provides information for leases where the Group is a lessee.

Amounts recognised in the balance sheet

	2021 £000	2020 £000
Right-of-use assets		
Buildings	**711**	970
	711	970
Lease liabilities		
Current	**171**	248
Non-current	**672**	902
	843	1,150

Additions to the right-of-use assets during the year were £nil (2020: £0.42m).

Amounts recognised in profit of loss

	2021 £000	2020 £000
Depreciation charge right-of-use assets – Buildings	**206**	261
Interest expense (including in finance cost)	**30**	32
Expense relating to short-term leases (included in 'administrative expenses')	**–**	–
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in 'administrative expenses')	**–**	–

The total cash outflow for leases in the year was £0.29m (2020: £0.20m).

The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of three to seven years. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Critical judgement in determining the lease term

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers the facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Factors to consider include: whether there are any significant penalties to terminate (or not extend) or leasehold improvements which are expected to have a significant remaining value; historical lease durations and the costs and business disruption required to replace the leased asset.

As at 30 June 2021, potential future cash outflows of £0.35m (undiscounted) have been included in the lease liability because it is reasonably certain that the leases will be extended (2020: £0.35m).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

8(c) Intangible assets

	Customer contracts and relationships £000	Brand names £000	Acquired software £000	Goodwill £000	Internally generated software £000	Trademarks and licenses £000	Total £000
Cost							
At 30 June 2019	4,448	266	5,515	22,757	8,056	1,184	42,226
Additions	–	–	–	–	1,708	9	1,717
At 30 June 2020	4,448	266	5,515	22,757	9,764	1,193	43,943
Additions	–	–	1,203	–	1,571	97	2,871
At 30 June 2021	**4,448**	**266**	**6,718**	**22,757**	**11,335**	**1,290**	**46,814**
Accumulated amortisation							
At 30 June 2019	4,144	192	2,929	–	4,865	908	13,038
Amortisation charge	43	68	372	–	1,155	189	1,827
At 30 June 2020	4,187	260	3,301	–	6,020	1,097	14,865
Amortisation charge	30	6	452	–	1,304	87	1,879
At 30 June 2021	**4,217**	**266**	**3,753**	**–**	**7,324**	**1,184**	**16,744**
Net book amount							
At 30 June 2019	304	74	2,586	22,757	3,191	276	29,188
At 30 June 2020	261	6	2,214	22,757	3,744	96	29,078
At 30 June 2021	**231**	**–**	**2,965**	**22,757**	**4,011**	**106**	**30,070**

Amortisation of £1.88m (2020: £1.83m) are included within 'administrative expenses'.

Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Brand names 18 months
- Acquired software 4–15 years
- Customer contracts and relationships 7–10 years
- Internally generated software 4–10 years
- Trademarks and licenses 3–10 years

See note 20(o) for the other accounting policies relevant to intangible assets, and note 20(i) for the Group's policy regarding impairments.

Significant estimate – useful lives of acquired intangible assets

These useful lives are based on management's estimates of the period that the assets will generate revenue. These estimates are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the Consolidated income statement in specific periods.

8 Non-financial assets and liabilities continued

Significant estimate – internally generated software capitalisation and impairment

During the year, the Group capitalised £1.57m (2020: £1.71m) of expenses as internally generated software assets. The Group is required to assess whether expenditure on research and development should be recognised as an internally generated intangible asset on the balance sheet. The recognition criteria include a number of judgements regarding the development's feasibility, the probable future economic benefits and being able to measure reliably the expenditure attributable to the intangible asset during its development. The assessments and estimates used by the Group could have a significant impact on the amount of expenditure capitalised.

Any such assets capitalised are: subject to impairment reviews whenever events or changes in circumstances indicate that the carrying amount may not be recoverable; and are amortised over their useful lives in accordance with the accounting policy stated above. Changes to estimates can result in significant variations in the carrying value and amounts charged to the Consolidated income statement in specific periods. The carrying value of capitalised internally generated software amounted to £4.01m (2020: £3.74m).

Impairment tests for goodwill

Goodwill is monitored by management at the level of the operating segment identified in note 2 which is considered to be a single cash-generating unit ('CGU'). Goodwill was tested for impairment on 30 June 2021 following IAS 36 criteria. Management compared the carrying value of the CGU to the value-in-use, to confirm that no impairment of goodwill is necessary, as is shown in the table below:

	Goodwill £000	Acquired intangibles £000	Carrying value £000	Value-in-use £000	Excess value-in-use £000	Sensitivity %
Netcall	22,757	3,196	25,953	54,762	28,809	111%

The sensitivity shows the excess of value-in-use in relation to the carrying value of the CGU. Management is not aware of any probable changes that would require changes in its key estimates that would lead to impairment. The key assumption impacting the value-in-use is the revenue forecast.

Significant estimate – key assumptions used for value-in-use calculation

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 20(i). The recoverable amount of the CGU was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on the most recent financial plan approved by the Board for the two years ending 30 June 2023, extended for another three years to 30 June 2026 with average growth rates and a terminal value based on the perpetuity of cash generated with a 1.9% long-term growth rate applied. The forecast and growth assumption for the CGU is based on management's experience and understanding of the market place for its software. Forecasts and terminal values were discounted at a pre-tax adjusted discount rate of 10% (2020: 10%). The pre-tax discount rates are based on the Group's weighted average cost of capital.

8(d) Deferred tax balances

Deferred tax assets

The balance comprises temporary differences attributable to:

	2021 £000	2020 £000
Tax losses	**308**	321
Share-based payments	**312**	118
Other	**28**	43
	648	482

The movement in deferred tax assets during the year was:

Deferred tax assets	Tax losses £000	Share-based payments £000	Other temporary differences £000	Total £000
At 30 June 2019	366	98	37	501
(Charged)/credited to the income statement	(45)	20	6	(19)
Charged to equity	–	–	–	–
At 30 June 2020	321	118	43	482
(Charged)/credited to the income statement	(13)	56	(15)	28
Credited to equity	–	138	–	138
At 30 June 2021	**308**	**312**	**28**	**648**

See note 6(b) for details of significant estimates relating to tax losses.

Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2021 £000	2020 £000
Acquired intangibles	**303**	302
Internally generated software assets	**554**	485
Accelerated tax depreciation	**24**	55
	881	842

The movement in deferred tax liabilities during the year was:

Deferred tax liabilities	Accelerated tax depreciation £000	Acquired intangibles £000	Internally generated software assets £000	Total £000
At 30 June 2019	78	360	413	851
(Credited)/charged to the income statement	(23)	(58)	72	(9)
At 30 June 2020	55	302	485	842
(Credited)/charged to the income statement	(31)	1	69	39
At 30 June 2021	**24**	**303**	**554**	**881**

8(e) Inventories

	2021 £000	2020 £000
Current assets		
Goods for resale	**84**	139

The cost of individual items is determined on first-in, first-out basis. See note 20(m) for the Group's other accounting policies for inventories.

Inventories recognised as an expense during the year amounted to £0.09m (2020: £0.24m) of which write downs of inventories to net realisable value amounted to £nil (2020: £nil). These were recognised as an expense during the year and included in 'cost of sales'.

8(f) Other current assets

	2021 £000	2020 £000
Prepayments	**1,563**	1,392
	1,563	1,392

9 Equity

9(a) Share capital and premium

	Number of shares	Ordinary shares £000	Share premium £000	Total £000
At 30 June 2019	145,176,283	7,259	3,015	10,274
Acquisition of subsidiary[1]	279,986	14	–	14
Employee share schemes issue (note 18(a))	792,895	39	–	39
At 30 June 2020	146,249,164	7,312	3,015	10,327
Employee share schemes issue (note 18(a))	4,436,946	222	–	222
At 30 June 2021	**150,686,110**	**7,534**	**3,015**	**10,549**

(1) On 2 October 2019, the Company issued 279,986 new ordinary shares to the vendors of MatsSoft Limited under the contingent consideration arrangement (see note 4(a)). The fair value of the shares issued amounted to £82,000 (29.5 pence per share). Pursuant to this acquisition, under Section 612 of the Companies Act 2006 the share-issue qualified for merger relief. Therefore, no share premium is accounted for in relation to shares issued in consideration of the acquisition. Instead, the difference between the nominal value of shares issued and the fair value of the shares issued, £68,000, is credited to the merger reserve on consolidation.

Share capital

Share capital represents the nominal value of equity shares and comprises ordinary shares with a par value of five pence. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. All issued shares are fully paid.

The Company purchased none of its own shares during the year (2020: nil). The total number of ordinary shares held in Treasury at the end of the year was 1,869,181 (2020: 1,869,181), the value of which is included within a Treasury Reserve (see note 9(c)).

Information relating to the share options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the year, is set out in note 18.

Share premium

Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

9(b) Other equity

	Merger reserve £000	Capital reserve £000	Total £000
At 30 June 2019	4,644	188	4,832
Additions (see note 9(a))	68	–	68
At 30 June 2020 and 30 June 2021	**4,712**	**188**	**4,900**

Merger reserve

Merger reserve includes the premium arising on the fair values ascribed to shares issued in the course of business combinations where over 90% of the issued share capital of the acquiree is acquired by the Company.

Capital reserve

Capital reserve represents amounts set aside following a capital reduction scheme.

9(c) Other reserves

The table below shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description and purpose of each reserve is provided after the table.

	Treasury shares £000	Share option reserve £000	Foreign currency translation £000	Financial assets at FVOCI £000	Total £000
At 30 June 2019	(419)	5,097	(22)	(216)	4,440
Increase in equity reserve in relation to options issued	–	622	–	–	622
Reclassification following exercise or lapse of options	–	(1,052)	–	–	(1,052)
Exchange differences arising on translation of foreign operations	–	–	(14)	–	(14)
At 30 June 2020	(419)	4,667	(36)	(216)	3,996
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)
Exchange differences arising on translation of foreign operations	–	–	35	–	35
At 30 June 2021	**(419)**	**4,476**	**(1)**	**(216)**	**3,840**

Treasury shares

Treasury shares represents shares in Netcall plc purchased and retained by the Parent Company.

Share option reserve

Share option reserve represents equity-settled share-based payments until such share options are exercised.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 20(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Financial asset at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the financial assets FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

10 Net Funds reconciliation

This section sets out an analysis of net funds and the movements in net funds for each year presented.

10(a) Net Funds

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

10 Net Funds reconciliation continued

10(b) Movements in Net Funds

	Cash and cash equivalents £000	Borrowings £000	Lease liabilities £000	Total £000
At 1 July 2019	7,769	(6,632)	(904)	233
Cash flows	4,953	–	199	5,152
New leases	–	–	(418)	(418)
Unwinding of discount (note 7(f))	–	(113)	(32)	(145)
Foreign exchange adjustments	(12)	–	–	(12)
Other changes	–	–	5	5
At 30 June 2020	**12,710**	**(6,745)**	**(1,150)**	**4,815**
Cash flows	1,769	–	294	2,063
Unwinding of discount (note 7(f))	–	(113)	(30)	(143)
Foreign exchange adjustments	41	–	–	41
Other changes	–	–	43	43
At 30 June 2021	**14,520**	**(6,858)**	**(843)**	**6,819**

11 Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also need to exercise judgement in applying the Group’s accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes, together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving significant judgement or estimate are:

