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Netcall PLC
16 October 2018

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NETCALL PLC

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

Final Results for the Year Ended 30 June 2018
Successful entry into the high growth Low-code market

Netcall plc (AIM: NET), a leading provider of Low-code and customer engagement software, today announces its audited results for the year ended 30 June 2018.

Financial Highlights

- Revenue increased 32% to £21.9m (FY17: £16.2m)
- Strong business performance, with Low-code and Liberty Cloud service revenues increasing organically by 25% and 30% respectively
- Annualised Cloud Revenues at 30 June 2018 increased by 321% to £4.80m (30 June 2017: £1.14m)
- Recurring revenue(1) strengthened to 71% (FY17 70%)
- Adjusted EBITDA(2) increased by 21% to £5.42m (FY17: £4.49m)
- Adjusted diluted earnings per share increased by 5% to 2.04p (FY17: 1.95p)
- Profit before tax was £45,000 (F17: £1.68m) after acquisition related expenses
- Diluted earnings per share was 0.09p (FY17: 1.03p) after acquisition related expenses
- Net debt of £0.74m (30 June 2017: cash £12.7m) after acquisition consideration and dividend payments

(1) revenue considered recurring in nature, derived from Cloud and Communications services and support contracts.
(2) profit before interest, tax, depreciation and amortisation adjusted to exclude the effects of acquisition, impairment, contingent consideration and non-recurring transaction costs.

Operational Highlights

- Completed the acquisition of MatsSoft Limited ('MatsSoft'), a market leading Low-code software provider
- Successfully completed first steps of MatsSoft integration
- MatsSoft achieved key targets including:
  - Renewal of key accounts at higher revenue levels
  - Secured cross-sales into Liberty customers
  - Won new customers, both in the UK and internationally, directly and via new partners
- Continued investment into product innovation, resulting in the release of Liberty version 4 and MATS version 10
- Recognised as a leader by Forrester in its Low-Code Platforms for Business Developers report (Q4 2017) and included by Gartner in its Magic Quadrant for Enterprise High Productivity Application Platform-as-a-Service (2018)

Henrik Bang, CEO of Netcall, commented,

"*We are delighted to report on a significant year for Netcall. The acquisition of MatsSoft, the market leading Low-code software provider, has broadened our proposition and expanded the addressable market opportunity into a high growth sector. The acquisition and revenue growth in the existing business has led to a strong Group performance with revenue 32% higher at £21.9m and adjusted EBITDA 21% higher at £5.42m.*

"As we enter the new financial year we do so with increased confidence in the growth prospects for Netcall. We believe that our Liberty customer engagement platform together with our Low-code platform provides an attractive proposition to help organisations transform their customer engagement and implement their digital transformation strategies. The scale of the potential opportunity can be seen in the size of the recently announced multi-million pound Low-code contract wins and the significant increase in our Annualised Cloud Revenue.

"We are a cash-generative business with an extensive customer base and significant growth opportunity ahead of us. Our high levels of revenue visibility and sales pipeline give the Board confidence in the enhanced prospects for the Group, for this year and beyond."

For further enquiries, please contact:

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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 MATS, a market leading Low-code platform.

Netcall's customers span enterprise, healthcare and government sectors. These include two-thirds of the NHS Acute Health Trusts, major telecoms operators such as BT, and leading organisations including Lloyds Banking Group, ITV and Nationwide Building Society.

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

Prior to publication the information communicated in this announcement was deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No 596/2014 ('MAR') With the publication of this announcement, this information is now considered to be in the public domain.

Introduction

The financial year was one of significant change for Netcall. In August 2017 we completed the acquisition of MatsSoft, the market leading, Low-code software provider, which has broadened the Netcall proposition and expanded our addressable opportunity in a high growth market.

The acquisition and growth in the existing business has led to a strong overall Group performance with revenue 32% higher at £21.9m (FY17: £16.2m) and adjusted EBITDA 21% higher at £5.42m (FY17: £4.49m). This result was underpinned by both Netcall and MatsSoft delivering significant organic Cloud services revenue growth, of 30% and 25% respectively, with MatsSoft increasing its overall revenues 19% to £5.2m compared to the same period before its acquisition.

