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Netcall PLC
26 September 2017

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NETCALL PLC

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

Final Results
For the Year Ended 30 June 2017
Strong increase in order book as cloud transition progresses

Netcall plc (AIM: NET), a leading customer engagement software provider, today announced its audited results for the year ended 30 June 2017.

Financial Highlights

- Robust bookings in the period:
  - Significant increase in mix of cloud services contracts
  - Order book of contracted future minimum revenues increased by 13% to £17.0m (2016: £15.0m)
- Annualised recurring core revenues[1] increased by 8% to £11.8m (2016: £10.9m)
- Recognised revenue of £16.2m (2016: £16.6m) as a result of transition to a cloud revenue model
- Adjusted EBITDA[2] increased 1% to £4.49m (2016: £4.46m)
- Operating profit increased to £1.62m (2016: £1.61m)
- Diluted basic earnings per share of 1.03p (2016: 1.32p)
- Maintained strong cash conversion, with net cash generated from operations of £4.36m (2016: £4.81m)
- Net cash funds of £12.7m (2016: £14.1m) at year-end after payment of dividends of £4.16m (2016: £3.05m)
- Final ordinary dividend of 1.16p proposed, an increase of 5% (2016: 1.10p)

1) *annualised revenue from support and maintenance and hosted service contracts as at 30 June*
2) *profit before interest, taxation, depreciation, amortisation, acquisition and non-recurring transaction expenses and share-based charges*

Operational Highlights

- Robust trading with up- and cross-sales accounting for majority of new business across both private and public sectors
- Liberty cloud platform driving new business wins with 6 of the 10 largest orders received in the period for cloud-based contracts
- Significant enhancements to the product suite released during the year including making available all substantial functionalities of Liberty in the cloud
- Major new version of Liberty Customer Engagement Centre under development to be released later this year
- The post year-end acquisition of low-code software provider, MatsSoft, to complement Netcall's Liberty platform, provides access to new markets and adds to cloud revenue stream

Henrik Bang, CEO of Netcall, commented,

"We are pleased with progress in the year which was in line with our strategy of positioning the business towards the high-growth cloud market. Netcall has enjoyed a period of robust trading resulting in an 8% increase in annualised recurring revenue and a 13% increase in our order book for contracted future minimum revenues. Furthermore, the investment we have made in the business has delivered significant progress against our technology roadmap, leaving the Group better placed to sustain long-term financial performance.

"The acquisition of MatsSoft post period end has added to our cloud business and has provided us with access to the fast-growing low-code market. Whilst only a month since the acquisition, early progress has been made and we remain excited by the synergies and prospects ahead. Netcall has started the new financial year with a considerably larger market opportunity, an advanced product offering, a resilient profitable business with high levels of revenue visibility and a growing pipeline of sales. This leaves us confident in the Group's continued growth prospects."

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About Netcall plc

Netcall is a UK company quoted on the AIM market of the London Stock Exchange. Netcall helps organisations transform their customer engagement activities and enable digital transformation faster and more efficiently, thereby improving customer experiences and operational efficiencies. Netcall's software product portfolio comprises Liberty, a customer engagement platform, incorporating omnichannel contact centre and workforce optimisation, and a leading low-code platform MATS.

Netcall's has over 700 customers in both the private and public sectors. These include two-thirds of the NHS Acute Health Trusts, major telecoms operators such as BT and Vodafone, and leading organisations including Interflora, Lloyds Banking Group, ITV and Nationwide Building Society.

For further information, please consult the Netcall website: www.netcall.com.

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

Introduction

Netcall had a robust trading period with an increasing share of the sales mix coming from cloud service offerings, in line with the Group's cloud transition strategy. The growing proportion of cloud-based contracts enhances the Group's visibility over future periods by adding to the recurring revenue base.

The success of this transition is evidenced by the growth in the annualised run-rate of core recurring revenue, which increased 8% since the start of the year to £11.8m at year end. Consequently, revenue of a recurring nature increased to 70% of total revenue (2016: 64%)As Netcall enters the new financial year, the order book for contracted future minimum revenues has increased by 13% to £17.0m (2016: £15.0m).