- Recognition of revenue and allocation of transaction price – note 3
- Estimation of current tax payable and current tax expense – note 6
- Recognition of deferred tax assets for carried forward tax losses – note 6(b)
- Estimation of useful life of intangible assets – note 8(c)
- Estimated impairment of internally generated software assets – note 8(c)
- Estimated recoverable value of goodwill – note 8(c)
- Estimation of fair values of contingent purchase consideration in a business combination – note 7(g)
- Estimation of fair value of share-based payments – note 18
- Estimation of right-of-use assets – note 8(b)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

12 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Board has overall responsibility for the determination of the Group's financial risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing, operating and reporting thereof to the Group's finance function. The overall objective is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

The principal financial instruments used by the Group are bank deposits, trade receivables, other financial assets at amortised cost, trade payables that arise directly from its operations and borrowings. The main purpose of these financial instruments is to provide finance for the Group's operations. The main risks arising from these financial instruments are: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

12(a) Market Risk – Foreign currency

The Group conducts some trade in Euros and US dollars and, therefore, holds a small amount of cash and trade balances in these currencies, as set out below:

	US Dollar £000	Euro £000	Total £000
At 30 June 2021			
Trade receivables	**108**	**37**	**145**
Contract assets	**142**	**26**	**168**
Other financial assets at amortised cost	**–**	**9**	**9**
Cash and cash equivalents	**47**	**31**	**78**
Trade and other payables (excluding statutory liabilities)	**(82)**	**(372)**	**(454)**
	215	**(269)**	**(54)**
At 30 June 2020			
Trade receivables	49	31	80
Contract assets	–	1	1
Other financial assets at amortised cost	–	–	–
Cash and cash equivalents	70	8	78
Trade and other payables (excluding statutory liabilities)	(48)	(36)	(84)
	71	4	75

The Group does not consider there to be a material foreign exchange risk and, therefore, does not hedge against movements in foreign currency. A 10% movement in the exchange rate between Sterling and the Euro or US Dollar would not have a material effect on the net assets or net profit of the Group.

12(b) Market Risk – Interest rate

The Group's borrowings are at a fixed rate of interest. Therefore, the Group's interest rate risk arises principally from bank deposits. The Group manages its cash held on deposit to gain reasonable interest rates whilst maintaining sufficient liquidity to support the Group's strategy by placing a proportion of cash into short-term treasury deposits and retaining the balance in current accounts. The average interest rate gained on cash held during the year was 0.02% (2020: 0.5%). A 1% movement in interest rates would impact upon equity and net profit by approximately £106,000 (2020: £61,000).

12(c) Credit risk

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, which are principally cash and cash equivalents, trade receivables and contract assets.

Cash and cash equivalents are held at banks with good independent credit ratings in accordance with the Group treasury policy.

The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess credit risk of new customers before entering contracts and actively manage the collections process. Historically, bad debts across the Group have been low. The concentration of credit risk is limited due to the large and unrelated customer base comprising mainly blue-chip companies and public sector organisations.

Notes to the consolidated financial statements
for the year ended 30 June 2021

12 Financial risk management continued

The Group's management considers that its financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. All receivables are subject to regular review to ensure that they are recoverable and any issues identified as early as possible.

Impairment

The Group's financial assets that are subject to the expected credit loss model: trade receivables from contracts with customers and contract assets.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The payment profiles and historical credit losses experienced over a period of three years to 30 June 2021 has been reviewed and as incidence of credit losses is very low, a single-loss rate has been applied to trade receivables from contracts. Contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has, therefore, concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

On that basis, the loss allowance for both trade receivables and contract assets is:

	2021 £000	2020 £000
Expected loss rate	**4.1%**	5.3%
Gross carrying amount – trade receivables	**2,744**	4,075
Gross carrying amount – contract assets	**940**	723
Loss allowance	**151**	256

The closing loss allowances for trade receivables and contract assets as at 30 June 2021 reconcile to the opening balance as follows:

	Contract assets		**Trade receivables**	
	2021 £000	2020 £000	**2021 £000**	2020 £000
At 1 July	**138**	29	**118**	82
Increase in loss allowance recognised in profit or loss during the year	**58**	266	**64**	140
Receivables written off during the year as uncollectible	**–**	–	**–**	–
Unused amounts reversed	**(154)**	(157)	**(73)**	(104)
At 30 June	**42**	138	**109**	118

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

12(d) Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Board reviews an annual 12-month financial projection, as well as information regarding cash balances on a monthly basis. At the balance sheet date, liquidity risk was considered to be low given the fact the Group is cash generative, has no borrowings repayable before September 2022 and cash and cash equivalents are thought to be at acceptable levels.

The Group's financial liabilities have contractual maturities as summarised below:

	Less than 6 months £000	6 to 12 months £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total contractual cash flows £000	Carrying value £000
At 30 June 2021							
Trade and other payables[1]	**4,721**	**–**	**29**	**–**	**–**	**4,750**	**4,747**
Borrowings	**–**	**–**	**2,333**	**4,667**	**–**	**7,000**	**6,858**
Lease liabilities	**97**	**97**	**195**	**517**	**–**	**906**	**843**
	4,818	**97**	**2,557**	**5,184**	**–**	**12,656**	**12,448**
At 30 June 2020							
Trade and other payables[1]	3,708	–	–	–	–	3,708	3,708
Borrowings	–	–	–	7,000	–	7,000	6,745
Lease liabilities	147	137	255	560	152	1,251	1,150
	3,855	137	255	7,560	152	11,959	11,603

(1) Excluding statutory liabilities.

13 Capital management

13(a) Risk management

The Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and dividends. An analysis of net capital is set out in the table below:

	2021 £000	2020 £000
Net funds	**6,819**	4,815
Equity attributable to owners of the Parent Company	**24,606**	22,877
Net capital	**17,787**	18,062

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares or debt.

