

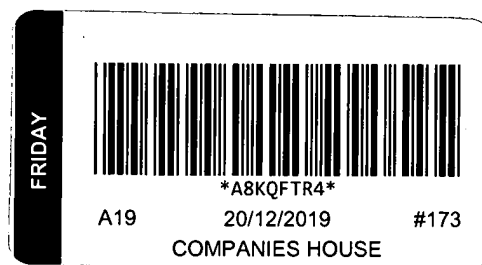
**Netcall Systems Limited**  
**(previously known as Matssoft Limited)**

Registered number 03662618

Financial Statements

Year Ended

30 June 2019



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## **Netcall Systems Limited**

### **Directors and advisors**

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#### **Registered number**

03662618

#### **Registered office**

Netcall Systems Limited, 1st Floor, Building 2, People Building Estate, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 4NW

#### **Directors**

H P Bang  
J A Ormondroyd  
R Billington (appointed 1 July 2019)

#### **Company secretary**

M Greensmith

#### **Auditor**

Grant Thornton UK LLP, 101 Cambridge Science Park, Milton Road, Cambridge, CB4 0FY

#### **Principal Bankers**

Lloyds Bank Plc, Endeavour House, Chivers Way, Histon, Cambridge, CB24 9ZR

#### **Solicitors**

Taylor Wessing LLP, 5 New Street Square, London, EC4A 3TW

Orme & Slade Solicitors, NatWest Bank Chambers, The Homend, Ledbury, Herefordshire, HR8 1AB

## Netcall Systems Limited (the “Company”)

### Strategic report for the period ended 30 June 2019

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The Directors present their strategic report for the period ended 30 June 2019.

#### Principal activities, review of business and future developments

As part of a major rebranding exercise, the Company changed its name by resolution on the 23 September 2019 from Matssoft Limited to Netcall Systems Limited.

The Company is a leading cloud-based low-code software provider, which enables rapid delivery of enterprise-grade business applications with a minimum of hard coding and upfront investments. This addresses the growing gap between organisations' demand for business applications and the resources available to deliver these solutions.

#### Business review and key performance indicators

The Directors monitor a wide range of financial and operating measures to track the Company's progress. There are four core key performance indicators ('KPIs') which are set out below.

	June 2019	June 2018	Change
Revenue (£'000's)	6,274	5,590	+12%
Revenue recurring in nature (£'000's)	4,464	4,099	+9%
Gross profit margin (%)	80%	83%	-3ppt
Adjusted EBITDA (£'000's)	(332)	743	-145%

#### *Revenues*

Revenues for the period were £6.3m (2018 - £5.6m).

The Company's revenue comprises the following components:

- Cloud services, being revenue subscription and usage fees of our cloud based offerings.
- Communications services, being fees for messaging services.
- Product revenues, being predominately incidental hardware.
- Services, being consultancy, implementation and training services.

Revenue which is considered to be recurring in nature is derived from cloud and communication services rose by 9% to £4.5m (2018 - £4.1m) being 71% (2018 - 73%) of total revenue.

Product and service revenues were £1.8m for the period (2018 - £1.5m).

#### *Gross margin*

Gross margin was 80% (2018 - 83%).

#### *Research and development*

The Company continues to invest in the business to ensure it is well positioned to take advantage of the growth trends in the low-code market. Total research and development expenditure excluding amortisation was £1.1m (2018 - £1.2m) comprising £0.8m in the statement of comprehensive income (2018 - £0.9m) and £0.3m capitalised development expenditure (2018 - £0.3m).

**Business review and key performance indicators (continued)**

*Administrative expenses*

Total administrative expenses were £5.9m (2018 - £4.9m) being 93% (2018 - 87%) as a % of total revenues.

**Outlook**

We have entered the new financial year with a strong sales pipeline, growing recurring revenue base and have secured significant new customer wins. The Board continues to monitor the potential impact of the political environment and business confidence on the timing of larger enterprise and product sale contracts. With continuing investment in our business and people, the Board remains confident in the prospects of the Company.