The software markets for customer engagement and digital transformation solutions are growing rapidly. Low-code in particular is gaining traction with its ability to accelerate digital transformation by putting the power of software creation into the hands of business users. This capability combined with our Liberty customer engagement platform creates substantial synergies, allowing Netcall to more fully support businesses implementing their digital strategies.

Key targets for the Low-code business have been met during the year, including large contract renewals, new customer wins and cross-sales into the Netcall customer base. As a result, the Board plans to increase the investment in the business to capitalise on this growing market opportunity, which will be funded by existing cash flow.

Strategy

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

We achieve this by delivering intuitive software which is powerful, easy to use and highly functional. Our customer engagement capabilities are delivered via our Liberty platform and MATS, our industry leading Low-code platform.

Key elements of our growth strategy include:

- ***Expansion of our customer base***. We have a large number of customers in a wide variety of industries, mainly financial services, healthcare, government and telecommunications. We believe that the market for our Low-code platform is in its early stages and that we therefore have a significant opportunity to add additional commercial and government customers.

- ***Grow through a land and expand model.*** Many of our customers begin by purchasing an entry level solution with the objective of rolling out further applications and deploying the solutions more widely in their organisations to support their future customer engagement and digital transformation initiatives. This provides cross- and up-sale opportunities. In addition, the more modules a customer uses the further it becomes integrated with people, process and data, creating further value for customers.

- ***Continue to innovate and enhance our platforms.*** We continue to invest in research and development to strengthen our Liberty and Low-code platforms and expand the functionality available to our customers. Generally, the development of new modules results in increasing cross- and up-sale opportunities for further subscription or license fees.

- ***Grow our partner base and international presence.*** Partners support the acquisition and growth of the customer base by leveraging their capabilities and relationships. Our platforms enable partners to rapidly build valuable and replicable software solutions for their customers thereby creating recurring revenues for their businesses. Many partners have an international presence, which gives us the opportunity to develop the international distribution of our portfolio.

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 driver for our 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. 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, the demand for software business applications is rising sharply whereas the supply of resources capable of delivering these applications is growing 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, are increasingly using 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 a multiple of five to ten times.

The markets for customer service and support software and Low-code are forecast by industry analysts to grow at more than 20% per annum over the next five years. This represents a major opportunity for Netcall which is the only UK-based company included in both the Forrester New Wave™ for Low-Code Development Platforms for Business Developers (Q4 2017) and the Gartner Magic Quadrant for Enterprise High Productivity Application Platform-as-a-Service (2018).

Strategy Execution
During the year the Group has made significant progress on its key growth strategies. Key highlights include:

- ***The expansion of our customer base.***

  The acquisition of MatsSoft expanded our customer base and subsequently we have invested further in our sales force. We have won significant new customers including:

  - A new three-year agreement with a UK bank delivering a Low-code cloud solution to support its business processes including commercial mortgage applications.
  - A new three-year agreement with a London Borough Council for the provision of a Low-code cloud solution for a range of applications to support citizen services.
  - Five-year contracts with two Police forces delivering switchboard and call-back robots to improve citizen experience and deliver operational efficiencies.

  We have also maintained high customer retention rates and secured significant multi-year contract renewals with our largest customers, including a four year Low-code renewal with one of the UK's largest financial services institutions, worth a minimum of £3.7 million.

- ***Grow through a land and expand model.***

  We have continued to cross-sell into our Liberty customer base and made the first sales of Low-code solutions to Netcall customers.

  While our platforms are agnostic we continue to invest in sales and marketing expertise for key target vertical industries such as financial services, healthcare and government, and, develop template solutions tailored to those industry segments and drive customer adoption.

  During the year we have developed and launched a number of tailored apps including Citizen Hub. Citizen Hub is a collection of Low-code enabled applications and modules that allow local government customers to manage their citizens and processes as well as provide self-service portals and mobile apps. We have received the first orders with the first deployment having successfully gone live.

- ***Continue to innovate and enhance our platforms.***

  MATS 10 was launched in January, with a new, intuitive and slick user interface to make it even easier to create enterprise business applications. MATS 10 also includes a powerful Code Studio to let developers customise and extend functionality; confirming MATS as the Low-code platform for business and IT.