During the year the Group continued its investment plan with a focus on enhancing its cloud capabilities in order to capitalise on the fast-growing market opportunity for cloud-based customer engagement solutions. Post year-end Netcall completed the acquisition of MatsSoft Limited ('MatsSoft'), a leading cloud-based low-code software provider, bringing valuable capabilities to the Netcall product suite and access to the new low-code market.

The cash position at the end of the period was £12.7m (2016: £14.1m) following the payment of the enhanced dividend and ordinary dividends of £4.16m (2016: £3.05m).

The Board is proposing a final ordinary dividend of 1.16p, an increase of 5% year on year.

Acquisition of MatsSoft

Netcall completed the acquisition of MatsSoft on 4 August 2017 (see note 6 for further information). MatsSoft's low-code software platform enables rapid delivery of enterprise-grade business applications with a minimum of development and IT effort. This addresses the growing gap between organisations' demand for business applications and the resources available to deliver these solutions

MatsSoft complements Netcall's Liberty platform and enhances its ability to drive organisations' digital transformation and competitive differentiation more quickly and more effectively. The acquisition also provides Netcall with access to a new market, adding high-growth digital revenue streams to its product suite, and accelerates migration to the cloud.

Strategy

Netcall's purpose is to help organisations transform their customers' engagement activities and enable digital transformation faster and more efficiently, thereby improving customer experiences and operational efficiencies.

The Group achieves this by delivering innovative solutions which are easy to use, functional and delivered on our integrated customer engagement platform, Liberty. The Liberty platform provides a broad range of modular end-to-end solutions with a focus on omnichannel customer engagement centre, workforce optimisation and customer experience management. The modular nature of the platform enables customers to choose one or many applications while also offering a roadmap to support their future customer engagement strategies.

The acquisition of MatsSoft will enhance private and public sector organisations' ability to benefit from these Liberty solutions. By gaining access to the powerful capabilities of the low-code MatsSoft platform, customers and partners are able to develop enterprise business applications with ease and speed which can integrate or supplement the Liberty solutions. In addition, the MatsSoft platform can be used throughout the organisation to support other business functions, as is the case today, where it is used for a wide range of applications including mortgage applications processing, customer onboarding and customer notifications.

The Board's strategy is to incorporate Liberty functionality into the low-code platform creating a low-code enabled Customer Engagement and Experience suite of applications. These applications together with apps created by customers and partners can be made available via new channels including the MatsSoft App-store, thereby enhancing the distribution and breadth of the platform capabilities.

The Group's key drivers for organic growth include taking advantage of the cloud opportunity while expanding the product suite, including to the low-code platform. This enables the business to continue to unlock the huge potential from Netcall's large existing customer base with up- and cross-sales and growing by winning new customers from a larger market.

In addition, the Board continues to look for selective acquisitions with complementary proprietary software and/or additional customers in our target markets.

Business Review

Markets

The key market driver for Netcall's solutions is the ongoing changes in consumer demand and expectations when interacting with organisations, combined with technological advances making unprecedented digitalisation of business operations possible. Today's consumers, whether using private or public services, are increasingly well informed and expect organisations to provide intuitive interfaces, around-the-clock availability, personalised treatment, first contact resolution and real-time fulfilment using multiple channels. In return, an organisation can reap significant benefits from digitising and automating their operation, including gaining a much better understanding of their customers, building important competitive advantages from providing 'best-in-class' customer experiences as well as improved efficiencies and reduced costs. As a result, many businesses see the customer experience and the ability to quickly change and adapt to new demands as a sustainable source of competitive differentiation.

To achieve these ambitions organisations' demand for software business applications are rising sharply whereas the supply of resources capable of delivering these applications grows at a much slower rate, creating a growing gap inhibiting organisations' ability to execute their plans. Therefore organisations, in addition to purchasing standard software packages, increasingly use low-code platforms to drive digital transformation and competitive differentiation. According to Forrester, companies report that their low-code platforms can help them accelerate development by five to ten times.