**Principal risks and uncertainties**

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

Risk area and potential impact	Management of risks
<b><i>Economic</i></b> The Company's markets may fall into decline or the Company may lose some of its key customers.	The Company is focusing on expanding its portfolio of customers, vertical markets and associations with reseller partners.
Weak economic conditions, including the potential impact of the UK's vote to leave the European Union, may affect the ability of the Company's clients to do business.	Innovative pricing models are offered in a variety of ways to best suit each customer's business needs.
<b><i>Intellectual property rights ('IPR')</i></b> The Company is reliant on IPR surrounding its internally generated and licensed-in software. It may be possible for third parties to obtain and use the Company's IPR without its authorisation. Third parties may also challenge the validity and/or enforceability of the Company's IPR.	The Company relies upon IPR protections including copyrights and contractual provisions.
There is a supply risk of losing key service partners. This would have an impact on the Company as it sought to transition its services to new providers.	The Company's operations team monitors contracts and reviews and evaluates alternate suppliers.

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## Netcall Systems Limited

### Strategic report for the period ended 30 June 2019 (continued)

Risk area and potential impact (continued)	Management of risks (continued)
<b>Product development</b> Competitors may develop similar products; the Company's technology may become obsolete or less effective; or consumers may use alternative channels of communication, which may reduce demand for the Company's products and services. In addition, the Company's success depends upon its ability to develop new, and enhance existing, products on a timely and cost effective basis, that meet changing customer requirements and incorporate technological advancements.	The Company continues to monitor the market place for competitor development and maintains a significant investment in research and development.
<b>Loss of key management and staff</b> Could potentially lead to a lack of necessary expertise and continuity.	The Company places a significant emphasis on staff retention. Key management and staff are incentivised via annual bonus plans.
<b>Project delivery</b> The Company 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.	The Company has proven procedures and policies for project delivery and regularly measures and reviews project progress. If issues arise on projects, senior management are involved to ensure timely resolution.
<b>Data security and business continuity</b> The loss or failure of systems would impact both on the Company's operations and those of its hosted clients.	The Company maintains formal data security policies and procedures and a documented business continuity and disaster recovery plan.

This Strategic Report was approved by the Board of Directors and signed on its behalf by:



J A Ormondroyd  
Director

Date: 11/12/19

The Directors present their report together with the audited financial statements for the period ended 30 June 2019.

### **Results and dividends**

The statement of comprehensive income is set out on page 10 and shows a total comprehensive loss for the period of £0.8m (2018 – loss of £0.2m).

There were no dividends declared or paid in the period. (2018 - £nil).

### **Donations**

There were no charitable or political donations during the period (2018 - £nil).

### **Directors**

The Directors of the Company during the period were:

H P Bang  
J A Ormondroyd  
M G Scovell (resigned 8 April 2019)

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Strategic report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). 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 of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;

## Netcall Systems Limited

### Report of the Directors for the period ended 30 June 2019

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#### Statement of Directors' responsibilities *(continued)*

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors confirm that:

- so far as each of the Directors 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 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, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

On behalf of the Board



J A Ormondroyd  
**Director**

Date: 11/12/19



## **Opinion**

We have audited the financial statements of Netcall Systems Limited (the 'company') for the year ended 30 June 2019 which comprise which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 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, 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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 period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 5, 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 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 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Netcall Systems Limited

### Independent auditor's report to the members of Netcall Systems Limited *(continued)*

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#### 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.

*Grant Thornton UK LLP*

Adrian Bennett  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Cambridge

Date: 18/12/2015

# Netcall Systems Limited

## Statement of comprehensive income for the period ended 30 June 2019

	Note	2019 £'000	2018 £'000
<b>Revenue</b>	4	6,274	5,590
Cost of sales		<u>(1,234)</u>	<u>(963)</u>
<b>Gross profit</b>		<b>5,040</b>	<b>4,627</b>
Administrative expenses	5	(5,836)	(4,864)
Other operating income	6	<u>26</u>	<u>16</u>
Adjusted EBITDA		(332)	743
Depreciation	14	(30)	(39)
Amortisation of intangible assets	13	(342)	(306)
Non-recurring costs	5	(66)	(619)
<b>Operating loss</b>	7	<b>(770)</b>	<b>(221)</b>
Interest receivable and similar income	10	5	2
Interest payable and similar charges	11	<u>-</u>	<u>(12)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(765)</b>	<b>(231)</b>
Tax (charge)/credit on loss on ordinary activities	12	<u>(40)</u>	<u>14</u>
<b>Loss for the period</b>		<b>(805)</b>	<b>(217)</b>
Other comprehensive income for the period		<u>-</u>	<u>-</u>
<b>Total comprehensive loss for the period</b>		<b>(805)</b>	<b>(217)</b>

All amounts relates to continuing activities. All recognised gains and losses are included in the profit and loss account.

