# Smarter outcomes, better experiences.

**Netcall plc**

Annual Report and Accounts
for the year ended 30 June 2023

Stock code: NET

NETCALL

# Incorporated in 1984, Netcall is an AIM-quoted technology company with an innovative and expanding solutions portfolio.

Netcall's Liberty software platform provides outstanding intelligent automation and customer engagement solutions. These help organisations transform their businesses faster and more efficiently, empowering them to become leaner and more customer-centric.

View more online at:
**netcall.com**

## The Liberty platform

The Liberty platform's user-friendly tools let you transform at speed. You can automate processes, streamline workflows and make managing tasks and customer engagement easier, quicker and more productive.

### Liberty Create

Build applications and workflows faster with less development resource, using Low-code tools.

### Liberty Converse

Blend digital automation with human interaction with cut-through contact centre technology.

### Liberty RPA

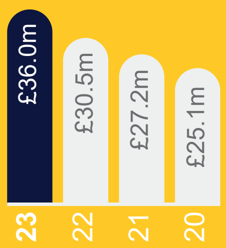
Automate repetitive tasks for improved productivity with intelligent robot assistance.

### Liberty AI

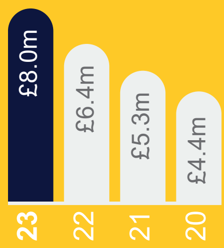
Use AI with impact, thanks to safe and simple-to-use capabilities. Accelerate your way to business value.

# Financial and operational highlights

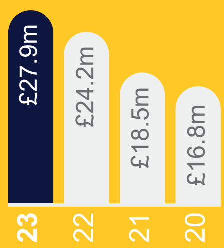
### Revenue +18%




### Adjusted EBITDA[2] +25%




### Annual Contract Value ('ACV')[1] +15%




## Financial highlights

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

## Operational highlights

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

(1) ACV, as of a given date, is the total of the value of each Cloud and support contract divided by the total number of years of the contract (save that the contract renewal announced on 20 July 2023 is included in FY23 ACV at the new annual amount of $4m).

(2) Profit before interest, tax, depreciation and amortisation adjusted to exclude the effects of share-based payments, acquisition, impairment, profit or loss on disposals, contingent consideration and non-recurring transaction costs.

(3) Cloud net retention rate is calculated by starting with the Cloud ACV from all customers 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 cross- or upsales 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.

## Contents

# Chairman and Chief Executive's review

**Henrik Bang**
**CEO of Netcall**

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

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

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

**"Sales momentum has remained strong into the start of the new financial year and our significant order book, alongside our increasing recurring revenues and strong pipeline of new business opportunities, gives the Board confidence in the Group's continued success."**

## Overview

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

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

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

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

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

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

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

## Current trading and outlook

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

In addition, the Company has a strong sales pipeline with the majority of opportunities being for Cloud solutions combined with

Newcastle City Council

## Newcastle City Council streamlines community grants processes with low-code

- Over 2,100 hours saved
- £800,000 savings in licence fees over 5 years

**"Liberty Create has given us the ability to build new solutions at pace. I've never felt so excited and empowered about saying to customers with the local authority that yes, we can do this now!"**

an ongoing new product pipeline, which we expect will provide new sales opportunities.

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

The Group will make a step change investment of approximately £1.0m p.a. in its development and technology teams, mainly occurring in FY25. In addition, Cloud computing expenses within cost of sales will be approximately £0.5m higher, also largely expected in FY25, and which, in future periods, will be volume dependent. The underlying operating margin is expected to remain robust and over time benefit from the increased investment in Cloud solutions.

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

## Business Review

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

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

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

The Liberty platform's main product categories are:

### Intelligent Automation

- **Liberty Create:** Enables both professional and non-professional developers to create enterprise grade applications that drive automated workflows and business processes using Low-code software. Liberty Create uses an intuitive drag-and-drop environment for faster development and combines easy integration to other parts of the Liberty platform, as well as third-party solutions such as SAP and Salesforce.
- **Liberty RPA:** AI-powered robotic process automation frees up people from mundane and repetitive tasks, enabling them to be more productive. RPA speeds up processing times, reduces errors and improves overall efficiency.

# Chairman and Chief Executive’s review

- **Liberty AI:** Offers richer insights to data, predicts outcomes and improves business decision making. Through machine learning, Liberty AI scales, delivers and enhances customer experiences across the entire enterprise.

### Customer Engagement

- **Liberty Converse:** Seamless Customer Engagement using our complete omni-channel contact centre solution, including conversational messaging, chatbots and AI-powered virtual agents. Converse blends practical AI and automation with agent-assisted technology to boost operational and agent productivity, reduce costs and improve customer experience.

## Strategy

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

Our main market verticals are financial services, healthcare, and public sector industries, which in the period accounted for 89% of total Group revenues, with the Liberty platform also being implemented in other sectors such as utilities and transportation. The Group’s target customers are typically operating complex businesses with large numbers of customers, employees and stakeholders, and, in many cases, are subject to a high level of regulation.

The flexibility of the platform and its Cloud deployment enables customers to rapidly scale the platform usage to support their expansion plans across the world.

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

### Customer base expansion

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

### Land and expand

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

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

NHS The Leeds Teaching Hospitals NHS Trust

## Trust-wide, rapid roll-out of Patient Hub with NHS app integration for The Leeds Teaching Hospitals NHS Trust

- 88.4% less manual processing activity
- Back-office non-cash and productivity savings expected > £2million

**“It was a partnership that we worked with Netcall. They were on every call with us, they were at the Board with us, they’ve done everything on the NHS App with us. They really helped us deploy at scale so we’re up to about 92% of services now.”**

## Growing the partner channel

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

## Innovation and product enhancement

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

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

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

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

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

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

## Cloud first investments

Cloud contact centre market growth rates are forecast to accelerate[2] as decision makers implement solutions to modernise their customer service operations, including supporting a broader mix of communications channels, conversational AI and virtual assistant capabilities.

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

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

(1) McKinsey: July 2023, 'The economic potential of generative AI'.

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

# Chairman and Chief Executive's review

## ESG initiatives

The Group remains focused on managing its impact on the environment. During the period, Netcall has continued to progress against its ambition to be carbon neutral by the end of 2026. Netcall has measured, and is voluntarily reporting, its total Scope 1 and Scope 2 emissions, which have reduced by 48% to 32.2 $tCO_2e$ compared to the 2020 Baseline of 66.6 $tCO_2e$. The Group has started to measure and analyse Scope 3 emissions, which cover indirect emissions that occur in a company's value chain and, for the first time, Netcall is reporting on a subset of Scope 3 emissions: business travel. Emissions for business travel and accommodation were 78.5 $tCO_2e$, with employee commuting responsible for 12.0 $tCO_2e$.

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

The Group is also pleased to report that is has seen a 9% improvement in energy intensity ratio to 0.96 $tCO_2e$ per £1m revenue.

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

Internally, the Group continues to evolve its employee value proposition. Our employee engagement score puts us in the top quartile of more than a 1,000 UK and Global Technology businesses surveyed on Culture Amp, an employee satisfaction-focused platform made up of 21 million answered questions.

Network Certification Body

### The Network Certification Body portal enables efficient assessments and complex document handling

- Improved Net Promoter Score (to 48%)
- Faster assessments

**"Having transitioned to the Liberty Create Low-code and Liberty OPA document generation platform, it has given us the foundation to continue to look at other areas of opportunity, which is very positive."**

## Financial review

A key financial metric monitored by the Board is the growth in the ACV base year on year. This reflects the annual value of new business won, together with upsell into the Group's existing customer base as it delivers against its land and expand strategy, less any customer contraction or cancellation. It is an important metric for the Group, as it is a leading indicator of future revenue.

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

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

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

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

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

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

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

Communication services revenue was £2.58m (FY22: £3.00m) due to fewer call-back and messaging transactions in the financial services segment.

Product revenue (software licence sales with supporting hardware) was maintained at £2.25m (FY22: £2.24m) due to continuing customer demand for on-premise licence expansions or upgrades. As previously communicated, this revenue stream continues to change within periods subject to customers' preferences for buying on-premise or Cloud contracts. The trend is, as expected, accelerating toward Cloud contracts.

Professional services revenue was £5.21m (FY22: £5.51m) as a number of enterprise accounts, signed up in previous years, onboard global IT service providers to support further application development and support. The overall demand for our professional services is dependent on: the mix of direct and indirect sales of our solutions – in the latter case, the Group's partners provide the related services directly for the end customer; and whether a customer requires the support of a full application development service or support to enable their own development teams.

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

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

The higher adjusted EBITDA led to a 19% increase in operating profits to £2.25m (FY22: £2.24m) with the final Oakwood Technologies BV contingent consideration expense of £0.37m (FY22: £0.06m) and higher share-based payment charges of £1.64m (FY22: £0.96m).

# Chairman and Chief Executive's review

To support the acquisition of MatsSoft Limited in 2017, the Company issued a £7m Loan Note with options over 4.8m new ordinary shares of 5 pence each priced at 58 pence. The Loan Note was unsecured, had an annual interest rate of 8.5% payable quarterly in arrears and was repayable in six instalments from 30 September 2022 to 31 March 2025. The Company made an initial repayment of £3.5m in November 2021, a scheduled repayment of £0.6m in September 2022 and, in October 2022, redeemed the final £2.9m of the Loan Notes. Accordingly, total finance costs reduced to £0.16m (FY22: £0.88m). In September 2022, the options were exercised and the Company received £2.8m in proceeds and issued 4.8m new ordinary shares of 5 pence each. with the amount in excess of nominal value, £2.56m, credited to the share premium account.

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

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

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

Cash generated from operations increased by 12% to £11.2m (FY22: £9.99m). The Group deferred £2.21m of VAT payments during March and June 2020 due to Covid-19, which was repayable in monthly instalments from March 2021 to January 2022. Adjusting for the effect of VAT deferral and consideration paid to the vendors of Oakwood Technologies BV (acquired in October 2020) was accounted for as post completion services, and cash generated from operations increased to £11.6m (FY22: £11.5m), a conversion of 145% (FY22: 179%) of adjusted EBITDA.

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

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

As a result of these factors, net funds were £24.3m at 30 June 2023 (30 June 2022: £13.4m).

## Dividend

In line with the Company's dividend policy to pay-out 25% of adjusted earnings per share, the Board is proposing a final dividend for this financial year of 0.83p (FY22: 0.54p). If approved, the final dividend will be paid on 9 February 2024 to shareholders on the register at the close of business on 29 December 2023.