13(b) Dividends

	Paid	Pence per share	Cash flow statement £000	Statement of changes in equity £000	Balance sheet £000
Year to June 2021					
Final ordinary dividend for the year to June 2020	**9/2/21**	**0.25p**	**369**	**369**	**–**
			369	**369**	**–**
Year to June 2020					
Final ordinary dividend for the year to June 2019	5/2/20	0.20p	287	287	–
			287	287	–

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

14 Purchase of proprietary software

14(a) Acquisition of Oakwood Technologies BV's software

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

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

The fair value of consideration was £1.20m comprising:

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

The consideration for the transaction comprised:

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

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

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

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

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

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

15 Interests in other entities

Company name	Country of incorporation	Nature of business	Proportion of ordinary shares held by Parent Company	Proportion of ordinary shares held by the Group
Netcall Technology Limited (formerly Netcall Telecom Limited)	UK(1)	Software & services	0%	100%
Netcall Systems Limited (formerly MatsSoft Limited)	UK(1)	Software & services	100%	0%
MatsSoft Limited (formerly MatsSoft Holdings Limited)	UK(1)	Intermediate holding company	0%	100%
Netcall Systems, Inc. (formerly MatsSoft, Inc.)	USA(2)	Software & services	0%	100%
Oakwood Technologies B.V.	Belgium(3)	Software & services	100%	0%
Telephonetics Limited	UK(1)	Intermediate holding company	100%	0%
Serengeti Systems Limited	UK(1)	Dormant company	100%	0%
Datadialogs Limited	UK(1)	Dormant company	0%	100%
Netcall Telecom, Inc.	USA(1)	Dormant company	100%	0%
Zelliant Limited (formerly Netcall Telecom Europe Limited)	UK(1)	Dormant company	100%	0%
Netcall UK Limited	UK(1)	Dormant company	100%	0%
Q-Max Systems Limited	UK(1)	Dormant company	100%	0%
Voice Integrated Products Limited	UK(1)	Dormant company	0%	100%

(1) The registered office is Suite 203, Bedford Heights, Brickhill Drive, Bedford, UK, MK41 7PH.
(2) The registered office is 500 Sugar Mill Road, Suite 260A, Atlanta, Georgia 30350-3939, USA.
(3) The registered office is Havenlaan 86C bus 204, 1000 Brussel, Belgium.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company does not differ from the proportion of ordinary shares held.

16 Post balance sheet events

16(a) Dividend

The Board recommended a final dividend for the year ended 30 June 2021 on 5 October 2021. See note 13(b) for details.

16(b) Issue of shares

On 12 July 2021, the Company issued and allotted 203,338 new ordinary shares following the exercise of shares options by employees of the Group.

17 Related party transactions

Netcall plc is the parent and ultimate controlling Company of the Group.

17(a) Sale and purchase of goods and services

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are, therefore, not disclosed.

17(b) Key management compensation

Key management is the Executive and Non-Executive Directors of the Company. The compensation paid or payable to key management for employee services is shown below:

	2021 £000	2020 £000
Salaries and other short-term employee benefits	**1,312**	1,154
Company contributions to money purchase pension schemes	**34**	34
Share-based payments	**452**	2
Total	**1,798**	1,190

17 Related party transactions continued

17(c) Directors

	2021 £000	2020 £000
Aggregate emoluments	**1,156**	992
Company contributions to money purchase pension schemes	**34**	34
Total	**1,190**	1,026

Details of individual Director's emoluments are set out on page 16 of the Directors' report.

The highest paid Director was paid £589,000 (2020: £510,000) and gained £852,000 on the exercise of share options in the year (2020: £114,000). Personal pension contributions paid to the highest paid Director were £30,000 (2020: £25,000).

The Directors received dividend payments as follows:

	2021 £000	2020 £000
Executive Directors		
Henrik Bang[1]	**15**	10
James Ormondroyd[2]	**6**	3
Non-Executive Directors		
Michael Jackson[3]	**5**	3
Michael Neville	**2**	1

(1) Including dividends received by Henrik Bang's pension schemes and shares held jointly with his spouse.
(2) Including dividends received by James Ormondroyd's spouse.
(3) Including dividends received by shares held by Michael Jackson and Richard Jackson as trustees of the W&E Jackson Trust whose beneficiaries are the children and remoter issue of Michael Jackson.

18 Share-based payments

18(a) Employee Share Options

The Company operates a number of employee share option plans to provide long-term incentives for senior managers (including Directors) and certain employees. Below is a summary of current plans:

- A Long-Term Incentive Plan ('LTIP') was introduced in June 2011. The options are granted at an exercise price of five pence. Options are conditional on certain vesting criteria including: achievement of the Company's ordinary share price up to 55 pence in the period from the date of grant until 1 January 2017; and, the option holder being in employment at the date the option is exercised. The options have a contractual option term of ten years; and once vested up to 100% of the options awarded may be exercised.
- In December 2013, the Company effected another Long-Term Incentive Plan ('LTIP2'). The options are granted at an exercise price of five pence. Options are conditional on certain vesting criteria including: achievement of the Company's ordinary share price up to 95 pence in the six years following the date of grant; and the option holder being in employment at the date the option is exercised. The options have a contractual option term of ten years; and once vested up to 100% of the options awarded may be exercised.
- In April 2014, the Company effected a further Long-Term Incentive Plan ('LTIP3'). The options are granted at an exercise price of five pence. Options are conditional on certain vesting criteria including: achievement of the Company's ordinary share price up to £1.20 in the seven years following the date of grant; and, the option holder being in employment at the date the option is exercised. Initially, the options had a contractual option term of seven years. In November 2020, the option term was extended to ten years. Once vested, up to half of the options awarded may be exercised three years after grant and the other half, five years after grant. See the following notes for more detail regarding the current year modification of these options.
- In November 2015 and October 2016, the Company granted a number of Unapproved Share Options ('Unapproved') These options are granted at an exercise price of nil pence. Options are conditional on the employee being in employment in two years from grant and having made suitable arrangements with the Company for payment of any income tax or employee national insurance arising as a result of the award.