The notes on pages 13 to 32 form part of these financial statements.

**Netcall Systems Limited (registered number 03662618)**

**Balance sheet as at 30 June 2019**

	Note	30 June 2019 £'000	30 June 2018 £'000
<b>Fixed assets</b>			
Intangible assets	13	1,763	1,754
Tangible assets	14	<u>551</u>	<u>26</u>
		<b>2,314</b>	<b>1,780</b>
<b>Current assets</b>			
Debtors	15	2,410	4,168
Cash at bank and in hand		<u>587</u>	<u>414</u>
		<b>2,997</b>	<b>4,582</b>
<b>Creditors: amounts falling due within one year</b>			
Trade and other creditors	16	1,911	2,116
Deferred income	17	<u>2,690</u>	<u>2,652</u>
		<b>4,601</b>	<b>4,768</b>
<b>Net current liabilities</b>		<u><b>(1,604)</b></u>	<u><b>(186)</b></u>
<b>Total assets less current liabilities</b>		<b>710</b>	<b>1,594</b>
<b>Creditors: amounts falling due after more than one year</b>			
Deferred income	17	157	265
Provision for liabilities	19	<u>345</u>	<u>421</u>
		<b>502</b>	<b>686</b>
<b>Net assets</b>		<u><b>208</b></u>	<u><b>908</b></u>
<b>Capital and reserves</b>			
Called up share capital	21	2	2
Share premium		561	561
Profit and loss account		<u>(355)</u>	<u>345</u>
<b>Shareholders' funds</b>		<u><b>208</b></u>	<u><b>908</b></u>

The financial statements were approved by the Board of Directors and authorised for issue.



J A Ormondroyd  
Director

Date:

The notes on pages 13 to 32 form part of these financial statements.

# Netcall Systems Limited

## Statement of changes in equity for the period ended 30 June 2019

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total Equity £'000
<b>Balance at 31 December 2017</b>	<u>2</u>	<u>491</u>	<u>434</u>	<u>927</u>
Shares issued	-	70	-	70
Share based payments	-	-	128	128
Transactions with owners	-	70	128	198
Loss and total comprehensive loss for the period	-	-	(217)	(217)
<b>Balance at 30 June 2018</b>	<u>2</u>	<u>561</u>	<u>345</u>	<u>908</u>
Share based payments	-	-	105	105
Transactions with owners	-	-	105	105
Loss and total comprehensive loss for the period	-	-	(805)	(805)
<b>Balance at 30 June 2019</b>	<u>2</u>	<u>561</u>	<u>(355)</u>	<u>208</u>

The notes on pages 13 to 32 form part of these financial statements.

## **1 Company information**

The Company changed its name by resolution on the 23 September 2019 from Matssoft Limited to Netcall Systems Limited.

Netcall Systems Limited (the 'Company') designs, develops and markets cloud-based low-code software and services.

The Company is a limited liability company incorporated in England and Wales.

The Company's registered address is 1st Floor, Building 2, People Building Estate, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 4NW and the Company's registered number is 03662618.

The financial statements are presented in Sterling (£) and have been presented in round thousands (£'000).

## **2 Accounting policies**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 102 (FRS 102). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements have been prepared on a historical cost basis. The principal accounting policies adopted in the preparation of these financial statements are set out below.

### **2.2 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

### **2.3 Going concern**

The ultimate parent undertaking has stated that it will provide continuing financial assistance to the company for the foreseeable future. Due to this assistance and in line with the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, the Company should be able to operate within the level of its current financing.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

## 2 Accounting policies *(continued)*

### 2.4 Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 102. Therefore these financial statements do not include:

- A statement of cash flows and related notes
- Disclosure of key management personnel compensation
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the Group as they are wholly owned within the Group
- Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- The effect of future accounting standards not adopted
- Share based payment disclosures

### 2.5 Intangible assets

#### Software development 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 Company 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 third party software development costs and software development employee costs which qualify under FRS 102.18.8H.