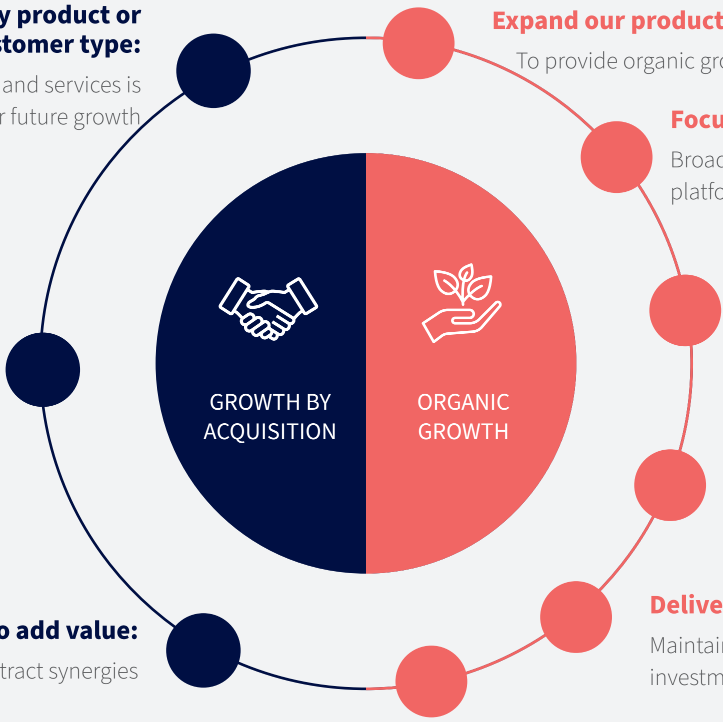
# Business model

## The Group focuses on the following primary value drivers:

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

**Proprietary software:**
Maintain high margins

**Ability to add value:**
Opportunity to extract synergies




**Expand our product suite and Cloud offerings:**
To provide organic growth

**Focus on cross and upselling:**
Broaden the use of our platform in our customer base

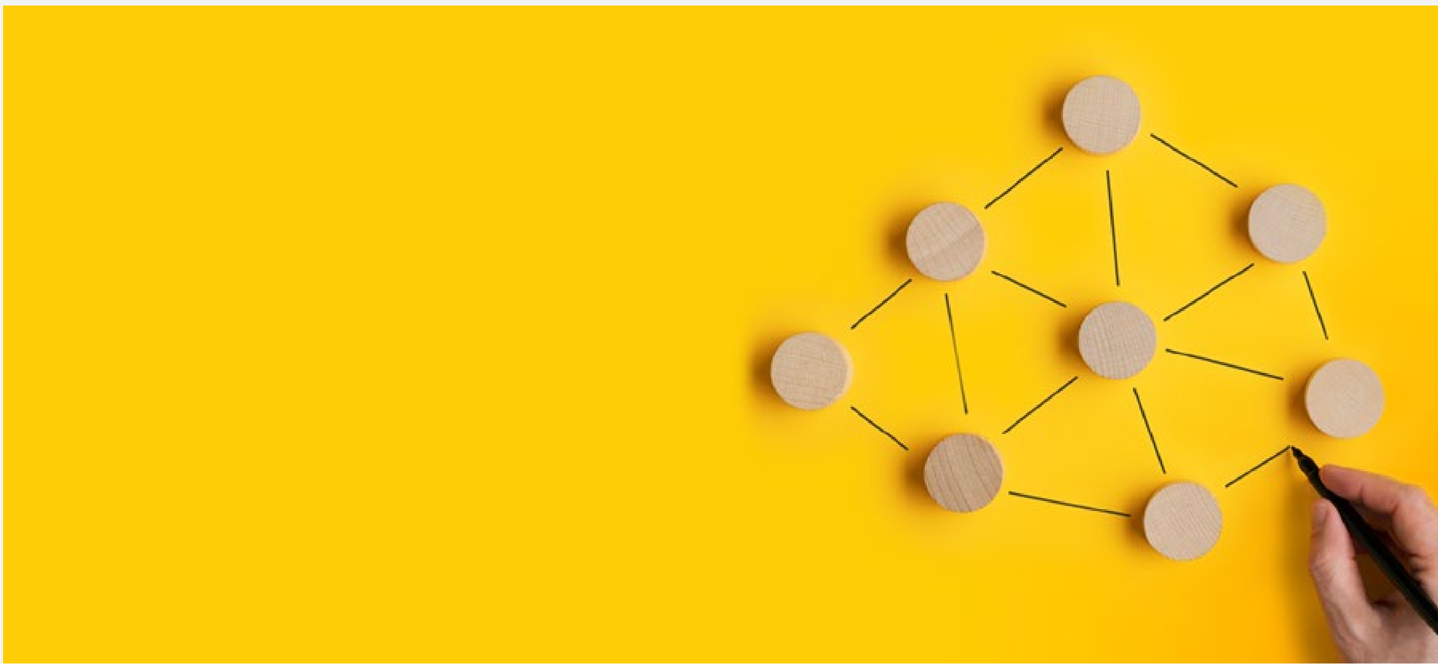
**Grow our customer base and distribution channels:**
Increase our market presence and provide future cross-selling opportunities

**Innovation:**
Maintain a vigorous roadmap of new products and features required in the market place

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

**Retaining and attract 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)

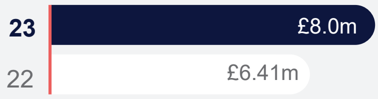
**+18%** change


Annual contract value (£m)

**+15%** change


Adjusted EBITDA (£m)

**+25%** change

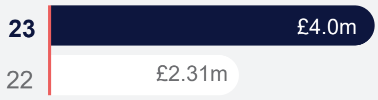



Adjusted EBITDA margin (%)

**+1 ppt** change

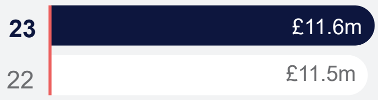

Profit before tax (£m)

**+73%** change




Cash generated from operations before VAT deferral and post completion service consideration[1] (£m)

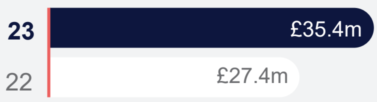
**+1%** change




[1] Contingent consideration payments to the vendors of Oakwood Technologies BV, acquired in October 2020, are accounted for as post completion services under IFRS 3 and total £0.38m for the year (2022: £0.11m) (see note 4 for more information).

Total equity (£m)

**+29%** change



# Principal risks and uncertainties

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

## Data security and business continuity

### Risk area and potential impact

- The appropriate and secure utilisation of client and other sensitive information is essential for the Group's business. The Group may face reputational, business and operational risks if it fails to prevent fraudulent activity, cybercrime or security breaches related to data protection and service delivery.
- The reliability of the Group's services largely depends on the efficient and uninterrupted operation of its platforms and network systems as well as the availability of sufficient staffing levels. In doing so, the Group also relies on third-party products and platforms. The Group may experience delays and disruptions in its ability to develop, deliver or maintain its products and services if it encounters system or network failures, fraud or security incidents or the unavailability of key staff or management. This may adversely affect the Group's business and reputation, resulting in customer or revenue losses.

### Mitigation

- The Group maintains formal data security policies and procedures and a documented business continuity and disaster recovery plan, which are tested and regularly reviewed.
- The Group maintains ISO27001 and Cyber Essentials accreditations and screens new employees carefully.

## Economic environment

### Risk area and potential impact

- The Group's markets may fall into decline.
- Weak economic conditions including the current inflation, foreign currency and interest rate environment may impact upon the ability of the Group's clients to do business, for example in longer sales cycles, lower demand or higher credit risk.

### Mitigation

- 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.

## Political

### Risk area and potential impact

- The Group has a large customer base in NHS trusts and local authorities. A change in either policy or spending priorities by the current or a future Government may impact the Group.

### Mitigation

- The Group's revenue model aims to achieve high levels of recurring revenue that provide a stable and predictable income stream and enable the Group to respond strategically to any changes in the political environment.
- The Group's products and development priorities are to ensure it remains central to its customers operations, offering them cost-effective and value-for-money solutions, regardless of the political situation.

## 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, which meet changing customer requirements and incorporate technological advancements.

### Mitigation

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

## 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.

### Mitigation

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

# Principal risks and uncertainties

## Talent

### Risk area and potential impact

- As a technology company, the Group is heavily reliant on the people it employs and it competes for the best talent available. If the Group is unable to attract or retain the niche skills and experience it needs to drive the business forward, creating innovation and growth, this could materially impact its success.
- The Netcall brand must remain attractive for it to successfully attract and retain development, engineering, consulting, sales and marketing staff and leadership.

### Mitigation

- The Group seeks to ensure that employees are motivated in their work and receive regular reviews and encouragement to develop their skills. Annually, there is a Group-wide salary review that rewards performance and ensures pay and benefits remain competitive. Commission and bonus schemes help to ensure that both Netcall's success and individual achievement are appropriately recognised.

## 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.

### Mitigation

- The Group has 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.

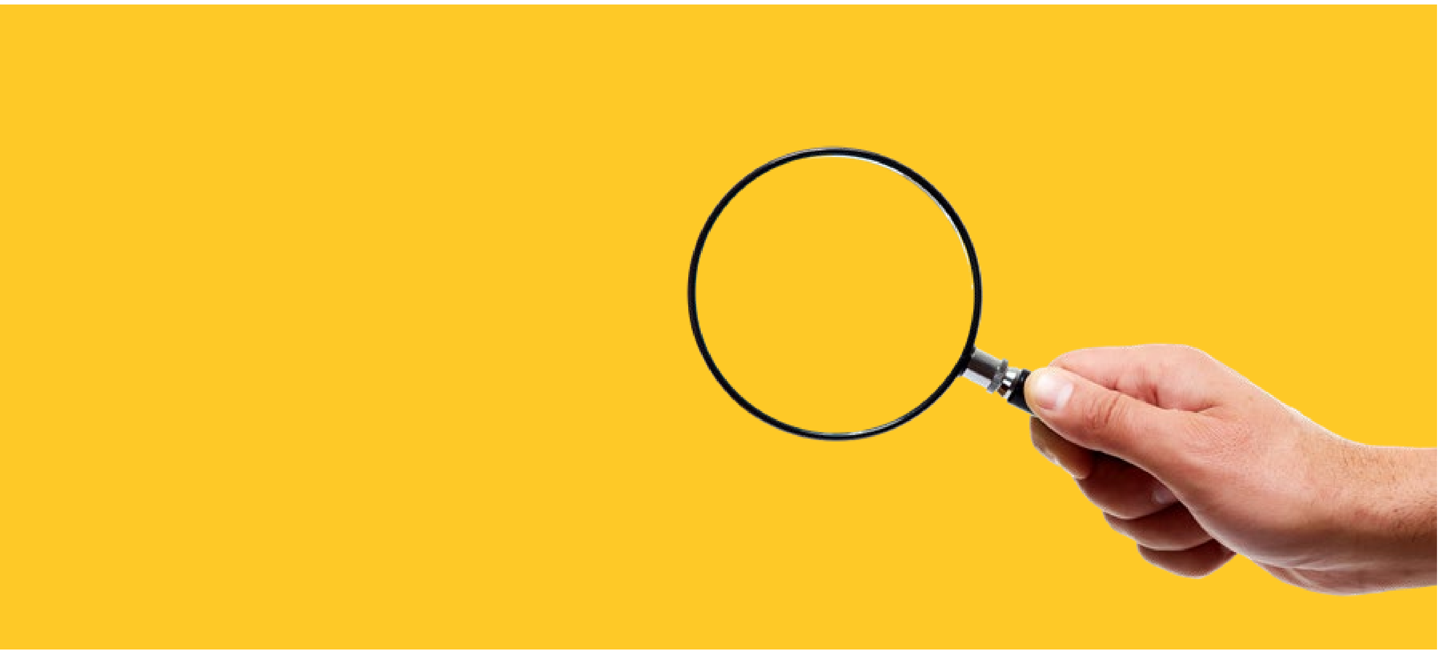
## Acquisitions

### 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.

### Mitigation

- Where appropriate, 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 continuing its journey to measure and improve its impact on the environment and the business is 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 reporting, its Scope 1 and Scope 2 emissions, which have increased by 8% to 34.5 tonnes of carbon dioxide equivalent '$tCO_2e$' (FY22: 32.0 $tCO_2e$) as more employees have utilised offices post-pandemic restrictions. The carbon intensity of Poole office electricity supply has also increased as the supplier has changed their mix of fuel for generation.

Total Scope 1 and Scope 2 emissions have reduced by 48% to 32.2 $tCO_2e$ compared to the 2020 Baseline of 66.6 $tCO_2e$.

For the first time, Netcall is reporting on a subset of Scope 3 emissions: business travel. Emissions for business travel and accommodation were 78.5 $tCO_2e$. Employee commuting was responsible for 12.0 $tCO_2e$.

## Our carbon footprint

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 benefit the organisations and communities in which it operates.

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 its customers' environmental strategies while, at the same time, working towards our own environmental targets.

Netcall has decided to offset Scope 1, Scope 2, and the business travel emissions of Scope 3 by purchase of carbon credits from Highland Carbon[1] for the Corriegarth project, a creation of new native woodland of over 63 hectares as an expansion of existing ancient native woodlands in Inverness-shire[2].

## Quantification and reporting methodology

The information used to calculate these emissions is based on electricity and gas meter readings. We have used UK Government GHG Conversion Factors for Company Reporting from the Department for Business, Energy & Industrial Strategy ('BEIS') 'ghg-conversion-factors-2023-condensed-set.xls' to calculate our Scope 1 and Scope 2 emissions. In the 2023 update, the UK Electricity $CO_2e$ factor has increased by 7% (compared to the 2022 update) due to an increase in natural gas use in electricity generation and a decrease in renewable generation.

(1) https://www.highlandcarbon.com/

(2) https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000027968

## Netcall emissions and energy use data

| | **Year to 30 June 2023** | | Year to 30 June 2022 | | Year to 30 June 2021 | |
|---|---|---|---|---|---|---|
| | **Energy (kWh)** | **GHG emissions ($tCO_2e$)** | Energy (kWh) | GHG emissions ($tCO_2e$) | Energy (kWh) | GHG emissions ($tCO_2e$) |
| Scope 1 emissions (direct) | | | | | | |
| Gas consumption | **177,417** | **32.5** | 174,006 | 32.0 | 208,123 | 38.1 |
| Total Scope 1 | **177,417** | **32.5** | 174,006 | 32.0 | 208,123 | 38.1 |
| Scope 2 emissions (energy indirect) | | | | | | |
| Electricity | **120,209** | **2.0** | 86,344 | 0 | 175,566 | 7.6 |
| Combined total | **297,626** | **34.5** | 260,350 | 32.0 | 383,689 | 45.7 |

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.

100% renewable electricity is purchased for the Bedford Office.