- In August 2017, the Company granted a number of Unapproved Share Options ('Unapproved 2'). These options are granted at an exercise price of five pence. Options are conditional on certain vesting criteria, including achievement of the Netcall Systems Limited (formerly: MatsSoft Ltd) contingent consideration targets; the employee being in employment at exercise and having made suitable arrangements with the Company for payment of any income tax or employee national insurance arising as a result of the award. The options have a contractual option term of ten years; and once vested up to 100% of the options awarded may be exercised.
- In November 2017, the Company granted a number of Unapproved Share Options ('Unapproved 3'). These options are granted at an exercise price of nil pence. Options are conditional on the employee being in employment three years from grant and having made suitable arrangements with the Company for payment of any income tax or employee national insurance arising as a result of the award.
- In July and November 2019, the Company granted a number of both EMI and Unapproved share options ('LTIP4'). Options are granted at an exercise price of five pence. The vesting period is from the date of grant to 30 June 2023 and the Options are conditional on certain vesting criteria including: achievement of the Company's ordinary share price up to £1.20 in the period from the date of grant up to June 2023 and the option holder being in employment at the date the option is exercised. Once vested up to one-third of the options awarded may be exercised from and after July 2021 and the remaining vested awards may be exercised one half from each of July 2022 and July 2023; and having made suitable arrangements with the Company for payment of any income tax or employee national insurance arising as a result of the award.

Options are granted under the plans for no consideration and carry no dividend or voting rights.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2021 Weighted average exercise price in pence per share	**2021 Options (thousand)**	2020 Weighted average exercise price in pence per share	2020 Options (thousand)
At 1 July	**5.0**	**22,658**	5.0	18,731
Granted	**–**	**–**	5.0	8,406
Exercised	**5.0**	**(4,437)**	5.0	(793)
Forfeited	**5.0**	**(106)**	5.0	(3,686)
At 30 June	**5.0**	**18,115**	5.0	22,658

Share options outstanding at the end of the year have the following expiry date and exercise prices:

				Options (thousands)	
Grant date	Expiry date	Scheme	Exercise price in pence per share	**2021**	2020
July 2011	July 2021	LTIP1	5.0	**–**	173
July 2012	July 2022	LTIP1	5.0	**–**	334
December 2013	December 2023	LTIP2	5.0	**293**	529
June 2014	April 2024	LTIP3	5.0	**8,134**	11,372
June 2014	April 2024	LTIP3	5.0	**147**	147
March 2015	March 2022	LTIP3	5.0	**299**	299
November 2015	April 2022	LTIP3	5.0	**226**	319
November 2015	November 2022	Unapproved	0.0	**48**	48
October 2016	October 2023	Unapproved	0.0	**28**	33
August 2017	August 2027	Unapproved 2	5.0	**173**	462
November 2017	November 2024	Unapproved 3	5.0	**183**	251
December 2018	December 2025	Unapproved 3	5.0	**285**	285
July 2019	June 2024	LTIP4	5.0	**5,536**	5,643
November 2019	June 2024	LTIP4	5.0	**2,763**	2,763
			5.0	**18,115**	22,658

18 Share-based payments continued

At 30 June 2021, out of the 18,114,758 outstanding options (2020: 22,658,196 options), 1,285,106 options (2020: 5,557,865) were exercisable. The weighted average exercise price for options exercisable at the year-end was 4.7 pence (2020: 4.9 pence).

Options exercised in the year resulted in 4,436,946 shares (2020: 792,895) being issued at a weighted average price of 5.0 pence each (2020: 5.0 pence). The related average weighted share price at the time of exercise was 55.3 pence per share (2020: 33.2 pence per share).

See note 18(c) for the total expense recognised in the income statement for share options granted to Directors and employees (including associated national insurance).

Significant estimate – fair value of option modification

In November 2020, the Company agreed to modify the terms of the Long-Term Incentive Plan ('LTIP3') granted in April 2014. The Company extended the vesting measurement date by two years to 30 April 2023 and the expiry date of the above LTIP3 options by a further three years to 29 April 2024. All other provisions under the above LTIP3 options remain unchanged. The incremental fair value granted as a result of this modification was £1.57m.

The weighted average incremental fair value of the options modified was determined using a combination of the Monte Carlo and binomial option valuation models and was 11.4 pence per option. The significant inputs into the model were mid-market share price of 50.0 pence at the grant date; exercise price of five pence; volatility of 50%; an expected option life of 2.4 years; and an annual risk-free interest rate of 0.03%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last four years.

In April 2021, the Company agreed to modify the terms of the Long-Term Incentive Plan ('LTIP3') granted in June 2014. The Company extended the expiry date of the above LTIP3 options by a further three years to 29 April 2024. All other provisions under the above LTIP3 options remain unchanged. No incremental fair value was granted as a result of this modification.

18(b) Other share option agreements

The Company entered into a subscription agreement with Business Growth Fund ('BGF') for an investment on 4 August 2017. It included an award of options over 4,827,586 new ordinary shares of 5p each at a price of 58p per share. The option may be exercised at any time up to 30 September 2024 unless the Company shall have redeemed 50% or more of the Loan Notes prior to 30 June 2022, in which case the option shall end on 30 September 2022.

18(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	Notes	**2021 £000**	2020 £000
Employee share options	18(a)	**829**	624
Post-completion services	7(g)	**–**	1
		829	625

19 Earnings per share

19(a) Basic and diluted

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.

	2021	2020
Net earnings attributable to ordinary shareholders (£000)	**974**	487
Weighted average number of ordinary shares in issue (thousands)	**146,675**	143,588
Basic earnings per share (pence)	**0.66**	0.364

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.

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

19(b) Adjusted basic and diluted

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:

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

	2021 Pence	2020 Pence
Adjusted basic earnings per share	**1.49**	1.01
Adjusted diluted earnings per share	**1.43**	0.97

20 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Netcall plc and its subsidiaries.