Software development costs recognised as assets, are carried at cost less amortisation/ impairment, and amortised on a straight line basis over their estimated useful lives which does not exceed 9 years.

### 2.6 Tangible assets

Tangible assets are 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 Company 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.



## 2 Accounting policies *(continued)*

### 2.6 Tangible assets *(continued)*

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 years
- Furniture, fittings and equipment: 4 years.

The carrying value of tangible assets are reviewed for impairment when a triggering event arises that indicates assets might be impaired. Impairment is assessed by comparing the carrying value of the asset against the higher of its realisable value and value in use. Any provision for impairment is charged to the statement of comprehensive income.

Gain and loss on disposal of an asset is determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the statement of comprehensive income.

### 2.7 Financial instruments

The Company's financial instruments comprise cash and various items such as trade and other debtors and trade and other creditors that arise directly from its operations. Finance payments associated with financial liabilities are dealt with as part of finance expenses.

#### *Financial assets*

The Company's financial assets are trade and other debtors and amounts owed by related party undertakings. 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 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 Company's financial assets are a reasonable approximation of their fair values.

#### *Financial liabilities*

The Company's financial liabilities are trade and other creditors, amounts owed to related party undertakings 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 Company's financial liabilities are a reasonable approximation of their fair values.

#### *Share capital*

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

### 2.8 Cash at bank and in hand

Cash at bank and in hand comprise cash in hand, deposits held at call with banks.

## 2 Accounting policies *(continued)*

### 2.9 Equity

Equity comprises the following:

- Share capital which represents the nominal value of equity shares;
- Share premium which represents the amounts received for equity shares in excess of the nominal value
- Retained earnings which represent cumulative net gains and losses recognised in the statement of comprehensive income including any charges relating to employee share schemes being equity-settled share-based employee remuneration until such share options are exercised.

### 2.10 Leases

#### Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Associated costs, such as maintenance and insurance, are expensed as incurred.

### 2.11 Provisions

Provisions for leasehold dilapidations are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

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.

### 2.12 Holiday pay

An accrual for annual leave accrued by employees as a result of services rendered, and which employees are entitled to carry forward and use within the remainder holiday accrual period is recognised in the current period. The accrual is measured at the salary cost payable for the period of absence and included in accruals and other creditors.

### 2.13 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities and is shown net of value-added tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

## 2 Accounting policies *(continued)*

### 2.13 Revenue *(continued)*

The Company generates revenue principally through the supply of:

- **Cloud services** - comprises the subscription and usages fees to access our software through a hosted solution. The software, maintenance and support and hosting elements are not distinct performance obligations, and represent a combined service provided to the customer. Revenue is recognised as the service is provided to the customer on a straight-line basis over the period of supply;
- **Communication services** - revenues comprise fees for messaging services. Fees are recognised when the message has been delivered over the Company's network;
- **Product** - consists of software product license fees and hardware. Revenue for products is recognised at a point in time when the customer has control of the asset; 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 license or subscriptions and service elements, an assessment is made as to whether the software element is distinct in the context of the contract, based on whether the services provided significantly modifies or customises the base product. Where it is concluded that a licence is distinct, the licence element is recognised as a separate performance obligation. In all other cases, revenue from both licence and service elements is recognised when control is deemed to have passed to the customer.

Where invoices are raised in advance of the performance obligations being satisfied, these are recorded on the balance sheet as deferred income. 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 Company recognition criteria have been met but no invoice to the customer has been raised at the reporting date, revenue is recognised and included as accrued income.

**2 Accounting policies *(continued)***

**2.14 Administrative expenses**

Administrative expenses are recognised in profit or loss upon utilisation of the service or as incurred.

**2.15 Foreign currency translation**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in sterling (£), which is the Company’s functional and presentational currency.

Foreign currency transactions are translated into the Company’s 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 recognised in profit or loss.

Foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other operating income’.

**2.16 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries 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 recognised, 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 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 substantively enacted by the balance sheet date 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**2 Accounting policies (continued)**

**2.17 Employee benefits - pensions**

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

**3 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**Revenue recognition**

The Company recognises revenue on certain contracts such as during the period of performance, prior to an invoice being raised, where work has been completed and there is a high degree of certainty of the contract being completed and the invoice raised and cash received. In relation to services this involves estimating a percentage completion based on the direct labour costs incurred to date compared to the total project costs required to complete a project. The assessments and estimates used by the Company could have a significant impact on the amount and timing of revenue recognised on a project.