During the year, Netcall populated and utilised the Environmental Management System (EMS) built on the Liberty Create Low-code Application Platform. The implementation of the EMS supports management of key actions and improvements for environmental performance. The EMS app is also available to Netcall customers through AppShare.

Netcall's submission to the Science Based Target Initiative (SBTi) has been successfully validated and provides a path to reduce emissions to net zero. The company is listed as one of the companies taking action at the SBTi[3].

The Group has started to measure and analyse Scope 3 emissions, which cover indirect emissions that occur in a company's value chain.

## Intensity Ratio

The intensity ratio compares emissions with an appropriate metric or financial indicator. We have chosen to use tonnes of $CO_2e$ per £ million of revenue and, during the year, have seen a 9% improvement in the intensity ratio to 0.96 $tCO_2e$ per £ million revenue.

(3) https://sciencebasedtargets.org/companies-taking-action

| | **Year to 30 June 2023** | | Year to 30 June 2022 | |
|---|---|---|---|---|
| | **Revenue** | **Intensity Ratio** | Revenue | Intensity Ratio |
| Netcall plc | **£36.0m** | **0.96** | £30.5m | 1.05 |

# Section 172(1) statement

## Introduction

**The Directors are aware of their duty under section 172 of the Companies Act 2006 to act in a 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 may sometimes engage directly with major shareholders and senior managers. 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 2023 and Board governance, see pages 21 to 26 and the Board Committee reports thereafter; and pages 02 to 08 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 10 October 2023 and signed on its behalf by:

**James Ormondroyd**
Director
10 October 2023

(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 2023.

## Results and dividends

The Group's profit for the year after tax was £4.21m (2022: £2.40m).

Subject to shareholder approval at the Annual General Meeting to be held on 19 December 2023, the Board proposes paying a final ordinary dividend of 0.83 pence per share (2022: 0.54 pence per share). The estimated amount payable is £1.33m (2022: £0.84m).

## Research and development

The Group continues an active programme of research and development into automation and customer engagement software and products. The total expenditure for research and development, excluding amortisation, was £4.98m (2022: £4.07m) comprising £2.71m in the consolidated income statement (2022: £2.46m) and £2.27m capitalised development expenditure (2022: £1.61m).

## Political donations and political expenditure

In accordance with the Board's policy, no political donations were made or expenditure incurred during the year (2022: £nil).

## Post balance sheet events

For details of post balance sheet events, see note 15 of the consolidated financial statements.

## Directors

The Directors who held office during the year ended 30 June 2023 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 performance and its assessment of financial and personal achievement. In the year ended 30 June 2023, performance against targets resulted in a bonus award of 100% of salary for Henrik Bang and 100% for James Ormondroyd.

# Directors' report

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 below.

The remuneration of Non-Executive Directors is determined by the Executive Directors 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 of the individual concerned.

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 | **2023 Total £000** | 2022 Total £000 |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Henrik Bang | 328 | 22 | 338 | **688** | 707 |
| James Ormondroyd | 266 | 20 | 261 | **547** | 536 |
| **Non-Executive Directors** | | | | | |
| Michael Jackson | 61 | – | – | **61** | 57 |
| Michael Neville | 38 | – | – | **38** | 36 |
| Tamer Ozmen | 32 | – | – | **32** | 30 |
| | 725 | 42 | 599 | **1,366** | 1,366 |

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

| | **2023 £000** | 2022 £000 |
|---|---|---|
| **Executive Directors** | | |
| Henrik Bang | **33** | 31 |
| James Ormondroyd | **5** | 4 |
| | **38** | 35 |

The table below sets out share options granted to the Directors.

| Date of grant | Earliest exercise date | Expiry date | Exercise price (pence) | Number at 1 July 2022 | Exercised in year | Number at 30 June 2023 |
|---|---|---|---|---|---|---|
| Henrik Bang | | | | | | |
| 29.04.14[1] | 30.04.17 | 29.04.24 | 5.0 | 4,705,539 | (2,230,694) | 2,474,845 |
| James Ormondroyd | | | | | | |
| 29.04.14[1] | 30.04.17 | 29.04.24 | 5.0 | 2,756,101 | (1,306,549) | 1,449,552 |
| Michael Jackson | | | | | | |
| 29.04.14[1] | 30.04.17 | 29.04.24 | 5.0 | 672,220 | (318,670) | 353,550 |
| | | | | 8,133,860 | (3,855,913) | 4,277,947 |

(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 29 April 2024; and the option holder being in employment during the vesting period.

The closing mid-market price of the Company's shares at 30 June 2023 was 102.0 pence. During the financial year, the share price reached a high of 116.5 pence and a low of 74.0 pence.

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

| Date of grant | Exercise date | Number of shares | Exercise price (pence) | Mid-market share price on date of exercise (pence) | Gain on exercise £000 |
|---|---|---|---|---|---|
| Henrik Bang | 13.12.22 | 1,386,151 | 5.0 | 86.0 | 1,123 |
| | 24.01.23 | 844,543 | 5.0 | 105.0 | 845 |
| | | | | | 1,968 |
| James Ormondroyd | 13.12.22 | 811,888 | 5.0 | 86.0 | 658 |
| | 24.01.23 | 494,661 | 5.0 | 105.0 | 495 |
| | | | | | 1,153 |
| Michael Jackson | 24.01.23 | 318,670 | 5.0 | 105.0 | 318 |
| | | | | | 3,439 |

# 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 that may be incurred by them while carrying out their duties.

On 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.

# Directors' report

## Corporate governance

The Company's statement on corporate governance can be found 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 10 days (2022: 12 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.

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 160,451,021 issued and fully paid ordinary shares with a nominal value of 5 pence per share, quoted on AIM, together with 1,869,181 ordinary 5-pence 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 17 to the consolidated financial statements.

## Disclosure of information to the Auditor

The Directors who held office at the date of this Directors' report 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.

## Auditor

Grant Thornton UK LLP, who were re-appointed on 8 December 2022, 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 19 December 2023 at 10.30am. 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
10 October 2023

# 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, the Directors have to prepare the financial statements in accordance with UK-adopted 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 applicable UK-adopted international accounting standards 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.

On Behalf of the Board

**James Ormondroyd**
Director
10 October 2023

# Directors and Advisers

## Chairman

Michael Jackson*^~ (73) 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 (65) was appointed to the Board in February 2004. Previously, he was Vice President at GN Netcom 1999–2004, part of the Danish OMX-listed GN Great Nordic Group. Before that, he held a number of international management positions at IBM and AP Moller-Maersk Line.

## Group Finance Director

James Ormondroyd (51) 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 five 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*^~ (69) 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 (61) 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,<br>Bedford Heights<br>Brickhill Drive<br>Bedford<br>MK41 7PH |
| **Directors:** | M Jackson<br>H Bang<br>J Ormondroyd<br>M Neville<br>T Ozmen |
| **Secretary:** | M Greensmith |
| **Bankers:** | Lloyds Bank plc<br>Black Horse House, Progression Centre<br>42 Mark Road<br>Hemel Hempstead<br>HP2 7DW |
| **Nominated advisers:** | Canaccord Genuity Limited<br>88 Wood Street<br>London<br>EC2V 7QR |
| **Registrars:** | Neville Registrars Limited<br>Neville House<br>Steelpark Road<br>Halesowen<br>B62 8HD |
| **Solicitors:** | DLA Piper UK LLP<br>160 Aldersgate Street<br>London<br>EC1A 4HT |
| **Auditors:** | Grant Thornton UK LLP<br>Chartered Accountants and Registered Auditor<br>101 Cambridge Science Park<br>Milton Road<br>Cambridge<br>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 (QCA) 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-sized 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 appropriate extent. Below, we provide an explanation of the approach taken in relation to each and any areas where we do not comply with the QCA Code 2018.

## Principle 1 – Establish a strategy and business model that 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 automation and customer experience. Our industry-leading Liberty platform is a suite of automation, 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 our 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 automation and Customer Engagement market opportunity to acquire new customers;
- enhance distribution, including international presence, via new channels including 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 that 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 its 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 the security of customers' 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 high 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 detailed disaster recovery programme and employment of experienced staff; and
- 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 shareholders' 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.

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 and otherwise to ensure

# Corporate governance statement

the health and safety of our employees and shareholders. The Notice of AGM is sent to shareholders at least 21 clear 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' to facilitate good relations with, and between, colleagues. These activities allow staff to share their views on ways in which the Group can improve, including 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; and 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 periodic 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 whom 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 previously provided consulting services to Gresham House Asset Management Ltd ('Gresham House') in relation to their investments in private technology companies, which ended in 2022. 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. Mr Ozmen does not believe his consultancy agreement with Gresham House interferes with his exercise of self-judgement, 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 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 the Board considers that its present Directors provide a wide range of expertise that 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 | 11 | 11 | – | 3[(1)] | – | – | – | – |
| James Ormondroyd | 11 | 11 | – | 3[(1)] | – | – | – | – |
| **Non-Executive Directors** | | | | | | | | |
| Michael Jackson | 11 | 11 | 3 | 3 | 5 | 5 | – | – |
| Michael Neville | 11 | 10 | 3 | 2 | 5 | 5 | – | – |
| Tamer Ozmen | 11 | 11 | – | 1[(1)] | – | – | – | – |

(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: Chairman 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 a 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 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. However, Michael Neville, a Non-Executive Director, has informed the Board that he intends to step down once the Board has recruited a new independent Non-Executive Director, and following a transition period thereafter. Michael Neville, who has served on the Board for over 12 years, and as Chairman of Telephonetics plc for five years, prior to its acquisition by Netcall, has been a very active Non-Executive Director and significant contributor to the Company's progress toward a Cloud-driven intelligent automation business.

Michael Neville was proposed for re-election and reappointed in 2019 and Michael Jackson and Tamer Ozmen in 2020, and Tamer Ozmen will be proposed for re-election at the Company's Annual General Meeting on 19 December 2023.

## 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 that its culture is positive.

The Board believes that a culture based on these core values is consistent with the 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 below. 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 below. The terms of reference of the Remuneration Committee are available on the Company's website.

# Corporate governance statement

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.

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 provided 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 three 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; and
- considered and set the financial and individual performance targets, in light of the strategic framework, for the Executive Directors' annual bonus plans.

## 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 and 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 'Company') and its subsidiaries (the 'Group') for the year ended 30 June 2023, 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, Parent Company balance sheet, Parent Company statement of changes in equity and the 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 UK-adopted international accounting standards. 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 Company's affairs as at 30 June 2023 and of the Group's profit and the Company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the 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.

# Independent Auditor's report to the members of Netcall plc

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's base case forecasts covering the period to 31 October 2024, assessing how these forecasts were compiled and challenging key assumptions;
- Assessing the accuracy of management's forecasting by comparing the reliability of past forecasts to past actual results;
- Obtaining management's downside scenario and reverse stress test used to assess the possible risks to going concern and the impact of such scenarios; and
- Assessing the adequacy of related disclosures within the Annual Report and Accounts.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and the Company's business model including effects arising from macro-economic uncertainties such as the cost of living crisis, 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 Company's financial resources or ability to continue operations over the going concern period.

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.

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.

Our responsibilities and responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Our approach to the audit

Grant Thornton


**Overview of our audit approach**

Overall materiality:

Group: £356,800, which represents 1% of the Group's revenue at the planning stage of the audit.

Company: £280,000, which represents 1% of the Company's total assets at the planning stage of the audit, capped at approximately 80% of Group materiality.

Key audit matters were identified as:

- Improper revenue recognition in respect of the occurrence of service revenues (new in the year, but refines the prior year key audit matter being the revenue attributable to open performance obligations, which have not yet been fulfilled by the year-end date)

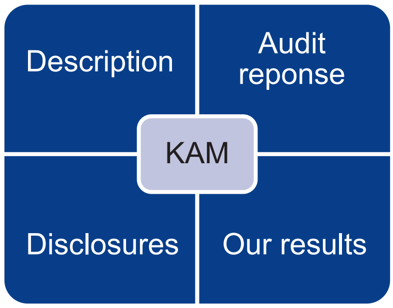
Our auditor's report for the year ended 30 June 2022 included one key audit matter that has not been reported as a key audit matter in our current year's report. This related to the impairment of goodwill. We have re-assessed the risk, and the likelihood of material misstatement arising from error within the key assumptions of management's impairment assessment is reduced such that the risk is no longer considered a key audit matter in the current year.

We performed an audit of the financial information using component materiality of the financial statements of the Company, Netcall plc, and two other individually financially significant components of the Group. This yielded coverage of 91% of the Group's total assets, 98% of the group's revenue and 83% of the group's profit before tax.