20(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis, except certain financial assets and liabilities are measured at fair value.

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.

Standards and interpretations not yet applied by the Group

Certain new standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been adopted early. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the consolidated financial statements
for the year ended 30 June 2021

20 Summary of significant accounting policies continued

20(b) Principles of consolidation and equity accounting

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations see note 20(h) (except Netcall UK Limited see explanation below).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised gains and losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Where a Group Company has acquired an investment in a subsidiary undertaking and applies merger relief, under section 612 of the Companies Act 2006, the difference between the nominal value and fair value of the shares issued is credited to the merger reserve.

20(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board.

20(d) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Sterling (£), which is the Company's functional and the Group's presentational currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to cash are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other gains/(losses) – net'.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

20(e) Revenue

The accounting policies for the Group's revenue from contracts with customers is explained in note 3(f).

20(f) Current and deferred taxation

The tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

20(g) Leases

Leases are recognised as a right-of-use asset with a corresponding liability at the date at which the lease asset is available for use by the Group. See note 8(b) for further information about the Group's accounting for leases.

20(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Goodwill written off to reserves prior to date of transition to IFRS remains in reserves. There is no reinstatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

20 Summary of significant accounting policies continued

20(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

20(j) Financial instruments

The Group's financial instruments comprise cash and various items, such as trade receivables and trade payables that arise directly from its operations. Finance payments associated with financial liabilities are dealt with as part of finance expenses.

Financial assets

The Group's financial assets are trade receivables and other financial assets carried at amortised cost. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. They arise principally through the provision of services to customers (trade receivables), but also incorporate other types of contractual monetary asset such as deposits on rental property and prepayments, which are contractually recoverable. They are initially recognised at fair value and subsequently carried at amortised cost. Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

Financial assets at fair value through other comprehensive income ('FVOCI') comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings. In the prior financial year, the Group had designated equity investments as available-for-sale where management intended to hold them for the medium to long term.

Financial liabilities

The Group's financial liabilities are trade payables and other financial liabilities. These liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

Further information on the Group's financial instruments can be found in note 7 and note 12.

20(k) Cash and cash equivalents

A definition of cash and cash equivalents is set out in note 7(d).

20(l) Trade receivables

Trade receivables are recognised initially at the transaction price as determined in accordance with IFRS 15 and subsequently measured at amortised cost using the effective interest method, less provision for impairments. See note 7(a) for further information about the Group's accounting for trade receivables and for a description of the Group's impairment policies.

20(m) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work-in-progress comprises computer hardware and software, direct labour, other direct costs and relevant production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. See note 8(e) for further information.

20(n) Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of depreciation and any provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss in the financial period in which they are incurred.

The depreciation methods and periods used by the Group are disclosed in note 8(a).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 20(i)).

Gain and loss on disposal of an asset is determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses) – net' in the income statement.

20(o) Intangible assets

Goodwill

Goodwill is measured as described in note 20(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 2).

Customer contracts and relationships, brand names, acquired software, trademarks and licences ('other intangible assets')

Separately acquired other intangible assets are shown at historical cost. Other intangible assets acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. The amortisation methods and periods used by the Group are disclosed in note 8(c).

Internally generated software costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Internally generated software development costs recognised as assets are carried at cost less amortisation, and amortised from the point at which the asset is ready to use. The amortisation methods and periods used by the Group are disclosed in note 8(c).

20 Summary of significant accounting policies continued

20(p) Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

20(q) Borrowings

Borrowings are initially recognised at fair value. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some, or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of any option agreement connected to borrowings is determined using the Binomial Method and recorded in shareholders' equity, the remainder of the proceeds is allocated to borrowings.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

20(r) Provisions

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

20(s) Employee benefits – pensions

Contributions to the Group's defined contribution pension scheme and employees' personal pension plans are charged to the income statement as employee benefit expenses when they are due. The Group has no further payment obligation once the contributions have been paid.

20(t) Share-based payments

The Group operates a number of share schemes under which it makes equity-settled share-based payments to certain employees. The fair value of employee services received in exchange for the grant of the options is recognised as an expense and a credit to the employee share scheme reserve. The total amount to be expensed is determined by reference to the fair value of the options granted: including any market performance conditions and any non-vesting conditions, but excluding the impact of any service and non-market performance vesting conditions (for example, profitability targets and remaining an employee of the Group for a specified period).

Non-market conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where the Group is obliged to pay employer's National Insurance contributions on the difference between the market value of the underlying shares and their exercise price when the options are exercised. A liability is measured using the value of the Company's shares at the balance sheet date and charged to the income statement over the vesting period of the share options.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium. The liability for social security costs arising in relation to the awards is measured at each reporting date based upon the share price at the reporting date and the elapsed portion of the relevant vesting periods to the extent that it is considered that a liability will arise.

20(u) Equity

Equity comprises share capital, share premium, other equity, other reserves and retained earnings.

Retained earnings represents the cumulative net gains and losses recognised in the consolidated income statement. See note 9 for descriptions of the other classes of equity.

20(v) Dividend distribution

Dividend distributions payable to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividend distributions to the Company's shareholders approved by the Board are not included in the financial statements until paid.