**Taxation**

The Company is subject to United Kingdom corporate taxation and judgement is required in determining the provision for income and deferred taxation. The Company 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 statement of comprehensive income in the period in which such determination is made.

The Company has tax losses available for carrying forward against future taxable income of £4.3m (2018 - £2.96m). The Company has not recognised any deferred tax asset in regards to these losses due to the historic trading performance and the effect of future research and development tax relief meaning that the timing and likelihood of utilisation of the losses is uncertain.

# Netcall Systems Limited

## Notes to the financial statements for the period ended 30 June 2019 (continued)

### 4 Revenue

The business is domiciled in the UK. All revenue is attributable to the principal activity of the Company and originates in the UK.

Analysis of revenue by geographical destination:

	2019 £'000	2018 £'000
United Kingdom	5,496	5,180
Rest of the world	778	410
	<u>6,274</u>	<u>5,590</u>

Analysis of revenue by category:

	2019 £'000	2018 £'000
Cloud services	3,443	2,981
Communication services	1,029	1,118
Product	6	12
Services	1,796	1,479
	<u>6,274</u>	<u>5,590</u>

#### Significant customers

Revenue from the top 2 customers in the period ended 30 June 2019 amounted to £1,973,000 and £930,000, which represented 31% and 15% of total revenue respectively. Revenue from the top 2 customers in the period ended 30 June 2018 amounted to £1,705,000 and £1,239,000, which represented 31% and 22% of total revenue respectively.

### 5 Administrative expenses

Administrative expenses by nature are analysed as follows:

	Note	2019 £'000	2018 £'000
Non-recurring costs <sup>(1)</sup>		66	619
Depreciation	14	30	39
Amortisation of intangible assets	13	342	306
Employee benefit expense	8	3,577	2,983
Operating lease payments		130	117
Other administrative expenses		<u>1,691</u>	<u>800</u>
		<u>5,836</u>	<u>4,864</u>

<sup>(1)</sup> Non-recurring costs relate to agreed termination fees payable to the highest paid director on his resignation on 8 April 2019. See note 9 for further details. Non-recurring costs in the prior year relate to legal fees and other payments in relation to the acquisition of the Company by Netcall plc in August 2017.

## Netcall Systems Limited

### Notes to the financial statements for the period ended 30 June 2019 *(continued)*

#### 6 Other operating income

Other operating income is analysed as follows:

	2019 £'000	2018 £'000
Other income <sup>(1)</sup>	2	26
Net foreign exchange gain/ (loss) on amounts owed by related party undertakings	24	(10)
	<u>26</u>	<u>16</u>

<sup>(1)</sup> The Company sublet part of its office space and the income relates to an inclusive rental charge for that space of £2,000 (2018 - £25,000) and other sundry income of £nil (2018 - £1,000)

#### 7 Operating loss

Operating loss is arrived at after charging:

	2019 £'000	2018 £'000
Research and development costs		
- Current period expenditure	756	915
- Amortisation of intangible assets	342	306
Depreciation	30	39
Foreign exchange (gain)/ loss	(24)	10
Operating lease expense:		
- Land and buildings	130	117
Non-recurring costs <sup>(1)</sup>	<u>66</u>	<u>619</u>
Auditor's remuneration is analysed as follows:		
- Fees payable to the Company's auditor for the audit of the Company's annual accounts:		
- In relation to current period	12	10
- In relation to previous period	-	9
	<u>12</u>	<u>19</u>

<sup>(1)</sup> See note 5 for details

## Netcall Systems Limited

### Notes to the financial statements for the period ended 30 June 2019 *(continued)*

#### 8 Employees

Staff costs, including Directors, consist of:

	2019 £'000	2018 £'000
Wages and salaries	3,227	2,655
Less: internal development costs capitalised in the period	(304)	(259)
Social security costs	379	320
Pension costs – defined contribution plans	158	129
Share option costs	105	128
Other staff related expenses	12	10
	<u>3,577</u>	<u>2,983</u>

On behalf of its employees, the Company makes contributions to a single defined contribution group personal pension scheme. Where contracted the Company also contributes to individual employee personal pension schemes.