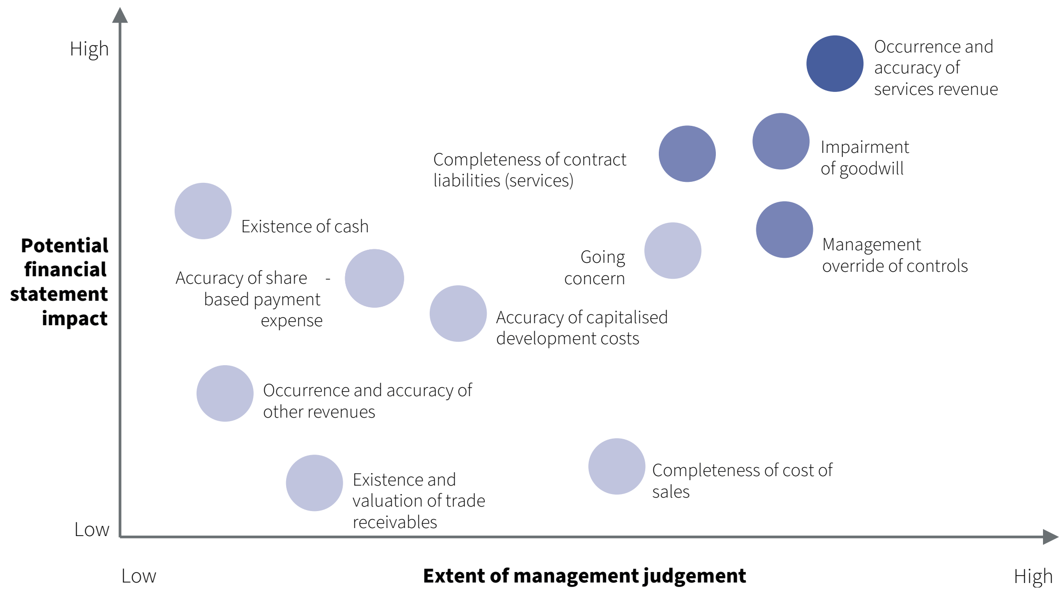
Analytical procedures were performed for all components of the group that were neither significant nor material.

## 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** | ● | **Significant risk** | ● | **Other risk** |

# Independent Auditor's report to the members of Netcall plc

| Key Audit Matter – Group | How our scope addressed the matter – Group |
|---|---|
| **Occurrence and accuracy of services revenue**<br>We identified the occurrence and accuracy of services revenue as one of the most significant assessed risks of material misstatement due to fraud.<br>The Group has recognised revenue of £36.0m (FY22: £30.5m) in the year, which includes revenue from cloud services, product support contracts, services, communications services and product sales. The nature of the Group's revenue involves the processing of multi-year contracts, some of which are recognised over time.<br>The audit team's assessment is that the cloud services, product support contracts, communication services and product sales revenue transactions are non-complex with no judgement applied over the amount recorded, as revenue recognised equates to the value of the service, spread evenly over the period of each contract (cloud services and product support contracts), or is recognised immediately upon delivery of the product or service (communications services and product sales).<br>However, professional services ("services") revenues consist 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. We consider the degree of estimation in determining the stage of completion of each project to be where the opportunity and incentive for revenue and contract liability misstatement could occur.<br>We have therefore assessed our significant fraud risk to be in respect of these revenues, which amount to £5.2m. Linked to this is a significant risk over the completeness of services contract liabilities at the year end due to fraud which amount to £4.8m. | In responding to the key audit matter, we performed the following audit procedures:<br>• Obtained an understanding of the process for the recognition of revenue and tested the design and implementation effectiveness of relevant controls;<br>• Assessed whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers' and whether management had appropriately applied these policies in the recognition of revenue;<br>• Used data analytics techniques, including visualisations and matching, to identify unusual revenue transactions for further substantive testing;<br>• Tested revenue by agreeing a sample of transactions in the year to supporting evidence including:<br>– Obtaining the contract;<br>– Considering whether the performance obligations identified by management were consistent with the contract;<br>– Agreeing the transaction price to the contract and assessing the allocation of the transaction price to the various performance obligations; and<br>– Inspecting evidence of occurrence of the service and recalculating management's estimate of stage completion by agreeing to timesheets and comparing to project budgets.<br>• Assessed management's historical forecasting accuracy for stage of completion;<br>• Tested for post year-end changes to assumptions for a sample of contracts; and<br>• In respect of contract liabilities, selected a sample of transactions to determine whether the amount of revenue recognised in the year and the amount deferred at the balance sheet date were accurately calculated based on progress of the contract. |
| **Relevant disclosures in the 2023 Annual Report and Accounts**<br>Financial Statements: Note 3(f), accounting policies and significant judgements; Note 3, revenue from contracts with customers | **Our results**<br>Based on our audit work, we did not identify evidence of material misstatement in relation to improper revenue recognition. |

## 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:

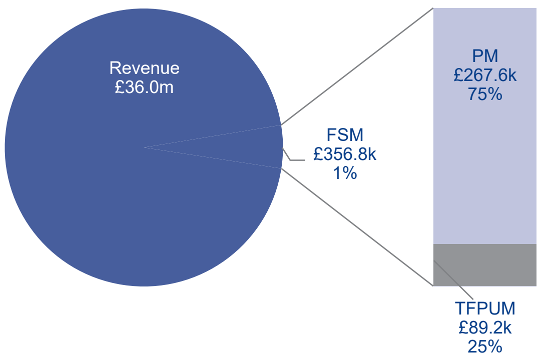
| Materiality measure | Group | Parent Company |
|---|---|---|
| **Materiality for financial statements as a whole** | We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work. | |
| Materiality threshold | £356,800, which is approximately 1% of Group's revenues at the planning stage of the audit. | £280,000, which represents 1% of the Company's total assets at the planning stage of the audit, capped at approximately 80% of group materiality. |
| Significant judgements made by auditor in determining materiality | In determining materiality, we made the following significant judgements:<br>• Revenue has been determined as being the most appropriate benchmark for determining materiality, as this is a key performance indicator used by the business.<br>• The use of this as a benchmark provides consistency and comparability with the prior year benchmark, and prevents a fluctuating materiality that would be determined if an alternative measure, such as profit before tax, was used.<br>• Additionally, this benchmark is used by industry peers and is therefore comparable within the sector.<br>Materiality for the current year is higher than the level that we determined for the year ended 30 June 2022 to reflect revenue growth in the current year. | In determining materiality, we made the following significant judgements:<br>• An asset-based benchmark was considered the most appropriate benchmark for a holding company.<br>• We used a measurement percentage of 1% which was then capped at approximately 80% of group materiality.<br>Materiality for the current year is higher than the level that we determined for the year ended 30 June 2022 to reflect the higher group materiality threshold in the current year. |

# Independent Auditor's report to the members of Netcall plc

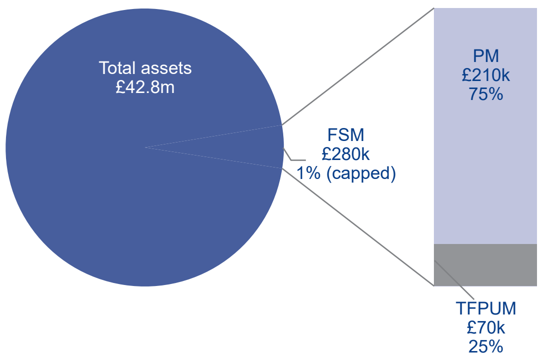
<table>
<tr><th>Materiality measure</th><th>Group</th><th>Parent Company</th></tr>
<tr><td>Performance materiality used to drive the extent of our testing</td><td colspan="2">We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.</td></tr>
<tr><td>Performance materiality threshold</td><td>£267,600 which is 75% of financial statement materiality.</td><td>£210,000 which is 75% of financial statement materiality.</td></tr>
<tr><td>Significant judgements made by auditor in determining performance materiality</td><td>In determining performance materiality, we made the following significant judgements:<br>• No significant adjustments identified from the 2022 audit; and<br>• Management are judged to be suitably qualified and experienced to carry out their role.</td><td>In determining performance materiality, we made the following significant judgements:<br>• No significant adjustments identified from the 2022 audit; and<br>• Management are judged to be suitably qualified and experienced to carry out their role.</td></tr>
<tr><td>Specific materiality</td><td colspan="2">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.</td></tr>
<tr><td>Specific materiality</td><td>We determined a lower level of specific materiality for the following areas:<br>• directors' remuneration; and<br>• related party transactions</td><td>We determined a lower level of specific materiality for the following areas:<br>• directors' remuneration; and<br>• related party transactions</td></tr>
<tr><td>Communication of misstatements to the audit committee</td><td colspan="2">We determine a threshold for reporting unadjusted differences to the audit committee.</td></tr>
<tr><td>Threshold for communication</td><td>£17,840 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.</td><td>£14,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.</td></tr>
</table>

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 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; and
- The engagement team obtained an understanding of the Group's organisational structure and considered its effect on the scope of the audit, identifying that the group financial reporting system is centralised.

### Identifying significant components

- Component significance was determined based on the relative share of key group financial metrics including revenue, profit before tax and other significant balances relevant to the Group.

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

- For all significant risks and key audit matters identified, the group engagement team obtained an understanding of the relevant controls that management has implemented over the related processes.
- For components classified as 'individually financially significant to the group', an audit of the financial information of the component using component materiality (full-scope audit) was performed. The components which fell into this scope were Netcall plc, Netcall Technology Limited and Netcall Systems Limited.
- Analytical procedures were performed on all other components.

# Independent Auditor's report to the members of Netcall plc

### Performance of our audit

- Testing has been performed over the following key areas of the group. All full-scope audits were based in the UK and performed by the group engagement team.

| Audit approach | No. of components | % coverage Revenue | % coverage PBT | % coverage Total assets |
|---|---|---|---|---|
| Full-scope audit | 3 | 98% | 83% | 91% |
| Analytical procedures | 11 | 3% | 17% | 9% |

### Communications with component auditors

- No component auditors were involved in this audit, all work was performed by the group engagement team.

### Changes in approach from previous period

- In the prior year, three components were subject to specific-scope audit procedures, however based on the significance of such components this year, only analytical procedures were performed in the current year.

## Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Accounts. 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.

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 themselves. 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

As explained more fully in the Statement of directors' responsibilities, set out on page 19, 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 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.

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.

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

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 the Company and determined the most significant are those that relate to the financial reporting frameworks, being the AIM Rules for Companies, Companies Act 2006 and UK-adopted international accounting standards for the Group, and the Companies Act 2006 and FRS 101 'Reduced Disclosure Framework' for the Company, together with relevant tax compliance regulations. In addition, we concluded that there are certain other significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, being laws and regulations relating to health and safety, employee matters, data protection and bribery and corruption practices.
- We obtained an understanding of how the group and the Company are 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 and Company's policies and procedures relating to the identification, evaluation and response to the risks of fraud and the establishment of internal controls to mitigate these risks.

# Independent Auditor’s report to the members of Netcall plc

- We assessed the susceptibility of the Group and Company’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, specifically share-based payments, revenue recognition of service revenues, capitalisation of development costs and the impairment of goodwill, all of which could be impacted by management bias.
- Audit procedures performed by the engagement team included:
  - Identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud;
  - Obtaining an understanding of how those charged with governance consider and address the potential for management override of controls or other inappropriate influence over the financial reporting process;
  - Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
  - Challenging assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner’s assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team’s:
  - Understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
  - Knowledge of the industry in which the group and the parent company operate; and
  - Understanding of the legal and regulatory frameworks applicable to the group and the parent company.
- Relevant laws and regulations and potential fraud risks were communicated to all engagement team members. We remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

## 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.

**Andrew Hodgekins**
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

10 October 2023

# Consolidated income statement

**for the year ended 30 June 2023**

| | Notes | 2023 £000 | 2022 £000 |
|---|---|---|---|
| **Revenue** | 3 | **36,040** | 30,458 |
| Cost of sales | | **(5,768)** | (5,021) |
| **Gross profit** | | **30,272** | 25,437 |
| | | | |
| Administrative expenses | | **(26,522)** | (22,363) |
| Other gains/(losses) – net | 5(a) | **62** | 113 |
| **Adjusted EBITDA** | 2(b) | **8,003** | 6,405 |
| Depreciation | 8(a), 8(b) | **(377)** | (437) |
| Amortisation of acquired intangible assets | 8(c) | **(522)** | (522) |
| Amortisation of other intangible assets | 8(c) | **(1,287)** | (1,239) |
| Post-completion services | 4(a) | **(365)** | (56) |
| Share-based payments | 17(c) | **(1,640)** | (964) |
| **Operating profit** | | **3,812** | 3,187 |
| | | | |
| Finance income | 5(e) | **344** | 6 |
| Finance costs | 5(e) | **(155)** | (881) |
| Finance costs – net | | **189** | (875) |
| **Profit before tax** | | **4,001** | 2,312 |
| | | | |
| Tax credit | 6(a) | **205** | 88 |
| **Profit for the year** | | **4,206** | 2,400 |
| | | | |
| **Earnings per share** | | **Pence** | Pence |
| Basic | 18(a) | **2.69** | 1.61 |
| Diluted | 18(a) | **2.52** | 1.52 |

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 75 form part of these financial statements.