Parent Company balance sheet
as at 30 June 2021

	Notes	2021 £000	2020 £000
Assets			
Non-current assets			
Intangible assets	E	**482**	659
Investments in subsidiaries	F	**40,392**	38,857
Other investments	G	**72**	72
Deferred tax asset	L	**308**	321
Total non-current assets		**41,254**	39,909
Current assets			
Trade and other receivables	H	**1,410**	2,412
Cash at cash equivalents		**3,811**	2,236
Total current assets		**5,221**	4,648
Total assets		**46,475**	44,557
Equity and liabilities			
Equity			
Share capital	M	**7,534**	7,312
Share premium		**3,015**	3,015
Other equity	N	**2,911**	2,911
Other reserves	O	**3,703**	4,032
Retained earnings		**21,312**	19,402
Total equity		**38,475**	36,672
Liabilities			
Non-current liabilities			
Borrowings	I	**6,858**	6,745
Total non-current liabilities		**6,858**	6,745
Current liabilities			
Trade and other payables	K	**1,142**	1,140
Total current liabilities		**1,142**	1,140
Total liabilities		**8,000**	7,885
Total equity and liabilities		**46,475**	44,557

The notes on pages 76 to 80 form part of these financial statements.

The Company has taken the exemption under Section 408 of the Companies Act 2006 to not present a full Income Statement. The Company made a profit for the financial year of £1.22m (2020: £2.09m).

These financial statements on pages 74 to 80 were approved and authorised for issue by the Board on 5 October 2021 and were signed on its behalf by:

James Ormondroyd
Director

Netcall plc, Registered no. 01812912

Parent Company statement of changes in equity

for the year ended 30 June 2021

	Share capital £000	Share premium £000	Other equity £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 30 June 2019	**7,259**	**3,015**	**2,843**	**4,462**	**16,543**	**34,122**
Increase in equity reserve in relation to options issued	–	–	–	622	–	622
Reclassification following exercise or lapse of options	–	–	–	(1,052)	1,052	–
Issue of ordinary shares as consideration for an acquisition in a business combination	14	–	68	–	–	82
Proceeds from share issue	39	–	–	–	–	39
Dividends to equity holders of the Company	–	–	–	–	(287)	(287)
Transactions with owners	**53**	**–**	**68**	**(430)**	**765**	**456**
Profit for the year	–	–	–	–	2,094	2,094
Other comprehensive loss for the year	–	–	–	–	–	–
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**2,094**	**2,094**
Balance at 30 June 2020	**7,312**	**3,015**	**2,911**	**4,032**	**19,402**	**36,672**
Increase in equity reserve in relation to options issued	–	–	–	729	–	729
Reclassification following exercise or lapse of options	–	–	–	(1,058)	1,058	–
Proceeds from share issue	222	–	–	–	–	222
Dividends to equity holders of the Company	–	–	–	–	(369)	(369)
Transactions with owners	**222**	**–**	**–**	**(329)**	**689**	**582**
Profit for the year	–	–	–	–	1,221	1,221
Other comprehensive loss for the year	–	–	–	–	–	–
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,221**	**1,221**
Balance at 30 June 2021	**7,534**	**3,015**	**2,911**	**3,703**	**21,312**	**38,475**

The notes on pages 76 to 80 form part of these financial statements.

Notes to the Parent Company financial statements
for the year ended 30 June 2021

A Principal accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006 (the 'Act'). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of international accounting standards.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under the standard in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions, where equivalent disclosures are given in the consolidated financial statements of Netcall plc.

The Company financial statements are prepared on a going concern basis as set out in note 20(a) of the consolidated financial statements of Netcall plc.

The Directors have taken advantage of the exemption under Section 408 of the Act and not presented an Income Statement of a Statement of Comprehensive Income for the Company alone.

The financial statements have been prepared under the historical cost convention, modified in respect of the revaluation of financial assets and liabilities at fair value and share-based payments that have been measured at fair value.

The Company applies the Group accounting policies which are set out on pages 67 to 73 in addition to the accounting policies set out below.

(b) Revenue

Revenue is royalties received for license of its intellectual property rights from the Company's subsidiaries. It is recognised either at a point in time or over time, when (or as) the Company satisfies its performance obligations.

(c) Investments in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses. As part of the acquisition strategy of the Company, the trade and net assets of subsidiary undertakings at or shortly after acquisition may be transferred at book value to fellow subsidiaries. Where a trade is hived across to a fellow subsidiary undertaking, the cost of the investment in the original subsidiary, which then becomes a non-trading subsidiary, is added to the cost of the investment in the entity to which the trade has been hived. In order to accurately assess any potential impairment of investments, the carrying value of the investment in all companies transferred is considered together against future cash flows and net asset position of those companies which received the trade and net assets.

(d) Share-based payments

In addition to the policy set out in note 20(t), the Company has accounted for options granted to the employees of subsidiary undertakings as capital contributions, which have been recharged to the intermediate company holding the investment. The corresponding credit has been recognised in the employee share schemes reserve.

B Employees and Directors

The Company employed an average of two employees (including Executive Directors) during the year (2020: 2). The only employees of the Company are the Executive Directors. Directors' remuneration has been disclosed within the Directors' report on page 16.

C Services provided by the Company's auditor and its associates

Fees payable to the Company's auditor for the audit of the Company's accounts and for other services are set out in note 5(b) of the consolidated financial statements.

D Profit for the financial year

The Company made a profit for the financial year of £1.22m (2020: £2.09m).

E Intangible assets

	Acquired software £000	Trademarks and licenses £000	Total £000
Cost			
At 30 June 2019	2,223	179	2,402
Additions	–	–	–
At 30 June 2020	2,223	179	2,402
Additions	–	–	–
At 30 June 2021	**2,223**	**179**	**2,402**
Accumulated amortisation			
At 30 June 2019	1,445	135	1,580
Amortisation charge	148	15	163
At 30 June 2020	1,593	150	1,743
Amortisation charge	148	29	177
At 30 June 2021	**1,741**	**179**	**1,920**
Net book amount			
At 30 June 2019	778	44	822
At 30 June 2020	630	29	659
At 30 June 2021	**482**	**–**	**482**

F Investments in subsidiaries

	Total £000
Cost & Net book amount	
At 30 June 2019	38,240
Additions – share incentive charges to subsidiaries	617
At 30 June 2020	38,857
Additions – share incentive charges to subsidiaries	338
Additions – acquisition of Oakwood Technologies BV (see note 14(a))	1,197
At 30 June 2021	**40,392**

The Company's subsidiaries at the year-end are set out in note 15 of the consolidated financial statements.

