MatsSoft Limited

Registered number 03662618

Financial Statements

Year Ended

30 Junc 2018

MatsSoft Limited

Financial statements for the period ended 30 June 2018

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MatsSoft Limited

Directors and advisors

Registered number

03662618

Registered office

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

Directors

H P Bang
J A Ormondroyd
M G Scovell

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

MatsSoft Limited (the "Company")

Strategic report for the period ended 30 June 2018

The Directors present their strategic report for the period ended 30 June 2018.

Principal activities, review of business and future developments

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.

Following the acquisition of the Company by Netcall plc on 4 August 2017 the Company's financial period end was shortened to 30 June to coincide with that of its new parent therefore the prior period comparatives are for the 6 months ending 30 June 2017 making the KPI's not directly comparable.

	12 months to June 2018	**6 months to June 2017**	Change
Revenue (£000's)	5,590	2,441	+129%
Revenue recurring in nature (£000's)	4,099	1,690	+142%
Gross profit margin (%)	83%	82%	+1ppt
Adjusted EBITDA (£000's)	743	(480)	+255%

Revenues
Revenues for the period were £5.6m (2017 - £2.4m).

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.
- Professional services, being consultancy, implementation and training services.

Revenue which is considered to be recurring in nature is derived from cloud and communication services was significantly higher at £4.1m (2017 - £1.7m) being 73% (2017 - 69%) of total revenue.

Product and professional service revenues were £1.5m for the period (2017 - £0.7m).

Gross margin
Gross margin was 83% (2017 - 82%).

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 £1.2m (2017 - £0.6m) comprising £0.9m in the statement of comprehensive income (2017 - £0.5m) and £0.3m capitalised development expenditure (2017 - £0.1m).

MATS 10 was launched in January this year, with a new, intuitive and slick user interface to make it even easier to create enterprise business applications. MATS 10 also includes a powerful Code Studio to let developers customise and extend functionality; confirming MATS as the Low-code platform for business and IT. This new look and feel has been extremely well received during demonstration feedback.

Business review and key performance indicators *(continued)*

Administrative expenses
Total administrative expenses were £4.9m (2017 - £2.6m) being 87% (2017- 107%) as a % of total revenues.

Outlook

Revenues from cloud and communication services have increased significantly on an annualised basis and the acquisition of the Company by Netcall plc provides both financial support and a large customer base with significant cross-selling potential into the Netcall group. ("Netcall"). Key targets for the low-code business have been met during the year including: renewal of key accounts at higher revenue levels; new customer wins both in the UK and internationally, directly and also via new partners; and cross-sales into Netcall's Liberty customer base.

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

Principle risks and uncertainties

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

Risk area and potential impact	Management of risks
Economic	
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.
Intellectual property rights ('IPR')	
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.

Risk area and potential impact *(continued)*	Management of risks *(continued)*
Product development	
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.
Loss of key management and staff	
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.
Project delivery	
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.
Data security and business continuity	
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 on 17/12/ 2018
and signed on its behalf by:

J A Ormondroyd
Director

MatsSoft Limited

Report of the Directors for the period ended 30 June 2018

The Directors present their report together with the audited financial statements for the 12 month period ended 30 June 2018.

Results and dividends

The statement of comprehensive income is set out on page 10 and shows a total comprehensive loss for the period of £0.2m (2017 – loss of £0.6m).

There were no dividends declared or paid in the period. (2017 - £nil).

Donations

There were no charitable or political donations during the period (2017 - £nil).

Directors

The Directors of the Company during the period were:

M G Scovell
H P Bang (appointed 4 August 2017)
J A Ormondroyd (appointed 4 August 2017)
A D S Hendry (resigned 4 August 2017)
K A McCormick (resigned 4 August 2017)
K L Walters (resigned 4 August 2017)

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;

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

17/12/2018

Independent auditor's report to the members of MatsSoft Limited

Opinion

We have audited the financial statements of MatsSoft Limited (the 'company') for the year ended 30 June 2018 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 2018 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.

Who we are reporting to

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.

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 pages 5 to 6, 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. This description forms part of our auditor's report.