# Consolidated statement of comprehensive income

**for the year ended 30 June 2023**

| | Notes | 2023 £000 | 2022 £000 |
|---|---|---|---|
| **Profit for the year** | | **4,206** | 2,400 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Exchange differences arising on translation of foreign operations | 9(c) | **8** | (14) |
| **Total other comprehensive income for the year** | | **8** | (14) |
| **Total comprehensive income for the year** | | **4,214** | 2,386 |

All of the comprehensive income for the year is attributable to the shareholders of Netcall plc. The notes on pages 42 to 75 form part of these financial statements.

# Consolidated balance sheet

as at 30 June 2023

| | Notes | 2023 £000 | 2022 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 8(a) | **699** | 477 |
| Right-of-use assets | 8(b) | **298** | 539 |
| Intangible assets | 8(c) | **30,453** | 29,976 |
| Deferred tax assets | 8(d) | **1,767** | 906 |
| Financial assets at fair value through other comprehensive income | 7(c) | **72** | 72 |
| **Total non-current assets** | | **33,289** | 31,970 |
| **Current assets** | | | |
| Inventories | 8(e) | **31** | 37 |
| Other current assets | 8(f) | **2,333** | 2,767 |
| Contract assets | 3(c) | **599** | 888 |
| Trade receivables | 7(a) | **4,468** | 3,704 |
| Other financial assets at amortised cost | 7(b) | **57** | 8 |
| Cash and cash equivalents | 7(d) | **24,753** | 17,605 |
| **Total current assets** | | **32,241** | 25,009 |
| **Total assets** | | **65,530** | 56,979 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Contract liabilities | 3(c) | **787** | 525 |
| Borrowings | 7(f) | **–** | 2,304 |
| Lease liabilities | 8(b) | **292** | 521 |
| Deferred tax liabilities | 8(d) | **1,151** | 899 |
| **Total non-current liabilities** | | **2,230** | 4,249 |
| **Current liabilities** | | | |
| Trade and other payables | 7(e) | **7,232** | 7,963 |
| Contract liabilities | 3(c) | **20,578** | 16,005 |
| Borrowings | 7(f) | **–** | 1,167 |
| Lease liabilities | 8(b) | **113** | 177 |
| **Total current liabilities** | | **27,923** | 25,312 |
| **Total liabilities** | | **30,153** | 29,561 |
| **Net assets** | | **35,377** | 27,418 |
| | | | |
| **Equity attributable to the owners of Netcall plc** | | | |
| Share capital | 9(a) | **8,108** | 7,587 |
| Share premium | 9(a) | **5,574** | 3,015 |
| Other equity | 9(b) | **4,900** | 4,900 |
| Other reserves | 9(c) | **3,056** | 4,462 |
| Retained earnings | | **13,739** | 7,454 |
| **Total equity** | | **35,377** | 27,418 |

The notes on pages 42 to 75 form part of these financial statements. These financial statements on pages 37 to 75 were approved and authorised for issue by the Board on 10 October 2023 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 2023**

| | Notes | Share capital £000 | Share premium £000 | Other equity £000 | Other reserves £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Balance at 30 June 2021** | | **7,534** | **3,015** | **4,900** | **3,840** | **5,317** | **24,606** |
| Proceeds from share issue | 9(a) | 53 | – | – | – | (1) | **52** |
| Increase in equity reserve in relation to options issued | 9(c) | – | – | – | 775 | – | **775** |
| Tax credit relating to share options | 6(d) | – | – | – | 153 | – | **153** |
| Reclassification following exercise or lapse of options | 9(c) | – | – | – | (292) | 292 | **–** |
| Dividends paid | 13(b) | – | – | – | – | (554) | **(554)** |
| **Transactions with owners** | | **53** | **–** | **–** | **636** | **(263)** | **426** |
| Profit for the year | | – | – | – | – | 2,400 | **2,400** |
| Other comprehensive income | | – | – | – | (14) | – | **(14)** |
| **Total comprehensive income for the year** | | **–** | **–** | **–** | **(14)** | **2,400** | **2,386** |
| **Balance at 30 June 2022** | | **7,587** | **3,015** | **4,900** | **4,462** | **7,454** | **27,418** |
| Proceeds from share issue | 9(a) | 521 | 2,559 | – | – | – | **3,080** |
| Increase in equity reserve in relation to options issued | 9(c) | – | – | – | 1,099 | – | **1,099** |
| Tax credit relating to share options | 6(d) | – | – | – | 405 | – | **405** |
| Reclassification following exercise or lapse of options | 9(c) | – | – | – | (2,918) | 2,918 | **–** |
| Dividends paid | 13(b) | – | – | – | – | (839) | **(839)** |
| **Transactions with owners** | | **521** | **2,559** | **–** | **(1,414)** | **2,079** | **3,745** |
| Profit for the year | | – | – | – | – | 4,206 | **4,206** |
| Other comprehensive income | | – | – | – | 8 | – | **8** |
| **Total comprehensive income for the year** | | **–** | **–** | **–** | **8** | **4,206** | **4,214** |
| **Balance at 30 June 2023** | | **8,108** | **5,574** | **4,900** | **3,056** | **13,739** | **35,377** |

The notes on pages 42 to 75 form part of these financial statements.

# Consolidated cash flow statement

**for the year ended 30 June 2023**

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

The notes on pages 42 to 75 form part of these financial statements.

# Notes to the consolidated financial statements

**for the year ended 30 June 2023**

## 1 Significant changes in the current reporting period

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

- The final payment of £0.38m contingent consideration to the former owners of Oakwood Technologies BV was accounted for as a post-completion services expense and cash flow (see note 4).
- Employer's National Insurance contribution expenses on share options increased to £0.52m (2022: £0.19m) as a result of the higher share price at the year end and the maturity of the vesting period of the share options. The expense is included in 'Share-based payments' and payments on options exercised during the year totalling £0.49m (2022: £0.02m) are included in 'Cash flow from operations'.
- In January 2023, the Company extended the vesting period of certain options from April 2023 to April 2024. The incremental charge in respect of the modification was valued at £1.02m, which is expensed to profit and loss over the remaining updated vesting period. As a result, £0.36m expense was included in 'Share-based payments' during the year (see note 17(a)).
- The Company started the financial year with Loan Notes outstanding of £3.5m. It made a scheduled repayment of £0.6m in September 2022, and in October 2022 redeemed the final £2.9m of the Loan Notes. In September 2022, options issued in connection with the Loan Notes were exercised and the Company received £2.8m in proceeds and issued 4,827,586 new ordinary shares of 5 pence each (see notes 7(f) and 9(a)).

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 5 to 12.

## 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.

### 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:

| | **2023**<br>**£000** | 2022<br>£000 |
|---|---|---|
| **Adjusted EBITDA** | **8,003** | 6,405 |
| Depreciation | **(377)** | (437) |
| Amortisation of acquired intangible assets | **(522)** | (522) |
| Amortisation of other intangible assets | **(1,287)** | (1,239) |
| Post-completion services | **(365)** | (56) |
| Share-based payments | **(1,640)** | (964) |
| **Operating profit** | **3,812** | 3,187 |

### 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:

| | **2023 £000** | 2022 £000 |
|---|---|---|
| UK | **30,495** | 29,952 |
| Other countries | **955** | 1,040 |
| **Total** | **31,450** | 30,992 |

## 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:

| | **2023 £000** | 2022 £000 |
|---|---|---|
| Cloud services | **16,602** | 10,747 |
| Communication services | **2,584** | 2,995 |
| Product support contracts | **9,396** | 8,969 |
| Product | **2,245** | 2,238 |
| Services | **5,213** | 5,509 |
| | **36,040** | 30,458 |
| Timing of revenue recognition: | | |
| At a point in time | **4,829** | 5,233 |
| Over time | **31,211** | 25,225 |

### 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 £30.4m (2022: £27.7m), and the total from external customers from other countries is £5.6m (2022: £2.8m).

A single external customer accounted for 14% of the Group's revenue in the current year. No single external customer accounted for more than 10% of the Group's revenue in 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:

| | **2023 £000** | 2022 £000 |
|---|---|---|
| Contract assets | **602** | 909 |
| Loss allowance | **(3)** | (21) |
| **Total contract assets** | **599** | 888 |
| Contract liabilities – current | **20,578** | 16,005 |
| Contract liabilities – non-current | **787** | 525 |
| **Total contract liabilities** | **21,365** | 16,530 |

Contract assets have decreased by £0.29m as the Group has provided fewer Product and Consultancy services ahead of agreed payment schedules. Contract liabilities have increased by £4.84m, primarily due to an increase in advance payments for new Cloud services and Consultancy services.

# Notes to the consolidated financial statements

**for the year ended 30 June 2023**

### 3(d) Revenue recognised in relation to contract liabilities

Set out below is the amount of revenue recognised from:

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Amounts included in contract liabilities at the beginning of the year | **15,515** | 11,355 |
| 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:

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Within one year | **24,082** | 19,804 |
| More than one year | **23,125** | 27,896 |

### 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 usage 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 licence fees and hardware. Revenue for products is recognised at a point in time when the customer has control of the asset; and
- **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 licence 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 modify or customise 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 the following item in the prior year, which was material due to the significance of its nature and/or its amount. It is listed separately here to provide a better understanding of the financial performance of the Group in this and the prior year.

| | Notes | **2023 £000** | 2022 £000 |
|---|---|---|---|
| Post-completion services expense | 4(a) | **(365)** | (56) |
| | | **(365)** | (56) |

### 4(a) Post-completion services expense

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

## 5 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 gains/(losses) – net

| | **2023 £000** | 2022 £000 |
|---|---|---|
| Net foreign exchange gains/(losses) | **62** | 113 |
| Net loss on disposal of property, plant and equipment | **–** | – |
| **Total other gains/(losses) – net** | **62** | 113 |

### 5(b) Breakdown of expenses by nature

| | Notes | **2023 £000** | 2022 £000 |
|---|---|---|---|
| Inventory recognised as an expense | 8(e) | **202** | 65 |
| Employee benefit expenses | 5(c) | **22,766** | 19,590 |
| Depreciation and amortisation | 8(a), 8(b), 8(c) | **2,186** | 2,198 |
| Other expenses | | **7,136** | 5,531 |
| **Total cost of sales and administrative expenses** | | **32,290** | 27,384 |

Research and development costs of £2.71m have been expensed during the year (2022: £2.46m).

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

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Fees payable to Company's Auditor for the audit of Parent Company and consolidated financial statements | **33** | 26 |
| Fees payable to the Company's Auditor for other services: | | |
| – the audit of the Company's subsidiaries pursuant to legislation | **73** | 65 |
| – audit-related services | **9** | 8 |
| – tax advisory services | **–** | – |
| | **115** | 99 |

## 5(c) Breakdown of employee benefit expenses

| | Notes | 2023 £000 | 2022 £000 |
|---|---|---|---|
| Wages and salaries | | **19,737** | 17,025 |
| Less: internal development costs capitalised in the year | | **(2,134)** | (1,485) |
| Social security costs | | **2,391** | 2,114 |
| Share options charge for Directors and employees | 17(c) | **1,640** | 964 |
| Pension costs – defined contribution plans | | **1,132** | 972 |
| | | **22,766** | 19,590 |

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

| | 2023 | 2022 |
|---|---|---|
| Average number of people (including Executive Directors) employed: | | |
| Sales and marketing | **82** | 77 |
| Development and operations | **165** | 152 |
| Management and administration | **23** | 23 |
| **Total average headcount** | **270** | 252 |

## 5(e) Finance income and costs

| | 2023 £000 | 2022 £000 |
|---|---|---|
| *Finance income* | | |
| Interest income from financial assets held for cash-management purposes | **344** | 6 |
| **Finance income** | **344** | 6 |
| *Finance costs* | | |
| Interest and finance charges paid/payable for financial liabilities at amortised cost | **110** | 741 |
| Interest paid/payable for lease liabilities (see note 8(b)) | **16** | 24 |
| Borrowings: unwinding of discount (see note 7(f)) | **29** | 113 |
| Other payables: unwinding of discount (see note 7(g)) | **–** | 3 |
| **Finance costs expensed** | **155** | 881 |
| | | |
| **Finance costs – net** | **189** | (875) |

# 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

| | 2023 £000 | 2022 £000 |
|---|---|---|
| *Current tax* | | |
| Current tax on profits for the year | **(1)** | (1) |
| Adjustments in respect of prior years | **–** | – |
| **Total current tax expense** | **(1)** | (1) |
| *Deferred tax* | | |
| Increase in deferred tax assets | **(456)** | (105) |
| Increase in deferred tax liabilities | **252** | 18 |
| **Total deferred tax credit** | **(204)** | (87) |
| **Total tax credit** | **(205)** | (88) |

## 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 £4.55m (2022: £6.39m). The Group has recognised a deferred tax asset of £0.29m (2022: £7,000) as management considers it more likely than not that the future taxable profits will utilise these losses in the foreseeable future.