The implementation of new technologies merged with changing business models creates substantial opportunities in assisting organisations to transform their customer engagement strategies. The Liberty platform delivers this comprehensive functionality. It provides a flexible entry point and upgrade path thereby giving organisations the level and quality of customer interaction they need as well as additional competitive advantages such as lower costs, improved operational controls and risk management.

Netcall's continued investment in the Liberty platform's cloud capabilities is aimed to take advantage of the growing market for customer engagement solutions which the Board expects to grow at double-digit rates in the coming years.

In addition, according to Forrester, the low-code market is still in its infancy and is forecasted to grow at double-digit rates in the coming years as corporate adoption increases to drive digital transformation and migration to cloud solutions. Netcall's ability to complement its transition to the cloud market with the emerging low-code market means that the Group's overall addressable market is now larger than before.

Customer wins

Netcall's customer base continues to provide the Group with a highly valuable source of new business, with up- and cross-sales to existing customers accounting for the majority of new business in the period across both private and public sectors.

Examples of customer wins for Liberty include:

- A new three-year contract with a leading managed IT network and service provider, delivering a cloud-based customer engagement centre to two London Borough Councils.
- A new four-year contract with a leading multi-channel business process outsourcing organisation, delivering a 2,000 agent Workforce Management solution.
- A new three-year contract with a Government Executive Agency, delivering a cloud-based citizen self-service and case management solution.

Netcall continues to receive high customer satisfaction ratings for its overall service and this combined with ongoing product development means the Group enjoys with its customers a position as a trusted technology partner.

Product development

In line with Netcall's strategy, investment in the business continues to ensure it is well positioned to take advantage of the growth trends in the market. During the year, the Group continued its investment in the Liberty platform focusing on cloud solutions. This has resulted in the significant advancement of our cloud capabilities over the period.

All the substantial functionalities of the Group's on-premise solution suite have been made available on its cloud platform. Further enhancements to this platform have been developed during the year including a new version of the Liberty contact centre focusing on new improved user experience and functionality. This solution is built on a new architecture and technology stack for easier and more scalable cloud deployments and enables more seamless integration and reporting with other Liberty solutions. In addition, a new advanced capability has been embedded into our Customer Experience Management ('CXM') solution which allows rapid creation of automated workflows and forms that are designed once and deployed immediately to agents, end-customers and remote workers to support organisations' digital transformation programmes. This has been combined with further enhancements to the mobile app providing remote workers with access to more information from the central CXM system and making it available offline thereby improving functionality and productivity for mobile workers. These advances were released post-year end and the result has been a positive reception from our target base and the opening of new opportunities.

Furthermore, the addition of low-code capabilities to our product suite following the acquisition of MatsSoft has enhanced Netcall's roadmap. As stated above, we intend to also deliver Liberty Cloud solutions on our low-code platform, thereby creating a low-code enabled Customer Engagement and Experience suite of applications. The Board believes this will allow the Group to increase the reach and distribution of itsLiberty solutions and open up opportunities with new customers.

Financial Review

The Group reported revenue of £16.2m (2016: £16.6m) in line with management's expectations for the year.

Revenue which is considered to be recurring in nature, derived from cloud and support contracts, increased by 8% to £10.9m (2016: £9.57m) which equates to 69% (2016: 63%) of revenues (excluding MovieLine) with strong growth in the cloud revenue stream. As at 30 June 2017, the annualised value of such revenues increased by 8% to £11.8m (2016: £10.9m).

Revenue from product and professional service sales decreased to £4.86m (2016: £6.06m) due to the on-going transition to cloud revenue models and the timing of closing certain public sector opportunities.

The aggregate value, at 30 June 2017, of contracted minimum income that is to be recognised as core revenue in future financial periods increased by 13% to £17.0m (2016: £15.0m).

Revenue from the non-core MovieLine service decreased to £0.36m (2016: £0.44m) in line with management's expectations.

The Group's gross profit margin was improved by 0.5 percentage points to 91.7% (2016: 91.2%).