  Liberty 4 has been released which introduces a new interface for agents and supervisors offering configurable real-time dashboards to provide greater visibility of contact centre performance and a unified way for agents to manage customer interactions across all channels. New modules include Contact Management, to enhance visibility of previous customer contacts, Agent Evaluation, an integrated offering to our workforce optimisation solution and a Health Module that adds a new switchboard console and priority call handling. This is underpinned by architectural changes which, among other things, improve platform scalability.

  Liberty 4 and MATS 10 include the first integrations between the two platforms, creating a Low-code enabled customer engagement suite, allowing customer service operators to seamlessly use MATS Low-code applications while operating the Liberty 4 contact centre application.

- ***Grow our partner base and international presence.***

  We have signed new partners including an insurance market specialist. They are using our Low-code platform to design and market cloud subscription software solutions for their clients and have won business with leading insurance and reinsurance clients.

  We have also signed new international customers, including a New York Stock Exchange listed group and a top-three Spanish mobile operator.

Increased investment into Low-code offering to capitalise on the high growth market

Given the significant progress made by MatsSoft in the year since acquisition the Board has decided to increase the investment into its Low-code offering to capitalise on what it believes to be a significant growth opportunity. During the current financial year, we intend to increase the spend on Sales & Marketing, Product Development and Service Delivery by £2.0m over the sum expended in the last financial year. The Board believes this will lead to higher growth rates and enable the Group to capture a larger share of our software markets.

The Liberty business is healthy and continues to generate high margins with strong levels of recurring revenue and cash generation, which will provide the funding of this investment.

A key measure on which the Board will assess the successful implementation of this next phase of the growth strategy will be the annualised run rate of Cloud service revenues ('Annualised Cloud Revenue'), as this represents a leading indicator of revenues. During the year such revenues have increased significantly to £4.80m with a contribution from new bookings of £1.14m, up 97% compared to last year. In the first quarter of the new financial year Annualised Cloud Revenue has increased to £5.25m as a result of new bookings.

Financial Review

Group revenue increased 32% to £21.9m (FY17: £16.2m). Organic revenue growth was 3%. MatsSoft contributed £5.24m of revenue during the period following the acquisition in August 2017 and its organic growth rate was 19%.

The Group's revenue comprises the following components, reflecting the movement of the business towards primarily a provider of Cloud based software and services:

- Cloud services, being revenue subscription and usage fees of our cloud based offerings.
- Communications services, being fees for telephony and messaging services.
- Product revenues, being predominately software license sales with supporting hardware.
- Professional services, being consultancy, implementation and training services.
- Product support contracts, being provision of software updates, system monitoring and technical support services for our products.

Cloud services are a key strategic focus and have grown strongly due to the acquisition of MatsSoft and sales of our subscription-based Liberty and Low-code platforms. Revenue from Cloud services increased by 297% to £4.29m (FY17: £1.08m) comprising: organic growth of 30%; and, a first time contribution from MatsSoft of £2.89m which grew 25% over the same period last year as an independent business.

At 30 June 2018, Annualised Cloud Revenues increased by 321% to £4.80m (FY17: £1.14m) comprising: a 97% increase in new bookings to £1.14m (FY17: £0.58m); and, the addition of MatsSoft's run rate at acquisition of £2.86m.

Communications services increased by 53% to £2.27m (FY17: £1.48m) comprising: a first time contribution from MatsSoft of £1.12m which grew 49% over the same period last year; and, 14% lower revenues in Netcall due to a partner with reduced callback requirements.

Product revenues increased 2% to £3.06m (FY17: £3.00m) principally due to higher sales of Liberty 4 on premise products to public sector organisations. As a result, product support revenues increased by 2% to £8.93m (FY17: £8.73m).

Professional service revenues increased 79% to £3.33m (FY17: £1.86m) due to higher Liberty Cloud service and product sales and a first time contribution from MatsSoft of £1.35m.

Total revenue considered recurring in nature, derived from Cloud and Communications services and support contracts, increased by 37% to £15.5m (FY17: £11.3m) which equates to 71% (FY17: 70%) of revenue.

Gross profit margin was 90% (FY17: 92%) reflecting the change in sales mix.