In addition, the Group has not recognised a deferred tax asset of £1.27m (2022: £1.27m) in respect of losses that are capital in nature amounting to £6.68m (2022: £6.68m) or a deferred tax asset of £0.33m (2022: £0.05m) in relation to temporary timing differences due to share-based payment charges of £1.32m (2022: £0.26m).

## 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:

| | 2023 £000 | 2022 £000 |
|---|---|---|
| **Profit before tax** | **4,001** | 2,312 |
| Tax expense calculated at 20.5% (2022: 19%) | **820** | 439 |
| Tax effects of: | | |
| – expenses not deductible for tax purposes | **307** | 192 |
| – additional deductions for R&D expenditure | **–** | (211) |
| – utilisation of previously unrecognised tax losses | **–** | (106) |
| – tax losses arising in the period not provided as a deferred tax asset | **–** | 3 |
| – tax losses arising in the period provided as a deferred tax asset | **(163)** | (7) |
| – deferred tax impact of share options | **97** | (340) |
| – relief for employee share schemes | **(1,006)** | (140) |
| – other | **15** | 17 |
| Measurement of deferred tax – change in UK corporation tax rate | **(275)** | 65 |
| **Total tax (credit)/charge** | **(205)** | (88) |

### 6(d) Amounts recognised directly in equity

| | 2023 £000 | 2022 £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 | **405** | 153 |
| | **405** | 153 |

## 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 | 2023 £000 | 2022 £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) | **4,468** | 3,704 |
| • Contract assets | 3(c) | **599** | 888 |
| • Other financial assets at amortised cost | 7(b) | **57** | 8 |
| • Cash and cash equivalents | 7(d) | **24,753** | 17,605 |
| **Total financial assets** | | **29,949** | 22,277 |
| **Financial liabilities** | | | |
| Liabilities at amortised cost | | | |
| • Trade and other payables (excluding statutory liabilities) | 7(e) | **6,114** | 6,874 |
| • Borrowings | 7(f) | **–** | 3,471 |
| • Lease liabilities | 8(b) | **405** | 698 |
| **Total financial liabilities** | | **6,519** | 11,043 |

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(a) Trade receivables

| | 2023 £000 | 2022 £000 |
|---|---|---|
| ***Current assets*** | | |
| Trade receivables | **4,556** | 3,802 |
| Loss allowance (see note 12(c)) | **(88)** | (98) |
| | **4,468** | 3,704 |

### 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

| | **2023 £000** | 2022 £000 |
|---|---|---|
| Other receivables | **57** | 8 |
| | **57** | 8 |

### 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 for which the 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 that 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

| | **2023 £000** | 2022 £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 Molten Ventures 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 (2022: £nil).

### 7(d) Cash and cash equivalents

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Cash at bank and in hand | **24,753** | 17,605 |
| **Cash and cash equivalents** | **24,753** | 17,605 |

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

| | 2023 £000 | 2022 £000 |
|---|---|---|
| *Current liabilities* | | |
| Trade payables | **267** | 446 |
| Payroll tax and other statutory liabilities | **1,118** | 1,089 |
| Other payables | **5,847** | 6,428 |
| | **7,232** | 7,963 |

Trade payables are unsecured and are usually paid within 30 days of recognition. 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.

### 7(f) Borrowings

| | 2023 Current £000 | 2023 Non-current £000 | 2023 Total £000 | 2022 Current £000 | 2022 Non-current £000 | 2022 Total £000 |
|---|---|---|---|---|---|---|
| *Unsecured* | | | | | | |
| Loan Notes | – | – | – | 1,167 | 2,304 | 3,471 |
| **Total borrowings** | – | – | – | 1,167 | 2,304 | 3,471 |

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 comprised the issue of a £7.0m Loan Note and the award of options over 4,827,586 new ordinary shares of 5 pence each at a price of 58 pence per share. The Loan Note was unsecured, has an annual interest rate of 8.5% payable quarterly in arrears and was repayable in six instalments from 30 September 2022 to 31 March 2025. The Company made an initial repayment of £3.5m in November 2021, a scheduled repayment of £0.6m in September 2022, and, in October 2022, redeemed the final £2.9m of the Loan Notes. In September 2022, the options were exercised and the Company received £2.8m in proceeds and issued 4,827,586 new ordinary shares of 5 pence each (see note 9(a)).

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 66.5 pence 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:

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Face value of notes issued | **7,000** | 7,000 |
| Face value of notes redeemed | **(7,000)** | (3,500) |
| Share schemes reserve – value of share option | **(584)** | (584) |
| | **(584)** | 2,916 |
| Unwinding of discount: | | |
| Opening balance | **555** | 442 |
| Movement in the year | **29** | 113 |
| Closing balance | **584** | 555 |
| **Total liability** | **–** | 3,471 |

## 7(g) Other payables – acquisition consideration

| | 2023 Current £000 | 2023 Non-current £000 | 2023 Total £000 | 2022 Current £000 | 2022 Non-current £000 | 2022 Total £000 |
|---|---|---|---|---|---|---|
| Acquisition consideration | **–** | **–** | **–** | 12 | – | 12 |

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

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Opening balance | **12** | 161 |
| Acquisition of Oakwood Technologies BV | **–** | – |
| Charged/(credited) to profit or loss: | | |
| – post-completion services expense | **365** | 56 |
| – unwinding of discount | **–** | 3 |
| – effect of exchange rate | **(1)** | (1) |
| Post-completion services paid during the year – cash | **(376)** | (106) |
| Deferred consideration paid during the year – cash[1] | **–** | (101) |
| **Closing balance** | **–** | 12 |

(1) The total cash flow for proprietary software in the prior year of £136,000 includes £35,000 for related professional fees, which were included within ‘Other payables’.

## 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; and
- information about determining the fair value of the assets 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 2021 | 531 | 1,803 | 2,334 |
| Additions | 1 | 133 | 134 |
| Disposals | (37) | (433) | (470) |
| At 30 June 2022 | 495 | 1,503 | 1,998 |
| Additions | – | 458 | 458 |
| **At 30 June 2023** | **495** | **1,961** | **2,456** |
| **Accumulated depreciation** | | | |
| At 30 June 2021 | 168 | 1,558 | 1,726 |
| Depreciation charge | 90 | 175 | 265 |
| Disposals | (37) | (433) | (470) |
| At 30 June 2022 | 221 | 1,300 | 1,521 |
| Depreciation charge | 87 | 149 | 236 |
| **At 30 June 2023** | **308** | **1,449** | **1,757** |
| **Net book amount** | | | |
| At 30 June 2021 | 363 | 245 | 608 |
| At 30 June 2022 | 274 | 203 | 477 |
| **At 30 June 2023** | **187** | **512** | **699** |

Depreciation expense of £0.24m (2022: £0.27m) 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 19(n) for the other accounting policies relevant to property, plant and equipment.

## 8(b) Leases

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

### Amounts recognised in the balance sheet

| | 2023 £000 | 2022 £000 |
|---|---|---|
| **Right-of-use assets** | | |
| Buildings | **298** | 539 |
| | **298** | 539 |
| **Lease liabilities** | | |
| Current | **113** | 177 |
| Non-current | **292** | 521 |
| | **405** | 698 |

Additions to the right-of-use assets during the year were £nil (2022: £nil).

### Amounts recognised in profit of loss

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Depreciation charge right-of-use assets – Buildings | **141** | 172 |
| Interest expense (including in finance cost) | **16** | 24 |
| 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 £0.21m (2022: £0.17m).

### 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 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 2023, potential future cash outflows of £0.18m (undiscounted) have been included in the lease liability because it is reasonably certain that the leases will be extended (2022: £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 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 | Trade-marks and licences £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 30 June 2021 | 4,448 | 266 | 6,718 | 22,757 | 11,335 | 1,290 | 46,814 |
| Additions | – | – | – | – | 1,610 | 57 | 1,667 |
| At 30 June 2022 | 4,448 | 266 | 6,718 | 22,757 | 12,945 | 1,347 | 48,481 |
| Additions | – | – | – | – | 2,267 | 19 | 2,286 |
| **At 30 June 2023** | **4,448** | **266** | **6,718** | **22,757** | **15,212** | **1,366** | **50,767** |
| **Accumulated amortisation** | | | | | | | |
| At 30 June 2021 | 4,217 | 266 | 3,753 | – | 7,324 | 1,184 | 16,744 |
| Amortisation charge | 30 | – | 492 | – | 1,201 | 38 | 1,761 |
| At 30 June 2022 | 4,247 | 266 | 4,245 | – | 8,525 | 1,222 | 18,505 |
| Amortisation charge | 30 | – | 492 | – | 1,233 | 54 | 1,809 |
| **At 30 June 2023** | **4,277** | **266** | **4,737** | **–** | **9,758** | **1,276** | **20,314** |
| **Net book amount** | | | | | | | |
| At 30 June 2021 | 231 | – | 2,965 | 22,757 | 4,011 | 106 | 30,070 |
| At 30 June 2022 | 201 | – | 2,473 | 22,757 | 4,420 | 125 | 29,976 |
| **At 30 June 2023** | **171** | **–** | **1,981** | **22,757** | **5,454** | **90** | **30,453** |

Amortisation of £1.81m (2022: £1.76m) 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 licences 3–10 years

See note 19(o) for the other accounting policies relevant to intangible assets, and note 19(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.

### Significant estimate – internally generated software capitalisation and impairment

During the year, the Group capitalised £2.27m (2022: £1.61m) 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 £5.45m (2022: £4.42m).

### 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 2023 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 | Other CGU assets £000 | Carrying value £000 | Value in use £000 | Excess value in use £000 | Sensitivity % |
|---|---|---|---|---|---|---|
| Netcall | 22,757 | 8,693 | 31,450 | 69,582 | 38,132 | 121% |

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 19(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 2025, extended for another three years to 30 June 2028 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 15.6% (2022: 13.9%). 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:

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Tax losses | **292** | 7 |
| Share-based payments | **1,434** | 805 |
| Other | **41** | 94 |
| | **1,767** | 906 |

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 2021 | 308 | 312 | 28 | 648 |
| (Charged)/credited to the income statement | (301) | 340 | 66 | 105 |
| Credited to equity | – | 153 | – | 153 |
| At 30 June 2022 | 7 | 805 | 94 | 906 |
| Credited/(charged) to the income statement | 285 | 224 | (53) | 456 |
| Credited to equity | – | 405 | – | 405 |
| **At 30 June 2023** | **292** | **1,434** | **41** | **1,767** |

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

### Deferred tax liabilities

The balance comprises temporary differences attributable to:

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Acquired intangibles | **228** | 266 |
| Internally generated software assets | **819** | 608 |
| Accelerated tax depreciation | **104** | 25 |
| | **1,151** | 899 |

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 2021 | 24 | 303 | 554 | 881 |
| Charged/(credited) to the income statement | 1 | (37) | 54 | 18 |
| At 30 June 2022 | 25 | 266 | 608 | 899 |
| Charged/(credited) to the income statement | 79 | (38) | 211 | 252 |
| **At 30 June 2023** | **104** | **228** | **819** | **1,151** |

## 8(e) Inventories

| | 2023 £000 | 2022 £000 |
|---|---|---|
| ***Current assets*** | | |
| Goods for resale | **31** | 37 |

The cost of individual items is determined on a first in, first out basis. See note 19(m) for the Group's other accounting policies for inventories.

Inventories recognised as an expense during the year amounted to £0.20m (2022: £0.06m) of which write downs of inventories to net realisable value amounted to £nil (2022: £nil). These were recognised as an expense during the year and included in 'cost of sales'.

## 8(f) Other current assets

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Prepayments | **2,333** | 2,767 |
| | **2,333** | 2,767 |

# 9 Equity

## 9(a) Share capital and premium

| | Number of shares | Ordinary shares £000 | Share premium £000 | Total £000 |
|---|---|---|---|---|
| At 30 June 2021 | 150,686,110 | 7,534 | 3,015 | 10,549 |
| Employee share schemes issue (note 17(a)) | 1,060,338 | 53 | – | 53 |
| At 30 June 2022 | 151,746,448 | 7,587 | 3,015 | 10,602 |
| Employee share schemes issue (note 17(a)) | 5,582,804 | 280 | – | 280 |
| Loan Note options issue (note 17(b)) | 4,827,586 | 241 | 2,559 | 2,800 |
| **At 30 June 2023** | **162,156,838** | **8,108** | **5,574** | **13,682** |

### Share capital

Share capital represents the nominal value of equity shares and comprises ordinary shares with a par value of 5 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 (2022: nil). The total number of ordinary shares held in Treasury at the end of the year was 1,869,181 (2022: 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 17.