The assets of all the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds.

The total contribution paid by the Company in the period was £158,000 (2018 - £129,000). Contributions totalling £16,000 (2018 - £11,000) were payable at the end of the period.

Average number of people, including executive directors, employed during the period was 63 (2018 – 54).

#### 9 Directors

Directors' emoluments are shown below.

	2019 £'000	2018 £'000
Director emoluments	92	119
Company contributions to defined contribution pension schemes	74	22
	<u>166</u>	<u>141</u>

In addition to the above, consultancy fees of £nil (2018 - £3,000) were charged during the period by Beringea LLP in relation to director services provided by Karen A McCormick.

The highest paid director received emoluments of £92,000 (2018 - £111,000) and Company contributions to defined contribution pension schemes of £74,000 (2018 - £22,000). Of these amounts, £10,000 of the total emoluments (2018 - £nil) and £56,000 of the total pension contributions (2018 - £nil) were in relation to the non-recurring costs of £66,000 paid on resignation of the director on 8 April 2019.



# Netcall Systems Limited

## Notes to the financial statements for the period ended 30 June 2019 *(continued)*

### 10 Interest receivable and similar income

	2019 £'000	2018 £'000
Bank interest receivable	5	2
	<u>5</u>	<u>2</u>

### 11 Interest payable and similar charges

	2019 £'000	2018 £'000
Shareholder loan interest	-	2
Other loan interest	-	9
Bank and credit card charges	-	1
	<u>-</u>	<u>12</u>

### 12 Taxation on loss on ordinary activities

The tax credit is based on the result for the period and represents:

	2019 £'000	2018 £'000
<i>UK corporation tax:</i>		
Current tax on profits for the period	-	-
Adjustments in respect of prior periods	-	-
Total current tax	<u>-</u>	<u>-</u>
<i>Deferred tax: (note 20)</i>		
Origination and reversal of timing differences	<u>(40)</u>	<u>14</u>
Tax (charge)/ credit on loss on ordinary activities	<u>(40)</u>	<u>14</u>

**12 Taxation on loss on ordinary activities *(continued)***

The tax assessed on the loss on ordinary activities for the period is higher than (2018 – higher than) the standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%).

	2019 £'000	2018 £'000
Loss on ordinary activities before tax	<u>(765)</u>	<u>(231)</u>
Tax at the weighted average UK corporation tax rate of 19.00% (2018 – 19.00%)	(145)	(44)
<i>Tax effects of:</i>		
Expenses not deductible for tax purposes	16	38
Losses arising in period not recoverable against current tax	251	341
Additional deductions for R&D expenditure	(82)	(81)
Utilisation of previously unrecognised tax losses	-	(5)
Relief for employee share schemes	<u>-</u>	<u>(263)</u>
Tax charge/ (credit) for the period	<u>40</u>	<u>(14)</u>

**13 Intangible assets**

	<b>Software Development costs £'000</b>
<i>Cost</i>	
At 31 December 2017	2,569
Additions	<u>280</u>
At 30 June 2018	2,849
Additions	<u>351</u>
<b>At 30 June 2019</b>	<b><u>3,200</u></b>
<i>Amortisation</i>	
At 31 December 2017	789
Charge for period	<u>306</u>
At 30 June 2018	1,095
Charge for period	<u>342</u>
<b>At 30 June 2019</b>	<b><u>1,437</u></b>
<i>Net book value</i>	
At 31 December 2017	<u>1,780</u>
At 30 June 2018	<u>1,754</u>
<b>At 30 June 2019</b>	<b><u>1,763</u></b>

Amortisation of £342,000 (2018 - £306,000) is included within 'administrative expenses'.