Administrative expenses, before depreciation, amortisation, impairment, share-based payments and acquisition related charges increased to £14.3m (2017: £10.3m) resulting from the enlarged Group following the acquisition of MatsSoft and an underlying increase in overhead of 3%.

Consequently, the Group adjusted EBITDA increased 21% to £5.42m (FY17: £4.49m), a margin of 25% of revenue (FY17: 28%).

Profit before tax was £45,000 (FY17: £1.69m) after taking into account acquisition related charges and interest on borrowings taken out to fund the acquisition of MatsSoft. In addition, following that acquisition, management undertook a review of its enlarged product portfolio. The review concluded that the Group would market Citizen Hub, built on MatsSoft's Low-cloud platform, instead of its CXM product. As a result of this decision an impairment charge of £0.79m relating to the carrying value of CXM internally generated software assets has been recognised in the year.

The Group recorded a tax credit of £0.09m (FY17: charge £0.21m) benefiting from additional deductions for R&D expenditure and utilisation of previously unrecognised losses brought forward.

Adjusted diluted earnings per share increased by 5% to 2.04 pence (FY17: 1.95 pence). Reported diluted earnings per share was 0.09 pence (FY17: 1.03 pence).

Cash generated from operations before non-recurring transaction cost payments was £3.42m (FY17: £4.37m) a conversion of 63% (FY17: 97%) of adjusted EBITDA. The lower conversion was expected as a result of the consolidation of the MatsSoft business in the first half, with cash conversion of profits in the second half returning to 117%.

Spending on research and development, including capitalised software development, increased by 84% to £3.66m (FY17: £2.00m) of which capitalised software expenditure was £1.76m (FY17: £1.33m) resulting from the acquisition of MatsSoft and continuing investment in product development.

Total capital expenditure was £2.07m (FY17: £1.74m); the balance after capitalised development, being £0.31m (FY17: £0.41m) relating to IT equipment and software.

On 4 August 2017, the Company acquired 100% of the issued share capital of MatsSoft for an initial cash consideration of £10.7m and the issue of 3.5m new ordinary shares of 5p each. The purchase agreement provided for potential further amounts of up to £2.31m cash and 9.5m new ordinary shares to be paid dependent on achieving specified performance targets achieved over various periods from completion of the acquisition. Since the acquisition date an element of the contingent cash consideration totalling £0.31m was paid. See note 7 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 agreement 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. See note 7 for further details.

As a result of these factors, net debt was £0.74m at 30 June 2018 (30 June 2017: net cash £12.7m).

On 27 July 2017 the final enhanced dividend of 1.05 pence per share, amounting to a total of £1.46m, was paid. On 12 January 2018, the Company paid a final ordinary dividend of 1.16 pence per share in respect of the year ended 30 June 2017 amounting to a total of £1.66m.

Dividend policy

In September 2017, the Board ended the enhanced dividend policy that it had been paying. The ending of this policy reflected the fact that the acquisition of MatsSoft was part funded using the Company's excess cash resources. At the same time the Company declared a final ordinary dividend for the year ended 30 June 2017 of 1.16p representing an increase of 5% on the prior year. In light of the investment that the Board now intends to make in accelerating growth and the need to balance the desire to pay a dividend to shareholders against the need to maintain a robust balance sheet the Board intends to declare a final dividend for this financial year of 0.53p which represents 25% of adjusted earnings per share. It is the Board's intention to continue this pay-out ratio which it expects to lead to a progressively higher dividend in future years.

Employees

Following the successful acquisition and integration of MatsSoft, we now have over 230 employees. It is their skill and commitment which forms the basis of the continued success of Netcall and the Board would like to thank the expanded team for their ongoing dedication, commitment and contribution to the business and for embracing being part of a larger combined Group.

Outlook

As we enter the new financial year we do so with renewed confidence in the growth prospects for Netcall. The Board believes that the Group's platforms address a significant market opportunity; helping organisations transform their customer engagement and implement their digital transformation strategies. The scale of the potential opportunity can be seen in the size of the recently announced multi-million pound Low-code contract wins and the significant increase in our Annualised Cloud Revenue.