Administrative expenses, before depreciation, amortisation, non-recurring transaction costs and share-based charges, decreased by 4% to £10.3m (2016: £10.7m), as a result of lower variable costs.

Consequently, the Group recorded adjusted EBITDA of £4.49m (2016: £4.46m), a margin of 28% of revenue (2016: 27%).

The Group reported a tax charge for the year of £0.21m (2016: credit £0.15m). The effective rate of tax at 13% was lower than headline rates principally as a result of tax relief available for research and development.

Reported diluted earnings per share was 1.03 pence (2016: 1.32 pence). Adjusted diluted earnings per share was 1.95 pence (2016: 2.13 pence).

Cash generated from operations before payment of non-recurring transaction costs was £4.36m (2016: £5.10m), representing 97% of adjusted EBITDA (2016: 114%) as a result of working capital timing differences.

Expenditure on research and development including capitalised expenditure was £2.00m (2016: £2.20m). Capitalised software development expenditure was 15% higher at £1.33m (2016: £1.16m) due to investment in new product development in the year.

Total capital expenditure was £1.74m (2016: £1.74m); the balance after capitalised development being £0.40m (2016: £0.58m) relating primarily to investment in the Group's cloud platform.

As a result of these factors, cash was £12.7m at 30 June 2017 (30 June 2016: £14.1m).

On 4 August 2017, the Company acquired 100% of the issued share capital of MatsSoft for an initial consideration of £11.1m and the issue of 3.5m new ordinary shares of 5p each. Potential further amounts of up to £2.3m cash and 9.5m new ordinary shares are also payable dependent on achieving specified performance targets achieved over various periods from completion of the acquisition. See note 6 for further details.

Immediately prior to the acquisition of MatsSoft the Company entered into an agreement with Business Growth Fund 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 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.

Dividend policy

The Company announced an enhanced dividend policy on 29 September 2015, which was supplemental to the ordinary dividend policy and subject to the Group having not completed an acquisition. The Company has paid out £5.8m in total in enhanced dividends over the two-year period since the start of the programme. In line with the announced policy, the Company ended the enhanced dividend programme following the acquisition of MatsSoft.

The Board is proposing a final ordinary dividend of 1.16p, an increase of 5% year on year.

Outlook

The Board is pleased with the progress in the year which was in line with its strategy of positioning the business towards the high-growth cloud market. Netcall has enjoyed a period of robust trading resulting in an 8% increase in annualised recurring revenue and a 13% increase in the order book for contracted future minimum revenues. Furthermore, the investment in the business has delivered significant progress against the Group's technology roadmap, leaving the Group better placed to sustain long-term financial performance.

The acquisition of MatsSoft post period end has added to the Group's cloud business and has provided it with synergies and access to the fast-growing low-code market. Netcall has started the new financial year with a considerably larger market opportunity, an advanced product offering, a resilient profitable business with high levels of revenue visibility and a growing pipeline of sales. This leaves the Board confident in the Group's continued growth prospects.

Audited consolidated income statement for the year ended 30 June 2017

£'000	30 June 2017	30 June 2016
Revenue	**16,151**	**16,627**
Cost of sales	(1,333)	(1,463)
Gross profit	**14,818**	**15,164**
Administrative costs	(13,209)	(13,571)
Other gains/ (losses) - net	8	21
Adjusted EBITDA	**4,487**	**4,462**
Non-recurring transaction costs (see note 6)	(320)	-
Share-based payments	(1,171)	(1,189)
Depreciation	(212)	(202)
Amortisation of acquired intangible assets	(319)	(880)
Amortisation of other intangible assets	(848)	(577)
Operating profit	**1,617**	**1,614**
Finance income	74	127
Finance expense	(5)	(4)
Finance income - net	**69**	**123**
Profit before tax	**1,686**	**1,737**
Tax	(211)	149
Profit for the year	**1,475**	**1,886**
Earnings per share - pence		
Basic	1.06	1.37
Diluted	1.03	1.32

All activities of the Group in the current and prior periods are classed as continuing. All of the profit for the period is attributable to the shareholders of Netcall plc.