### 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 2021, 30 June 2022 and 30 June 2023** | **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 below the table.

| | Treasury shares £000 | Share option reserve £000 | Foreign currency translation £000 | Financial assets at FVOCI £000 | Total £000 |
|---|---|---|---|---|---|
| At 30 June 2021 | (419) | 4,476 | (1) | (216) | 3,840 |
| Increase in equity reserve in relation to options issued | – | 775 | – | – | 775 |
| Tax credit relating to share options | – | 153 | – | – | 153 |
| Reclassification following exercise or lapse of options | – | (292) | – | – | (292) |
| Exchange differences arising on translation of foreign operations | – | – | (14) | – | (14) |
| At 30 June 2022 | (419) | 5,112 | (15) | (216) | 4,462 |
| Increase in equity reserve in relation to options issued | – | 1,099 | – | – | 1,099 |
| Tax credit relating to share options | – | 405 | – | – | 405 |
| Reclassification following exercise or lapse of options | – | (2,918) | – | – | (2,918) |
| Exchange differences arising on translation of foreign operations | – | – | 8 | – | 8 |
| **At 30 June 2023** | **(419)** | **3,698** | **(7)** | **(216)** | **3,056** |

#### Treasury shares

Treasury shares represents shares in Netcall plc purchased and retained by it.

#### Share option reserve

Share option reserve represents accumulated equity-settled share-based payment expenses and related deferred tax until such share options are exercised or lapse. On exercise or lapse of options, the associated amount of the share option reserve is transferred from the share option reserve to retained earnings.

#### Foreign currency translation

Exchange differences arising on translation of the foreign-controlled entity are recognised in other comprehensive income as described in note 19(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

| | **2023 £000** | 2022 £000 |
|---|---|---|
| Cash and cash equivalents | **24,753** | 17,605 |
| Borrowings – fixed interest | **–** | (3,471) |
| Lease liabilities | **(405)** | (698) |
| Net funds | **24,348** | 13,436 |

### 10(b) Movements in Net Funds

| | Cash and cash equivalents £000 | Borrowings £000 | Lease liabilities £000 | Total £000 |
|---|---|---|---|---|
| At 30 June 2021 | 14,520 | (6,858) | (843) | 6,819 |
| Cash flows | 3,119 | 3,500 | 169 | 6,788 |
| Unwinding of discount (note 7(f), 8(b)) | – | (113) | (24) | (137) |
| Foreign exchange adjustments | (34) | – | – | (34) |
| Other changes | – | – | – | – |
| At 30 June 2022 | 17,605 | (3,471) | (698) | 13,436 |
| Cash flows | 7,135 | 3,500 | 214 | 10,849 |
| Unwinding of discount (note 7(f), 8(b)) | – | (29) | (16) | (45) |
| Foreign exchange adjustments | 13 | – | – | 13 |
| Other changes | – | – | 95 | 95 |
| **At 30 June 2023** | **24,753** | **–** | **(405)** | **24,348** |

## 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 needs 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 that 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 value of share-based payments – note 17
- 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 2023** | | | |
| Trade receivables | **402** | **43** | **445** |
| Contract assets | **334** | **–** | **334** |
| Other financial assets at amortised cost | **–** | **6** | **6** |
| Cash and cash equivalents | **96** | **46** | **142** |
| Trade and other payables (excluding statutory liabilities) | **(225)** | **(57)** | **(282)** |
| | **607** | **38** | **645** |
| **At 30 June 2022** | | | |
| Trade receivables | 20 | 22 | 42 |
| Contract assets | 265 | 43 | 308 |
| Other financial assets at amortised cost | – | 4 | 4 |
| Cash and cash equivalents | 368 | 116 | 484 |
| Trade and other payables (excluding statutory liabilities) | (200) | (119) | (319) |
| | 453 | 66 | 519 |

The Group does not consider there to be a material foreign exchange risk in relation to the financial instruments that it holds. A 10% movement in the exchange rate between sterling and the Euro or US dollar would not have a material effect on the foreign currency financial instruments 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 while 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 1.67% (2022: 0.04%). A 1% movement in interest rates would impact upon equity and net profit by approximately £0.15m (2022: £0.11m).

### 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 the 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.

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 2023 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:

| | **2023 £000** | 2022 £000 |
|---|---|---|
| Expected loss rate | **1.8%** | 2.5% |
| Gross carrying amount – trade receivables | **4,556** | 3,802 |
| Gross carrying amount – contract assets | **602** | 909 |
| Loss allowance | **91** | 119 |

The closing loss allowances for trade receivables and contract assets, as at 30 June 2023, reconcile to the opening balance as follows:

| | **Contract assets** | | **Trade receivables** | |
|---|---|---|---|---|
| | **2023 £000** | 2022 £000 | **2023 £000** | 2022 £000 |
| At 1 July | **21** | 42 | **98** | 109 |
| Increase in loss allowance recognised in profit or loss during the year | **2** | 18 | **35** | 54 |
| Receivables written off during the year as uncollectible | **–** | – | **–** | – |
| Unused amounts reversed | **(20)** | (39) | **(45)** | (65) |
| **At 30 June** | **3** | 21 | **88** | 98 |

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 the due date.

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, and cash and cash equivalents are considered 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 2023** | | | | | | | |
| Trade and other payables[1] | **6,114** | **–** | **–** | **–** | **–** | **6,114** | **6,114** |
| Borrowings | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Lease liabilities | **57** | **66** | **150** | **152** | **–** | **425** | **405** |
| | **6,171** | **66** | **150** | **152** | **–** | **6,539** | **6,519** |
| At 30 June 2022 | | | | | | | |
| Trade and other payables[1] | 6,874 | – | – | – | – | 6,874 | 6,732 |
| Borrowings | 583 | 584 | 1,167 | 1,166 | – | 3,500 | 3,471 |
| Lease liabilities | 97 | 97 | 169 | 349 | – | 712 | 698 |
| | 7,554 | 681 | 1,336 | 1,515 | – | 11,086 | 10,901 |

(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:

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Net funds | **24,348** | 13,436 |
| Equity attributable to owners of the Parent Company | **35,377** | 27,418 |
| **Net capital** | **11,029** | 13,982 |

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 2023** | | | | | |
| Final ordinary dividend for the year to June 2022 | **31/1/23** | **0.54p** | **839** | **839** | **–** |
| | | | **839** | **839** | **–** |
| **Year to June 2022** | | | | | |
| Final ordinary dividend for the year to June 2021 | 8/2/22 | 0.37p | 554 | 554 | – |
| | | | 554 | 554 | – |

It is proposed that this year's final ordinary dividend of 0.83 pence per share will be paid to shareholders on 9 February 2024. Netcall plc shares will trade ex-dividend from 28 December 2023 and the record date will be 29 December 2023. The estimated amount payable is £1.33m. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

## 14 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.

## 15 Post balance sheet events

### 15(a) Dividend

The Board recommended a final dividend for the year ended 30 June 2023 on 10 October 2023. See note 13(b) for details.

### 15(b) Issue of shares

On 18 August 2023, the Company issued and allotted 163,364 new ordinary shares following the exercise of share options by employees of the Group.

## 16 Related party transactions

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

### 16(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.

### 16(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:

| | **2023 £000** | 2022 £000 |
|---|---|---|
| Salaries and other short-term employee benefits | **2,046** | 1,562 |
| Company contributions to money purchase pension schemes | **38** | 35 |
| Share-based payments | **1,619** | 811 |
| **Total** | **3,703** | 2,408 |

### 16(c) Directors

| | **2023 £000** | 2022 £000 |
|---|---|---|
| Aggregate emoluments | **1,366** | 1,366 |
| Company contributions to money purchase pension schemes | **38** | 35 |
| **Total** | **1,404** | 1,401 |

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

The highest paid Director was paid £688,000 (2022: £707,000) and gained £1,968,000 on the exercise of share options in the year (2022: £nil). Personal pension contributions paid to the highest paid Director were £33,000 (2022: £31,000).

The Directors received dividend payments as follows:

| | **2023 £000** | 2022 £000 |
|---|---|---|
| **Executive Directors** | | |
| Henrik Bang[1] | **33** | 23 |
| James Ormondroyd[2] | **13** | 9 |
| **Non-Executive Directors** | | |
| Michael Jackson[3] | **11** | 8 |
| Michael Neville | **4** | 3 |

(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.

## 17 Share-based payments

### 17(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:

- In December 2013, the Company effected a Long Term Incentive Plan ('LTIP1'). The options are granted at an exercise price of 5 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 ('LTIP2'). The options are granted at an exercise price of 5 pence. Options were granted 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. Once vested, up to half of the options awarded may be exercised three years after grant and the other half five years after grant. In November 2020, the Company agreed to extend the vesting measurement date by two years to 30 April 2023 and the expiry date of the above LTIP2 options by a further three years to 29 April 2024. In January 2023, the Company agreed to extend the vesting measurement date by one year to 29 April 2024. See the notes below 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 the 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 5 pence. Options are conditional on certain vesting criteria, including the 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 ('LTIP3'). Options are granted at an exercise price of 5 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:

| | 2023 Weighted average exercise price in pence per share | 2023 Options (thousand) | 2022 Weighted average exercise price in pence per share | 2022 Options (thousand) |
|---|---|---|---|---|
| At 1 July | **5.0** | **16,252** | 5.0 | 18,115 |
| Granted | **–** | **–** | – | – |
| Exercised | **5.0** | **(5,583)** | 5.0 | (1,060) |
| Lapsed | **5.0** | **(85)** | 5.0 | (15) |
| Forfeited | **5.0** | **(1,037)** | 5.0 | (788) |
| **At 30 June** | **5.0** | **9,547** | 5.0 | 16,252 |

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

| Grant date | Expiry date | Scheme | Exercise price in pence per share | Options (thousands) 2023 | Options (thousands) 2022 |
|---|---|---|---|---|---|
| December 2013 | December 2023 | LTIP1 | 5.0 | **293** | 293 |
| April 2014 | April 2024 | LTIP2 | 5.0 | **4,278** | 8,134 |
| June 2014 | June 2024 | LTIP2 | 5.0 | **96** | 130 |
| March 2015 | March 2025 | LTIP2 | 5.0 | **27** | 32 |
| November 2015 | November 2025 | LTIP2 | 5.0 | **132** | 132 |
| November 2015 | November 2025 | Unapproved | 0.0 | **48** | 48 |
| October 2016 | October 2023 | Unapproved | 0.0 | **19** | 19 |
| August 2017 | August 2027 | Unapproved 2 | 5.0 | **158** | 158 |
| November 2017 | November 2024 | Unapproved 3 | 5.0 | **117** | 117 |
| December 2018 | December 2025 | Unapproved 3 | 5.0 | **169** | 212 |
| July 2019 | June 2024 | LTIP3 | 5.0 | **3,136** | 5,254 |
| November 2019 | June 2024 | LTIP3 | 5.0 | **1,074** | 1,723 |
| | | | 5.0 | **9,547** | 16,252 |

At 30 June 2023, out of the 9,547,635 outstanding options (2022: 16,251,798 options), 5,238,216 options (2022: 4,332,336) were exercisable. The weighted average exercise price for options exercisable at the year end was 4.9 pence (2022: 4.9 pence).

Options exercised in the year resulted in 5,582,804 shares (2022: 1,060,338) being issued at a weighted average price of 5.0 pence each (2022: 5.0 pence). The related average weighted share price at the time of exercise was 93.0 pence per share (2022: 74.6 pence per share).

See note 17(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 January 2023, the Company agreed to modify the terms of the Long Term Incentive Plan ('LTIP2') granted in April 2014. The Company extended the vesting measurement date by one year to 29 April 2023. All other provisions under the above LTIP2 options remain unchanged. The incremental fair value granted as a result of this modification was £1.02m.

The weighted average incremental fair value of the options modified, which was determined using the Monte Carlo valuation model, was 21.2 pence per option. The significant inputs into the model were: a mid-market share price of £1.03 pence at the modification date; an exercise price of five pence; volatility of 40%; an expected option life of 1.3 years; and an annual risk-free interest rate of 3.52%. 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.

### 17(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 5 pence each at a price of 58 pence per share. The option was exercised on 29 September 2022.