All of the investments are unlisted.

G Other investments

Other investments are equity investments at fair value through other comprehensive income:

	2021 Current £000	**2021 Non-current £000**	**2021 Total £000**	2020 Current £000	2020 Non-current £000	2020 Total £000
Macranet Ltd	**–**	**72**	**72**	–	72	72

Details of the equity investment in Macranet Ltd are set out in note 7(c).

H Trade and other receivables

	2021 £000	2020 £000
Amounts owed from Group undertakings[1]	**1,209**	2,247
Prepayments and accrued income	**201**	165
	1,410	2,412

All amounts are due within one year.

(1) Amounts due to Group undertakings are unsecured, interest free and are repayable on demand.

I Borrowings

	2021 Current £000	2021 Non-current £000	2021 Total £000	2020 Current £000	2020 Non-current £000	2020 Total £000
Unsecured						
Loan Notes	**–**	**6,858**	**6,858**	–	6,745	6,745
Total borrowings	**–**	**6,858**	**6,858**	–	6,745	6,745

Immediately prior to the acquisition of MatsSoft, on 4 August 2017, the Company entered into a subscription agreement with Business Growth Fund ('BGF') for a £7.0m investment. The investment comprises the issue of a £7.0m Loan Note and the award of options over 4,827,586 new ordinary shares of 5p each at a price of 58p per share. 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 £7.0m investment has been allocated to the fair value of the Loan Note, £6.42m, and the fair value of the share options granted, £0.58m. The fair value of the share options was determined using the Binomial valuation method. The significant inputs into the model were the mid-market share price of 66.5p at the grant date, volatility of 25%, dividend yield of 1.85%, an expected option life of five years, and an annual risk-free interest rate of 0.267%. The total expense relating to the fair value of the share options is being charged to the income statement over the five-year option life. The Loan Notes are presented in the balance sheet as follows:

	2021 £000	2020 £000
Face value of notes issued	**7,000**	7,000
Share schemes reserve – value of share option	**(584)**	(584)
	6,416	6,416
Unwinding of discount:		
Opening balance	**320**	216
Movement in the year	**122**	113
Closing balance	**442**	329
Non-current liability	**6,858**	6,745

J Other payables – acquisition consideration

	2021 Current £000	2021 Non-current £000	2021 Total £000	2020 Current £000	2020 Non-current £000	2020 Total £000
Acquisition consideration	**161**	**–**	**161**	–	–	–
	161	**–**	**161**	–	–	–

See note 7(g) for information about the acquisition consideration liability and its estimate. The current balance of £0.16m (2020: £nil) is included within 'Trade and other payables – Other liabilities'.

Movements during the year are set out below:

	2021 £000	2020 £000
Opening balance	–	1,680
Acquisition of Oakwood Technologies BV (see note 14(a))	99	–
Charged/(credited) to profit or loss:		
– post-completion services expense	285	33
– share-based payment charge	–	1
– unwinding of discount	7	10
– change in fair value of acquisition consideration	–	37
– effect of exchange rate	(5)	–
Amounts paid during the year – cash	(225)	(1,679)
Amounts paid during the year – shares	–	(82)
Closing balance	161	–

K Trade and other payables

	2021 £000	2020 £000
Amounts owed to Group undertakings[1]	15	–
Trade payables	20	–
Social security and other taxes	25	153
Other liabilities	164	142
Accruals	918	845
	1,142	1,140

(1) Amounts due to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

L Deferred taxation

	2021 £000	2020 £000
Deferred tax assets comprise:		
Tax losses	308	321
Opening balance	321	244
Charged/(credited) to profit or loss	(13)	77
Closing balance	308	321

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Company has not recognised a deferred tax asset of £1.27m (2020: £1.27m) in respect of losses that are capital in nature amounting to £6.68m (2020: £6.68m) or £nil (2020: £0.20m) in relation to timing differences due to share-based payment charges of £nil (2020: £1.03m).

M Share capital

	2021 shares	2021 £000	2020 shares	2020 £000
Allocated, called up and fully paid				
Ordinary shares of 5p each	148,816,929	7,534	146,249,164	7,312

Details of the Company's issued share capital and share options are detailed in notes 9(a) and 18 of the consolidated financial statements.

N Other equity

	Merger reserve £000	Capital reserve £000	Total £000
At 30 June 2019	2,655	188	2,843
Additions	68	–	68
At 30 June 2020 and 30 June 2021	**2,723**	**188**	**2,911**

Details of the additions to the Merger reserve are detailed in note 9(b) of the consolidated financial statements.

O Other reserves

	Treasury shares £000	Share options reserve £000	Financial assets at fair value at FVOCI £000	Total £000
At 30 June 2019	(419)	5,097	(216)	4,462
Increase in equity reserve in relation to options issued	–	622	–	622
Reclassification following exercise or lapse of options	–	(1,052)	–	(1,052)
At 30 June 2020	(419)	4,667	(216)	4,032
Increase in equity reserve in relation to options issued	–	729	–	729
Reclassification following exercise or lapse of options	–	(1,058)	–	(1,058)
At 30 June 2021	**(419)**	**4,338**	**(216)**	**3,703**

P Related party transactions

As permitted by FRS 101 related party transactions with wholly owned members of the Group have not been disclosed. Related party transactions regarding remuneration and dividends paid to key management (only Directors are deemed to fall into this category) of the Company have been disclosed in note 17 of the consolidated financial statements.

Q Post balance sheet events

Note 16 of the consolidated financial statements sets out the Company's post balance sheet event relating to dividends and shares issued pursuant to share option schemes.

R Ultimate controlling party

The Directors have assessed that there is no ultimate controlling party.

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