Audited consolidated statement of comprehensive income for the year ended 30 June 2017

£'000	30 June 2017	30 June 2016
Profit for the period	1,475	1,886
Total comprehensive income for the period	**1,475**	**1,886**

Audited consolidated balance sheet at 30 June 2017

£'000	30 June 2017	30 June 2016
Non-current assets		
Property, plant and equipment	473	565
Intangible assets	11,444	11,005
Investments	288	288
Deferred tax	505	791
Total non-current assets	**12,710**	**12,649**
Current assets		
Inventories	334	226
Trade and other receivables	4,431	5,170
Current income tax asset	11	11
Cash and cash equivalents	12,724	14,122
Total current assets	**17,500**	**19,529**
Total assets	**30,210**	**32,178**
Equity		
Share capital	7,054	7,027
Share premium	3,015	3,015
Merger reserve	2,509	2,509
Capital reserve	188	188
Treasury shares	(419)	(419)
Employee share schemes reserve	3,273	2,300
Profit and loss account	5,386	7,996
Total equity	**21,006**	**22,616**
Non-current liabilities		
Deferred tax	294	376
Provisions	122	118
Total non-current liabilities	**416**	**494**
Current liabilities		

Trade and other payables	2,508	2,876
Deferred income	6,280	6,192
Total current liabilities	**8,788**	**9,068**
Total liabilities	**9,204**	**9,562**
Total equity and liabilities	**30,210**	**32,178**

Audited consolidated statement of cash flows for the year ended 30 June 2017

£'000	30 June 2017	30 June 2016
Cash flows from operating activities		
Profit before income tax	1,686	1,737
Adjustments for:		
Depreciation	212	202
Amortisation	1,167	1,457
Loss on disposal of intangible assets	8	-
Share-based payments	1,171	1,189
Net finance income	(69)	(123)
Changes in working capital (excluding the effects of acquisitions)		
Inventories	(108)	3
Trade and other receivables	699	969
Trade and other payables	(399)	(620)
Cash generated from operations	**4,367**	**4,814**
Analysed as:		
Cash generated from operations before payment of non-recurring transaction costs	**4,367**	**5,104**
Non-recurring transaction costs payment	-	(290)
Interest paid	(5)	(4)
Income tax (paid)/ refunded	(4)	183
Net cash generated from operating activities	**4,355**	**4,993**
Cash flows from investing activities		
Purchases of property, plant and equipment	(121)	(444)
Development expenditure capitalised	(1,331)	(1,163)
Purchases of other intangible assets	(283)	(135)
Interest received	112	114
Net cash used in investing activities	**(1,623)**	**(1,628)**
Cash flows from financing activities		
Proceeds from issue of ordinary shares	27	82
Dividends paid to Company shareholders	(4,160)	(3,051)
Net cash used in financing activities	**(4,133)**	**(2,969)**
Net (decrease)/ increase in cash and cash equivalents	**(1,398)**	**396**
Cash and cash equivalents at beginning of period	14,122	13,726
Cash and cash equivalents at end of period	**12,724**	**14,122**

Audited consolidated statement of changes in equity at 30 June 2017

£'000	**Share capital**	**Share premium**	**Merger reserve**	**Capital reserve**	**Treasury shares**	**Employ-ee share scheme reserve**	**Retained earnings**	**Total**
Balance at 30 June 2015	**6,945**	**3,015**	**2,509**	**188**	**(419)**	**1,420**	**9,024**	**22,682**
Increase in equity reserve in relation to options issued	-	-	-	-	-	1,139	-	1,139
Tax debit relating to share options	-	-	-	-	-	(122)	-	(122)
Reclassification following exercise and lapse of options	-	-	-	-	-	(137)	137	-
Proceeds from share issue	82	-	-	-	-	-	-	82
Dividends to equity holders of the company	-	-	-	-	-	-	(3,051)	(3,051)
Transactions with owners	**82**	**-**	**-**	**-**	**-**	**880**	**(2,914)**	**(1,952)**
Profit and total comprehensive income for the year	-	-	-	-	-	-	1,886	**1,886**
Balance at 30 June 2016	**7,027**	**3,015**	**2,509**	**188**	**(419)**	**2,300**	**7,996**	**22,616**
Increase in equity reserve in relation to options issued	-	-	-	-	-	1,047	-	1,047
Tax debit relating to share options	-	-	-	-	-	1	-	1
Reclassification following exercise and lapse of options	-	-	-	-	-	(75)	75	-
Proceeds from share issue	27	-	-	-	-	-	-	27
Dividends to equity holders of the company	-	-	-	-	-	-	(4,160)	(4,160)
Transactions								