Netcall Systems Limited

Notes to the financial statements for the period ended 30 June 2019 *(continued)*

14 Tangible assets

	Fixtures, fittings and equipment £'000	Computer equipment £'000	Total £'000
<i>Cost</i>			
At 31 December 2017	61	99	160
Additions	1	10	11
At 30 June 2018	62	109	171
Disposals	(44)	-	(44)
Additions	543	12	555
<b>At 30 June 2019</b>	<b>561</b>	<b>121</b>	<b>682</b>
<i>Accumulated depreciation</i>			
At 31 December 2017	40	66	106
Charge for the period	15	24	39
At 30 June 2018	55	90	145
Disposals	(44)	-	(44)
Charge for the period	18	12	30
<b>At 30 June 2019</b>	<b>29</b>	<b>102</b>	<b>131</b>
<i>Net book value</i>			
At 31 December 2017	21	33	54
At 30 June 2018	7	19	26
<b>At 30 June 2019</b>	<b>532</b>	<b>19</b>	<b>551</b>

Depreciation expense of £30,000 (2018 - £39,000) has been charged in 'administrative expenses'

# Netcall Systems Limited

## Notes to the financial statements for the period ended 30 June 2019 *(continued)*

### 15 Debtors

	30 June 2019 £'000	30 June 2018 £'000
Trade debtors	663	2,534
Amounts owed by related party undertakings	1,373	1,332
Other debtors	2	9
Corporation tax	86	86
Deferred tax	3	2
Prepayments and accrued income	283	205
	<u>2,410</u>	<u>4,168</u>

### 16 Trade and other creditors

	30 June 2019 £'000	30 June 2018 £'000
Trade creditors	120	262
Amounts owed to related party undertakings	1,205	1,249
Taxation and social security	135	410
Pension creditors	16	11
Accruals and other creditors	435	184
	<u>1,911</u>	<u>2,116</u>

### 17 Creditors: amounts falling due after more than one year

	30 June 2019 £'000	30 June 2018 (as reclassified) £'000
Deferred income as previously reported	157	-
Deferred income reclassified from Creditors: amounts falling due within one year	-	265
	<u>157</u>	<u>265</u>

Total deferred income in the prior year of £2,917,000 was previously included under Creditors: amounts falling due within one year and has now been shown separately on the balance sheet split between the current and long-term elements of £2,652,000 and £265,000 respectively.

18 Financial instruments

	30 June 2019 £'000	30 June 2018 £'000
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Cash at bank and in hand	587	414
Trade debtors	663	2,534
Amounts owed by related party undertakings	1,373	1,332
Other financial assets	30	25
	<u>2,653</u>	<u>4,305</u>
<b>Financial liabilities measured at amortised cost</b>		
Trade and other creditors (excluding statutory liabilities)	136	273
Amounts owed to related party undertakings	1,205	1,249
	<u>1,341</u>	<u>1,522</u>

19 Provisions for liabilities

	Property Provisions £'000	Deferred Tax Provision £'000	Total £'000
At 31 December 2017	120	312	432
Increase/ (decrease) in provision	<u>3</u>	<u>(14)</u>	<u>(11)</u>
At 30 June 2018	123	298	421
(Decrease)/ increase in provision	<u>(116)</u>	<u>40</u>	<u>(76)</u>
At 30 June 2019	<u>7</u>	<u>338</u>	<u>345</u>

**Property provisions**

£123,000 was released in the period relating to dilapidations on leasehold property vacated in the period (2018 - £nil) and £7,000 of new provision was recognised in the period relating to dilapidations on existing leasehold properties (2018 - £4,000).

## 20 Deferred tax

Deferred tax has been provided for at 19.00% (2018 – 17.00%).

	30 June 2019 £'000	30 June 2018 £'000
Included in debtors (note 15)	3	2
Included in provisions for liabilities (note 19)	(338)	(298)
	<u>(335)</u>	<u>(296)</u>
Accelerated capital allowances	(52)	(3)
Capitalised development costs	(286)	(295)
Pension costs	3	2
	<u>(335)</u>	<u>(296)</u>

The movement in deferred income tax assets and liabilities during the period:

	Pension Costs £'000	Accelerated Capital Allowances £'000	Capitalised Development Costs £'000	Total £'000
<b>Deferred tax liabilities</b>				
At 31 December 2017	(2)	9	303	310
Credited to statement of comprehensive income	-	(6)	(8)	(14)
At 30 June 2018	(2)	3	295	296
Charged/ (credited) to statement of comprehensive income	(1)	49	(9)	39
<b>At 30 June 2019</b>	<b>(3)</b>	<b>52</b>	<b>286</b>	<b>335</b>

The Company has not recognised deferred tax assets in respect of £4.28m (2018 – £2.96m) of losses that can be carried forward against future taxable income as the recoverability is dependent on achieving taxable profits in the future.