### 17(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 | 2023 £000 | 2022 £000 |
|---|---|---|---|
| Employee share options | 17(a) | **1,640** | 964 |
| | | **1,640** | 964 |

## 18 Earnings per share

### 18(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.

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

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

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

### 18(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 ongoing maintainable earnings. The table below sets out a reconciliation of the earnings used for the calculation of earnings per share to that used in the calculation of adjusted earnings per share:

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| **Profit used for calculation of basic and diluted earnings per share** | **4,206** | 2,400 |
| Share-based payments | **1,640** | 964 |
| Post-completion services | **365** | 56 |
| Amortisation of acquired intangible assets | **522** | 522 |
| Unwinding of discount – contingent consideration & borrowings | **29** | 116 |
| Tax effect of adjustments | **(1,548)** | (842) |
| **Profit used for calculation of adjusted basic and diluted earnings per share** | **5,214** | 3,216 |

| | 2023<br>Pence | 2022<br>Pence |
|---|---|---|
| **Adjusted basic earnings per share** | **3.33** | 2.15 |
| **Adjusted diluted earnings per share** | **3.12** | 2.04 |

## 19 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.

### 19(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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 2023 reporting periods and have not been adopted early. These standards are not expected to have a material impact on the Group's consolidated results or financial position.

### 19(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 19(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.

### 19(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.

### 19(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).
- All resulting exchange differences are recognised in other comprehensive income.

### 19(e) Revenue

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

### 19(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.

### 19(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.

### 19(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 acquiror'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.

### 19(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, which suffered an impairment, are reviewed for possible reversal of the impairment at the end of each reporting period.

### 19(j) Financial instruments

The Group's financial instruments comprise cash and various items such as trade receivables and trade payables, which 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.

### 19(k) Cash and cash equivalents

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

### 19(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.

### 19(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.

### 19(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 19(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.

### 19(o) Intangible assets

#### Goodwill

Goodwill is measured as described in note 19(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).

## 19(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.

## 19(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 that 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.

## 19(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.

## 19(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.

### 19(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 the 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.

### 19(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.

### 19(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

**for the year ended 30 June 2023**

| | Notes | 2023 £000 | 2022 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | E | **185** | 333 |
| Investments in subsidiaries | F | **40,545** | 40,525 |
| Other investments | G | **72** | 72 |
| Deferred tax asset | L | **777** | 332 |
| **Total non-current assets** | | **41,579** | 41,262 |
| **Current assets** | | | |
| Trade and other receivables | H | **1,338** | 1,006 |
| Cash at cash equivalents | | **3,959** | 3,134 |
| **Total current assets** | | **5,297** | 4,140 |
| **Total assets** | | **46,876** | 45,402 |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | M | **8,108** | 7,587 |
| Share premium | | **5,574** | 3,015 |
| Other equity | N | **2,911** | 2,911 |
| Other reserves | O | **2,366** | 4,185 |
| Retained earnings | | **26,738** | 22,882 |
| **Total equity** | | **45,697** | 40,580 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | I | **–** | 2,304 |
| **Total non-current liabilities** | | **–** | 2,304 |
| **Current liabilities** | | | |
| Trade and other payables | K | **1,179** | 1,351 |
| Borrowings | I | **–** | 1,167 |
| **Total current liabilities** | | **1,179** | 2,518 |
| **Total liabilities** | | **1,179** | 4,822 |
| **Total equity and liabilities** | | **46,876** | 45,402 |

The notes on pages 78 to 83 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 £1.78m (2022: £1.83m).

These financial statements on pages 76 to 83 were approved and authorised for issue by the Board on 10 October 2023 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 2023**

| | Share capital £000 | Share premium £000 | Other equity £000 | Other reserves £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|
| Balance at 30 June 2021 | 7,534 | 3,015 | 2,911 | 3,703 | 21,312 | 38,475 |
| Increase in equity reserve in relation to options issued | – | – | – | 775 | – | 775 |
| Reclassification following exercise or lapse of options | – | – | – | (293) | 293 | – |
| Proceeds from share issue | 53 | – | – | – | – | 53 |
| Dividends to equity holders of the Company | – | – | – | – | (554) | (554) |
| **Transactions with owners** | **53** | **–** | **–** | **482** | **(261)** | **274** |
| Profit for the year | – | – | – | – | 1,831 | 1,831 |
| Other comprehensive loss for the year | – | – | – | – | – | – |
| **Profit and total comprehensive income for the year** | **–** | **–** | **–** | **–** | **1,831** | **1,831** |
| **Balance at 30 June 2022** | **7,587** | **3,015** | **2,911** | **4,185** | **22,882** | **40,580** |
| Increase in equity reserve in relation to options issued | – | – | – | 1,099 | – | 1,099 |
| Reclassification following exercise or lapse of options | – | – | – | (2,918) | 2,918 | – |
| Proceeds from share issue | 521 | 2,559 | – | – | – | 3,080 |
| Dividends to equity holders of the Company | – | – | – | – | (839) | (839) |
| **Transactions with owners** | **521** | **2,559** | **–** | **(1,819)** | **2,079** | **3,340** |
| Profit for the year | – | – | – | – | 1,777 | 1,777 |
| Other comprehensive loss for the year | – | – | – | – | – | – |
| **Profit and total comprehensive income for the year** | **–** | **–** | **–** | **–** | **1,777** | **1,777** |
| **Balance at 30 June 2023** | **8,108** | **5,574** | **2,911** | **2,366** | **26,738** | **45,697** |

The notes on pages 78 to 83 form part of these financial statements.

# Notes to the Parent Company financial statements

**for the year ended 30 June 2023**

## 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 that 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 19(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 69 to 75 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 that received the trade and net assets.

### (d) Share-based payments

In addition to the policy set out in note 19(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 (2022: 2). The only employees of the Company are the Executive Directors. Directors' remuneration has been disclosed within the Directors' report on page 19.

## 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 £1.78m (2022: £1.83m).

## E Intangible assets

| | Acquired software £000 | Trademarks and licenses £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 30 June 2021 | 2,223 | 179 | 2,402 |
| Additions | – | – | – |
| Disposals | – | (171) | (171) |
| At 30 June 2022 | 2,223 | 8 | 2,231 |
| Additions | – | – | – |
| **At 30 June 2023** | **2,223** | **8** | **2,231** |
| **Accumulated amortisation** | | | |
| At 30 June 2021 | 1,741 | 179 | 1,920 |
| Amortisation charge | 149 | – | 149 |
| Disposals | – | (171) | (171) |
| At 30 June 2022 | 1,890 | 8 | 1,898 |
| Amortisation charge | 148 | – | 148 |
| **At 30 June 2023** | **2,038** | **8** | **2,046** |
| **Net book amount** | | | |
| At 30 June 2021 | 482 | – | 482 |
| At 30 June 2022 | 333 | – | 333 |
| **At 30 June 2023** | **185** | **–** | **185** |

## F Investments in subsidiaries

| | Total £000 |
|---|---|
| **Cost & net book amount** | |
| At 30 June 2021 | 40,392 |
| Additions – share incentive charges to subsidiaries | 133 |
| At 30 June 2022 | 40,525 |
| Additions – share incentive charges to subsidiaries | 20 |
| **At 30 June 2023** | **40,545** |

The Company's subsidiaries at the year end are set out in note 14 of the consolidated financial statements. All of the investments are unlisted.

# Notes to the Parent Company financial statements

**for the year ended 30 June 2023**

## G Other investments

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

| | **2023 Current £000** | **2023 Non-current £000** | **2023 Total £000** | 2022 Current £000 | 2022 Non-current £000 | 2022 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

| | **2023 £000** | 2023 £000 |
|---|---|---|
| Amounts owed from Group undertakings[1] | **1,256** | 933 |
| Prepayments and accrued income | **82** | 73 |
| | **1,338** | 1,006 |

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

All amounts are due within one year.

## I Borrowings

| | **2023 Current £000** | **2023 Non-current £000** | **2023 Total £000** | 2022 Current £000 | 2022 Non-current £000 | 2022 Total £000 |
|---|---|---|---|---|---|---|
| *Unsecured* | | | | | | |
| Loan Notes | **–** | **–** | **–** | 1,167 | 2,304 | 3,471 |
| **Total borrowings** | **–** | **–** | **–** | 1,167 | 2,304 | 3,471 |

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 comprised the issue of a £7.0m Loan Note and the award of options over 4,827,586 new ordinary shares of 5 pence each at a price of 58 pence per share. The Loan Note was unsecured, has an annual interest rate of 8.5% payable quarterly in arrears and was repayable in six instalments from 30 September 2022 to 31 March 2025. The Company made an initial repayment of £3.5m in November 2021, a scheduled repayment of £0.6m in September 2022 and, in October 2022, redeemed the final £2.9m of the Loan Notes. In September 2022, the options were exercised and the Company received £2.8m in proceeds and issued 4,826,586 new ordinary shares of 5 pence each (see note 9(a)).

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 66.5 pence 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.

## I Borrowings continued

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

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Face value of notes issued | **7,000** | 7,000 |
| Face value of notes redeemed | **(7,000)** | (3,500) |
| Share schemes reserve – value of share option | **(584)** | (584) |
| | **(584)** | 2,916 |
| Unwinding of discount: | | |
| Opening balance | **555** | 442 |
| Movement in the year | **29** | 113 |
| Closing balance | **584** | 555 |
| **Total liability** | **–** | 3,471 |

## J Other payables – acquisition consideration

| | 2023 Current £000 | 2023 Non-current £000 | 2023 Total £000 | 2022 Current £000 | 2022 Non-current £000 | 2022 Total £000 |
|---|---|---|---|---|---|---|
| Acquisition consideration | **–** | **–** | **–** | 12 | – | 12 |

The prior year balance of £12,000 is included within 'Trade and other payables – Other liabilities'.

Movements during the year are set out below:

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Opening balance | **12** | 161 |
| Acquisition of Oakwood Technologies BV | **–** | – |
| Charged/(credited) to profit or loss: | | |
| – post-completion services expense | **365** | 57 |
| – unwinding of discount | **–** | 3 |
| – effect of exchange rate | **(1)** | (2) |
| Post-completion services paid during the year – cash | **(376)** | (106) |
| Deferred consideration paid during the year – cash | **–** | (101) |
| **Closing balance** | **–** | 12 |

# Notes to the Parent Company financial statements

**for the year ended 30 June 2023**

## K Trade and other payables

| | **2023 £000** | 2022 £000 |
|---|---|---|
| Amounts owed to Group undertakings[1] | **16** | 16 |
| Trade payables | **23** | 23 |
| Social security and other taxes | **29** | 46 |
| Other liabilities | **208** | 289 |
| Accruals | **903** | 977 |
| | **1,179** | 1,351 |

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

## L Deferred taxation

| | **2023 £000** | 2022 £000 |
|---|---|---|
| **Deferred tax assets comprise:** | | |
| Tax losses | **292** | 7 |
| Share-based payments | **485** | 325 |
| Total | **777** | 332 |

The movement in deferred tax assets during the year was:

| | **Tax Losses £000** | **Share-based payments £000** | **Total £000** |
|---|---|---|---|
| Opening balance | 7 | 325 | **332** |
| (Charged)/credited to profit or loss | 285 | 160 | **445** |
| **Closing balance** | **292** | **485** | **777** |

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 (2022: £1.27m) in respect of losses that are capital in nature amounting to £6.68m (2022: £6.68m).

## M Share capital

| | **2023 shares** | **2023 £000** | 2022 shares | 2022 £000 |
|---|---|---|---|---|
| **Allocated, called up and fully paid** | | | | |
| Ordinary shares of 5 pence each | **162,156,838** | **8,108** | 151,746,448 | 7,587 |

Details of the Company's issued share capital and share options are detailed in notes 9(a) and 17 of the consolidated financial statements.

## N Other equity

| | Merger reserve £000 | Capital reserve £000 | Total £000 |
|---|---|---|---|
| **At 30 June 2021, 30 June 2022 and 30 June 2023** | **2,723** | **188** | **2,911** |

## O Other reserves

| | Treasury shares £000 | Share options reserve £000 | Financial assets at fair value at FVOCI £000 | Total £000 |
|---|---|---|---|---|
| At 30 June 2021 | (419) | 4,338 | (216) | 3,703 |
| Increase in equity reserve in relation to options issued | – | 775 | – | 775 |
| Reclassification following exercise or lapse of options | – | (293) | – | (293) |
| At 30 June 2022 | (419) | 4,820 | (216) | 4,185 |
| Increase in equity reserve in relation to options issued | – | 1,099 | – | 1,099 |
| Reclassification following exercise or lapse of options | – | (2,918) | – | (2,918) |
| **At 30 June 2023** | **(419)** | **3,001** | **(216)** | **2,366** |

## 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 16 of the consolidated financial statements.

## Q Post balance sheet events

Note 15 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.

# Notes

NETCALL

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