with owners	**27**	**-**	**-**	**-**	**-**	**973**	**(4,085)**	**(3,085)**
Profit and total comprehensive income for the year	-	-	-	-	-	-	**1,475**	**1,475**
Balance at 30 June 2017	**7,054**	**3,015**	**2,509**	**188**	**(419)**	**3,273**	**5,386**	**21,006**

Notes to the financial information for the year ended 30 June 2017

1. General information
Netcall plc (AIM: "NET", "Netcall", or the "Company"), is a leading provider of customer engagement software, is a limited liability company and is quoted on AIM (a market of the London Stock Exchange). The Company's registered address is 3rd Floor, Hamilton House, 111 Marlowes, Hemel Hempstead, HP1 1BB and the Company's registered number is 01812912.

2. Basis of preparation
The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group').

The financial information set out in these preliminary results has been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The accounting policies adopted in this results announcement have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the period ended 30 June 2016 as updated for new standards and interpretations effective from 1 July 2016.

The consolidated financial information is presented in sterling (£), which is the company's functional and the Group's presentation currency.

The financial information set out in these results does not constitute the company's statutory accounts for 2017 or 2016. Statutory accounts for the years ended 30 June 2017 and 30 June 2016 have been reported on by the Independent Auditors; their report was (i) unqualified; (ii) did not draw attention to any matters by way of emphasis; and (iii) did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 30 June 2016 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 June 2017 will be delivered to the Registrar in due course. Copies of the Annual Report 2017 will be posted to shareholders on or about 23 October 2017. Further copies of this announcement can be downloaded from the website www.netcall.com.

3. Segmental analysis
Management consider that there is one operating business segment being the design, development, sale and support of software products and services, which is consistent with the information reviewed by the Board when making strategic decisions. Resources are reviewed on the basis of the whole of the business performance.

The key segmental measure is adjusted EBITDA which is profit before interest, tax, depreciation, amortisation, share-based payments, non-recurring transaction costs, which is set out on the consolidated income statement.

4. Earnings per share
The basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding those held in treasury.

	30 June 2017	30 June 2016
Net earnings attributable to ordinary shareholders (£000)	1,475	1,886
Weighted average number of ordinary shares in issue (thousands)	138,950	138,150
Basic earnings per share (pence)	**1.06**	**1.37**

The diluted earnings per share has been calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of shares in issue during the year, adjusted for potentially dilutive shares that are not anti-dilutive.

	30 June 2017	30 June 2016
Weighted average number of ordinary shares in issue (thousands)	138,950	138,150
Adjustments for share options	4,904	5,083
Weighted average number of potential ordinary shares in issue (thousands)	143,854	143,233
Diluted earnings per share (pence)	**1.03**	**1.32**

Adjusted earnings per share have been calculated to exclude the effect of non-recurring transaction costs, share-based payment charges, amortisation of acquired intangible assets 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:

£'000s	30 June 2017	30 June 2016
Profit used for calculation of basic and diluted EPS	**1,475**	**1,886**
Non-recurring transaction costs	320	-
Share-based payments	1,171	1,189
Amortisation of acquired intangible assets	319	880
Tax adjustment	(479)	(910)
Profit used for calculation of adjusted basic and diluted EPS	**2,806**	**3,045**

Pence	30 June 2017	30 June 2016
Adjusted basic earnings per share	**2.02**	2.20
Adjusted diluted earnings per share	**1.95**	2.13