21 Share capital

	2019 Number of ordinary shares	2019 Nominal value £	2018 Number of ordinary shares	2018 Nominal value £
<i>Authorised, allotted and fully paid</i>				
Ordinary shares of £0.01 each	<u>160,463</u>	<u>1,605</u>	<u>160,463</u>	<u>1,605</u>

There was no change to share capital in the year. During the prior year 15,895 of A Ordinary shares were converted to Ordinary Shares and 200 deferred shares were redeemed in full.

22 Share based payments

Share options are granted by the ultimate parent company Netcall plc to certain employees of the Company over shares in Netcall plc. The following is a summary of the share option schemes in which certain employees of the Company currently participate in and for which the Company bears the cost of.

In August 2017 the Company granted a number of Unapproved Share Options ("Unapproved"). These options are granted at an exercise price of 5 pence. Options are conditional on certain vesting criteria including achievement of the Netcall Systems Limited 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 December 2018 Netcall plc granted a number of Unapproved Share Options ("Unapproved 2"). These options are granted at an exercise price of 5 pence. Options are conditional on the employee being in employment in 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.

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

	2019 Number (‘000)	2019 Weighted average exercise price	2018 Number (‘000)	2018 Weighted average exercise price
Outstanding at 1 July	784	5.0p	-	5.0p
Granted	28	5.0p	846	5.0p
Exercised	(5)	5.0p	(7)	5.0p
Lapsed / forfeited	<u>(41)</u>	<u>5.0p</u>	<u>(55)</u>	<u>5.0p</u>
Outstanding at 30 June	766	5.0p	784	5.0p
Exercisable at 30 June	<u>30</u>	<u>5.0p</u>	<u>-</u>	<u>5.0p</u>



## 22 Share based payments (continued)

Out of the 765,974 outstanding options (2018 – 784,213 options), 29,532 options (2018 - nil) were exercisable. The weighted average exercise price for options exercisable at the year-end was 5.0 pence (2018 – 5.0 pence).

The weighted average fair value of the Unapproved 2 options granted during the period determined using the Black-Scholes option pricing model was 30.2 pence per option. The significant inputs into the model were mid-market share price of 37.5 pence at the grant date; exercise price of 5 pence; volatility of 27%; an expected option life of 3.0 years; a bid price share discount of 2.5%; and, an annual risk-free interest rate of 1.05%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices over the last four years.

Options exercised in the year resulted in 5,235 shares (2018 – 6,543) being issued at a weighted average price of 5.0 pence each (2018 – 5.0 pence). The related average weighted share price at the time of exercise was 54.15 pence per share (2018 – 45 pence per share).

In addition to the Netcall plc options above, the Company had 8,450 share options over ordinary shares at an exercise price of £7.03 which were awarded in 2010 and 2,985 share options over ordinary shares at an exercise price of £3.67 awarded in 2013. At the time of the Company being acquired by Netcall plc in August 2017 these options were exercised and the resulting shares issued.

## 23 Commitments under operating leases

The Company leases various offices under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years and none of them contain renewal or purchase options or escalation clauses or any restrictions regarding further leasing.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2019 Land and buildings £'000	30 June 2018 Land and buildings £'000
Operating leases which expire:–		
No later than 1 year	90	95
Later than 1 year and no later than 5 years	387	-
Later than 5 years	155	-
	<u>633</u>	<u>95</u>

## **Netcall Systems Limited**

### **Notes to the financial statements for the period ended 30 June 2019** *(continued)*

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#### **24 Capital commitments**

There are no amounts contracted but not provided in the financial statements (2018 £nil).

#### **25 Related party transactions**

The Company has taken advantage of the exemption conferred by FRS 102 paragraph 33.1A, not to disclose transactions or balances with other group undertakings that are wholly owned by the group.

Consultancy fees of £nil (2018 – £3,000) were incurred during the period from Beringea LLP, a related party due to Karen A McCormick being a director and partner of both entities during the period.

#### **26 Ultimate parent company**

The Company's parent and ultimate parent undertaking at 30 June 2019 was Netcall plc.

Netcall plc was head of the largest group for which the results of Netcall Systems Limited were consolidated at 30 June 2019 and of which the Company was a member. The consolidated accounts of Netcall plc are available from the address as stated in note 1 or on the Group's website [www.netcall.com](http://www.netcall.com)