Since the year-end Annualised Cloud Revenue has continued to grow, increasing to £5.25m as a result of new bookings and we have a growing pipeline of opportunities across our customer base and with new prospects, both in the UK and internationally.

We are a cash-generative business with an extensive customer base and significant growth opportunity ahead of us. Our high levels of revenue visibility and record sales pipeline give the Board confidence in the enhanced prospects for the Group, for this year and beyond.

Audited consolidated income statement for the year ended 30 June 2018

	2018	2017
	£000	£000
Revenue	**21,875**	16,151
Cost of sales	**(2,143)**	(1,333)
Gross profit	**19,732**	14,818
Administrative expenses	**(18,961)**	(13,209)
Other income	**23**	-
Other gains/(losses) - net	**(12)**	8
Adjusted EBITDA	**5,421**	4,487
Depreciation	**(252)**	(212)
Impairment charge on intangible assets (see note 4)	**(792)**	-
Amortisation of acquired intangible assets	**(547)**	(319)
Amortisation of other intangible assets	**(1,119)**	(848)
Non-recurring transaction costs (see note 4)	**(464)**	(320)
Post completion services (see note 4)	**(464)**	-
Share based payments	**(1,001)**	(1,171)
Operating profit	**782**	1,617
Finance income	**29**	74
Finance costs	**(766)**	(5)
Finance costs/ (income) - net	**(737)**	69
Profit before tax	**45**	1,686
Tax credit/ (charge)	**91**	(211)
Profit for the year	**136**	1,475
Earnings per share - pence		
Basic	**0.10**	1.06
Diluted	**0.09**	1.03

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

Audited consolidated statement of comprehensive income for the year ended 30 June 2018

	2018	2017
	£000	£000
Profit for the year	**136**	1,475
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(5)**	-
Total comprehensive income for the year	**131**	1,475

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

Audited consolidated balance sheet at 30 June 2018

	2018	2017
	£000	£000
Assets		
Non-current assets		
Property, plant and equipment	**445**	473
Intangible assets	**28,938**	11,444
Deferred tax asset	**584**	505
Available-for-sale financial assets	**288**	288
Total non-current assets	**30,255**	12,710
Current assets		
Inventories	**215**	334
Other current assets	**1,077**	787
Trade receivables	**6,078**	2,561
Other financial assets at amortised cost	**1,554**	1,083
Current tax asset	**-**	11
Cash and cash equivalents	**5,779**	12,724
Total current assets	**14,703**	17,500
Total assets	**44,958**	30,210
Liabilities		
Non-current liabilities		
Other payables	**925**	-
Borrowings	**6,518**	-
Deferred tax liabilities	**754**	294
Provisions	**44**	122
Total non-current liabilities	**8,241**	416
Current liabilities		
Trade and other payables	**5,095**	2,508
Deferred income	**9,790**	6,280
Provisions	**128**	-
Total current liabilities	**15,013**	8,788
Total liabilities	**23,254**	9,204
Net assets	**21,704**	21,006
Equity attributable to owners of the Parent Company		
Share capital	**7,242**	7,054
Share premium	**3,015**	3,015
Other equity	**4,832**	2,697
Other reserves	**4,133**	2,854
Retained earnings	**2,482**	5,386
Total equity	**21,704**	**21,006**

Audited consolidated statement of cash flows for the year ended 30 June 2018

	2018	2017
	£000	£000
Cash flows from operating activities		
Profit before income tax	**45**	1,686
Adjustments for:		
Depreciation and amortisation	**1,918**	1,379
Impairment of intangible assets	**792**	-
Loss on disposal of intangible assets	**-**	8
Share-based payments	**1,103**	1,171
Net finance costs/ (income) - net	**635**	(69)
Changes in operating assets and liabilities, net of effects from purchasing of subsidiary undertaking:		
Decrease/ (increase) in inventories	**118**	(108)
(Increase)/ decrease in trade receivables	**(2,575)**	1,125
Increase in other financial assets at amortised cost	**(194)**	(120)
Increase in other current assets	**(303)**	(266)
Decrease in trade and other payables	**(900)**	(403)
Increase in deferred income	**1,675**	88
Increase in provisions	**341**	4