5. Dividends

Year to June 2017	Paid	Pence per share	Cash flow statement (£'000)	Statement of changes in equity (£'000)	June 2017 balance sheet (£'000)
Final ordinary dividend for year to June 2016	11/1/17	1.10p	1,526	1,526	-
Final enhanced dividend for the year to June 2016	11/1/17	0.95p	1,317	1,317	
Interim enhanced dividend for the year to June 2016	27/7/16	0.95p	1,317	1,317	-
			4,160	**4,160**	**-**

		Pence per	Cash flow statement	Statement of changes in equity	June 2016 balance sheet

Year to June 2016	Paid	share	(£'000)	(£'000)	(£'000)
Final ordinary dividend for year to June 2015	12/1/16	1.00p	1,387	1,387	-
Enhanced dividend	12/1/16	1.20p	1,664	1,664	-
			3,051	**3,051**	**-**

An interim enhanced dividend of 1.05 pence per share, amounting to a total of £1.46 million, was paid to shareholders whose names appeared on the register at the close of business on 14 July 2017 on 27 July 2017.

It is intended that this year's final ordinary dividend of 1.16 pence per share will be paid to shareholders on 12 January 2018. Netcall plc shares will trade ex-dividend from 7 December 2017 and the record date will be 8 December 2017. The estimated amount payable is £1.66 million. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 23 November 2017 and has not been included as a liability in these financial statements.

6. Post balance sheet events

Acquisition of MatsSoft Limited
On 4 August 2017 the Company acquired 100% of the issued share capital of MatsSoft Limited ('MatsSoft'), a cloud-based low-code software provider. The acquisition is expected to add to the Group's cloud business and provided it with access to the fast-growing low-code market.

At the time the financial statements were authorised for issue, the Group had not yet completed a full review of the accounting for the acquisition of MatsSoft. In particular, the fair values of the assets and liabilities acquired and the allocation of contingent payments between consideration and remuneration under IFRS3 have not been determined; and an independent valuation has not been finalised.

The provisional estimate of consideration is £16.4m comprising:

	£'000
Cash consideration	11,091
Shares issued[(1)]	2,310
Contingent cash consideration[(2)]	2,001
Contingent share consideration - share price target[(3)]	886
Contingent share consideration - potential new contract[(4)]	112
	16,400

(1) the Company issued 3,499,864 new ordinary shares of 5p each at an issue price of 66p per share.

(2) the contingent cash consideration arrangement requires the Company to pay the former owners of MatsSoft up to a maximum undiscounted amount of £2.31m subject to MatsSoft achieving certain financial hurdles post-acquisition to 4 August 2019. The fair value of the contingent cash consideration arrangement of £2.00m has been estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 9%.

(3) the contingent share consideration - share price target arrangement requires the Company to issue the former owners of MatsSoft up to 5,599,783 new ordinary shares of 5p each subject to the Company's share price reaching certain price hurdles up to £1.20 per share by 4 August 2019. The fair value of this contingent consideration of £0.89m has been determined using the Monte Carlo valuation model. The significant inputs into the model were the mid-market share price of 66.5p at the acquisition date, volatility of 25%, dividend yield of 1.85%, an expected option life of 4 years, and an annual risk-free interest rate of 0.203%.

(4) the contingent share consideration - potential new contract arrangement requires the Company to issue the former owners of MatsSoft up to 3,948,851 new ordinary shares of 5p each subject to MatsSoft achieving certain new revenues from a potential new contract post-acquisition to 31 December 2019. The fair value of this contingent consideration arrangement of £0.11m has been estimated by calculating the present value of the future expected shares to be awarded. The estimates are based on a discount rate of 9% and a value per share of £0.66.

The financial effects of this transaction have not been recognised as at 30 June 2017. The operating results and assets and liabilities of the acquired company will be consolidated from 4 August 2017.

At the balance sheet date, the Company incurred professional advisor fees of £0.32m (2016: £nil) in connection with the acquisition of MatsSoft Ltd and an alternative potential acquisition which was not progressed. These costs are included in 'other expenses'.

Loan Note
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 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.

END

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