Cash flows from operations	**2,655**	4,367
Analysed as:		
Cash generated from operations before payment of non-recurring transaction costs	**3,420**	4,367
Non-recurring transaction costs payment	**(765)**	-
Interest received	**29**	112
Interest paid	**(478)**	(5)
Income tax refunded/ (paid)	**11**	(4)
Net cash inflow from operating activities	**2,217**	4,470
Cash flows from investing activities		
Payment for acquisition of subsidiary, net of cash acquired	**(10,974)**	-
Purchase of property, plant and equipment	**(171)**	(121)
Payment of software development costs	**(1,764)**	(1,331)
Purchase of other intangible assets	**(137)**	(283)
Net cash (outflow) from investing activities	**(13,046)**	(1,735)
Cash flows from financing activities		
Proceeds from issues of ordinary shares	**9**	27
Proceeds from borrowings	**7,000**	-
Dividends paid to Company's shareholders	**(3,117)**	(4,160)
Net cash inflow/ (outflow) from financing activities	**3,892**	(4,133)
Net decrease in cash and cash equivalents	**(6,937)**	(1,398)
Cash and cash equivalents at beginning of the period	**12,724**	14,122
Effects of exchange rate on cash and cash equivalents	**(8)**	-
Cash and cash equivalents at end of period	**5,779**	12,724

Audited consolidated statement of changes in equity at 30 June 2018

	Share capital £000	Share premium £000	Other equity £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 30 June 2016	**7,027**	**3,015**	**2,697**	**1,881**	**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 or 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**	**2,697**	**2,854**	**5,386**	**21,006**
Issue of ordinary shares as consideration for acquisition of a business combination	175	-	2,135	-	-	2,310
Proceeds from share issue	9	-	-	-	-	9
Increase in equity reserve in relation to options issued	-	-	-	1,364	-	1,364
Tax debit relating to share options	-	-	-	1	-	1
Reclassification following exercise or lapse of options	4	-	-	(81)	77	-
Dividends to equity holders of the Company	-	-	-	-	(3,117)	(3,117)
Transactions with owners	**188**	**-**	**2,135**	**1,284**	**(3,040)**	**567**
Profit for the year	-	-	-	-	**136**	**136**
Other comprehensive income for the year	-	-	-	**(5)**	**-**	**(5)**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**(5)**	**136**	**131**
Balance at 30 June 2018	**7,242**	**3,015**	**4,832**	**4,133**	**2,482**	**21,704**

Notes to the financial information for the year ended 30 June 2018

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 1st Floor, Building 2, Peoplebuilding Estate, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 4NW 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 2017 as updated for new standards and interpretations effective from 1 July 2017.

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 2018 or 2017. Statutory accounts for the years ended 30 June 2018 and 30 June 2017 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 2017 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 June 2018 will be delivered to the Registrar in due course. Copies of the Annual Report 2018 will be posted to shareholders on or about 14 November 2018.

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. 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.

	2018	2017
	£000	£000
Impairment charge on intangible assets	**792**	-
Non-recurring transaction costs	**464**	320
Post completion services expense	**464**	-
	1,720	320

Following the acquisition of MatsSoft Limited (see note7) management undertook a review of its enlarged product portfolio. The review concluded that the Group would market Citizen Hub, built on MatsSoft's Low-cloud platform instead of its CXM product. As a result of this decision the carrying value of £0.79m of internally generated software assets relating to CXM, included within intangible assets, was written down to £nil. The impairment charge is included in 'administrative expenses' in the income statement.

The Company incurred professional advisor fees of £0.46m (2017: £0.32) in connection with the acquisition of MatsSoft Ltd and in the prior period an alternative potential acquisition which was not progressed. These costs are included in 'administrative expenses'.

The purchase of MatsSoft Limited included a contingent cash consideration arrangement (see note 7). A number of former owners of MatsSoft continue to work in the business and in accordance with IFRS 3 a proportion of the arrangement is treated as remuneration and expensed in the income statement.

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

	30 June 2018	30 June 2017
Net earnings attributable to ordinary shareholders (£000)	136	1,475
Weighted average number of ordinary shares in issue (thousands)	142,460	138,950
Basic earnings per share (pence)	**0.10**	**1.06**

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 2018	30 June 2017
Weighted average number of ordinary shares in issue (thousands)	142,460	138,950
Adjustments for share options	4,901	4,904
Weighted average number of potential ordinary shares in issue (thousands)	147,361	143,854
Diluted earnings per share (pence)	**0.09**	**1.03**

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:

£'000s	30 June 2018	30 June 2017
Profit used for calculation of basic and diluted EPS	**136**	**1,475**
Non-recurring transaction costs (see note 4)	464	320
Share-based payments	1,001	1,171
Post completion services (see note 4)	464	-
Amortisation of acquired intangible assets	547	319
Impairment charge on intangible fixed assets (see note 4)	792	-
Unwinding of discount - contingent consideration & borrowings	208	-
Tax adjustment	(613)	(479)
Profit used for calculation of adjusted basic and diluted EPS	**2,999**	**2,806**

	30 June 2018	30 June 2017
Adjusted basic earnings per share (pence)	**2.11**	2.02
Adjusted diluted earnings per share (pence)	**2.04**	1.95

6. Dividends

Year to June 2018	Paid	Pence per share	Cash flow statement (£'000)	Statement of changes in equity (£'000)	June 2018 balance sheet (£'000)
Interim enhanced dividend for year to June 2017	27/7/17	1.05p	1,461	1,461	-
Final ordinary dividend for the year to June 2017	12/1/18	1.16p	1,656	1,656	-
			3,117	**3,117**	**-**

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**	**-**

It is intended that this year's final ordinary dividend of 0.53 pence per share will be paid to shareholders on 6 February 2019. Netcall plc shares will trade ex-dividend from 20 December 2018 and the record date will be 21 December 2018. The estimated amount payable is £0.76 million. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

7. Business Combinations

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 has provided it with access to the fast-growing low-code market.

The fair value of consideration is £15.3m comprising:

	£'000
Cash consideration	10,662
Shares issued(1)	2,310
Contingent cash consideration	1,709
Contingent share consideration - share price target	582
Contingent share consideration - potential new contract	47
	15,310

The Company issued 3,499,864 new ordinary shares of 5p each as part of the acquisition paid for MatsSoft. The fair value of £2.31m was based on the published share price on 3 August 2017 of 66 pence per share.

The purchase of MatsSoft included contingent consideration arrangements based on certain performance obligations as follows:

- 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. A number of the former owners of MatsSoft continue to work in the business and in accordance with IFRS 3 a proportion of the arrangement is treated as remuneration and expensed in the income statement. The fair value of the contingent cash consideration arrangement of £1.71m has been estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 9% and an allocation of 35% of the contingent cash consideration to post-completion service remuneration.

- 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, an annual risk-free interest rate of 0.203%, and an allocation of 35% of the contingent share consideration to post-completion service remuneration.

- 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 £0.05m 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%, a value per share of £0.66 and an allocation of 35% of the contingent share consideration to post-completion service remuneration.

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

	£'000
Intangible assets: proprietary software	2,237
Intangible assets: order backlog	12
Intangible assets: trade name	206
Property, plant & equipment	53
Deferred tax asset	2
Other current assets	93
Trade receivables	846
Other receivables	166
Cash & cash equivalents	-
Deferred tax liabilities	(475)
Trade & other payables	(1,380)
Deferred income	(1,927)
Provisions	(120)
Net identifiable liabilities acquired	(287)
Add: goodwill	15,597
Net assets acquired	**15,310**

The goodwill is attributable to the workforce and the value projected to be generated through future new business and the expected benefits from integrating MatsSoft into Netcall.

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

	£'000
Cash consideration - initial payment	10,662
Less: cash acquired	-
Contingent cash consideration - payments made in the year	312
Net cash out flow - investing activities	**10,974**

Loan Note
Immediately prior to the acquisition of MatsSoft 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.

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 5 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 5-year option life.

The Loan Notes are presented in the balance sheet as follows:

	2018	2017
	£000	£000
Face value of Loan Notes issued	**7,000**	-
Share-based payment reserve - value of share option	**(584)**	-

Fair value of Loan Note issued	**6,416**	-
Charged/ (credited) to the income statement:		
- Unwinding of discount	**102**	-
Non-current liability	**6,518**	-

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