Grant Thornton UK LLP

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

17 December 2018

MatsSoft Limited

Statement of comprehensive income for the period ended 30 June 2018

	Note	**12 months to 30 June 2018 £'000**	6 months to 30 June 2017 £'000
Revenue	4	**5,590**	2,441
Cost of sales		**(963)**	(433)
Gross profit		**4,627**	2,008
Administrative expenses	5	**(4,864)**	(2,618)
Other operating income/ (loss)	6	**16**	(35)
Adjusted EBITDA		**743**	(480)
Depreciation	14	**(39)**	(23)
Amortisation of intangible assets	13	**(306)**	(142)
Non-recurring costs	5	**(619)**	-
Operating loss	7	**(221)**	(645)
Interest receivable and similar income	10	**2**	-
Interest payable and similar charges	11	**(12)**	(22)
Loss on ordinary activities before taxation		**(231)**	(667)
Tax credit on loss on ordinary activities	12	**14**	59
Loss for the period		**(217)**	(608)
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		**(217)**	(608)

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.

MatsSoft Limited (registered number 03662618)

Balance sheet as at 30 June 2018

	Note	30 June 2018 £'000	30 June 2017 £'000
Fixed assets			
Intangible assets	13	**1,754**	1,780
Tangible assets	14	**26**	54
		1,780	1,834
Current assets			
Debtors	15	**4,168**	1,930
Cash at bank and in hand		**414**	1,304
		4,582	3,234
Creditors: amounts falling due within one year	16	**5,033**	2,769
Net current (liabilities)/ assets		**(451)**	465
Total assets less current liabilities		**1,329**	2,299
Creditors: amounts falling due after more than one year	17	**-**	940
Provisions for liabilities	19	**421**	432
		421	1,372
Net assets		**908**	927
Capital and reserves			
Called up share capital	21	**2**	2
Share premium		**561**	491
Profit and loss account		**345**	434
Shareholders' funds		**908**	927

The financial statements were approved by the Board of Directors and authorised for issue on 17/12/2018

J A Ormondroyd
Director

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

MatsSoft Limited

Statement of changes in equity for the period ended 30 June 2018

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total Equity £'000
Balance at 31 December 2016	2	491	1,042	**1,535**
Loss and total comprehensive loss for the period	-	-	(608)	**(608)**
Balance at 30 June 2017	2	491	434	**927**
Shares issued	-	70	-	**70**
Share based payments	-	-	128	**128**
	-	70	128	**198**
Transactions with owners				
Loss and total comprehensive loss for the period	-	-	(217)	**(217)**
Balance at 30 June 2018	2	561	345	**908**

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

1 Company information

MatsSoft 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 recognises revenue on each element of a contract as follows:

Cloud services
Cloud service revenues comprise the usage of our hosted cloud offerings and consist of the related software licenses, hosting, service and support charges. Fixed fees are recognised on a straight line basis over the duration of the contract and variable usage fees are recognised as the usage is consumed and the services are performed.

Communication services
Communication service revenues consist of fees for messaging services and are recognised when the messages have been delivered over the communication networks.

Product
Product revenue consists of software product license fees and hardware. Revenue is recognised when risks and rewards have passed to the customer and there is no significant on-going obligation upon the Company.

Professional services
Professional service revenues consists primarily of consultancy, implementation services and training. Revenue from these services is recognised as the services are performed based on achievement of contract specific milestones, or using the percentage of completion method depending on the terms of the contract. The Company determines the stage of completion by reference to the cost incurred as a proportion of the total estimated costs of the service project.

Typically, a number of the above elements may be sold together as a bundled contract. Revenue is recognised separately for each component if it is considered to represent a separable good or service and a fair value can be reliably established. The Company derives fair value for its professional services based on day rates for consultants and for support contracts based on renewal prices. Where software is included within a bundled arrangement, the residual value of the contract is ascribed to the software after a fair value has been allocated to all other components.

Deferred revenues relate to cloud and communication services and transaction charges which have been invoiced to the customer prior to the performance of these services or delivery of the transactions. Deferred revenues also include charges invoiced to the customer in relation to professional services which have not yet been delivered.

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 professional 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 £2.96m (2017 - £2.21m). 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.

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:

	12 months to June 2018 £'000	6 months to June 2017 £'000
United Kingdom	**5,180**	2,368
Rest of the world	**410**	73
	5,590	2,441

Analysis of revenue by category:

	12 months to June 2018 £'000	6 months to June 2017 £'000
Cloud services	**2,981**	1,293
Communication services	**1,118**	397
Product	**12**	51
Professional services	**1,479**	700
	5,590	2,441

Significant customers
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. Revenue from the top 2 customers in the period ended 30 June 2017 amounted to £917,000 and £508,000, which represented 38% and 21% of total revenue respectively.

5 Administrative expenses

Administrative expenses by nature are analysed as follows:

	Note	12 months to June 2018 £'000	6 months to June 2017 £'000
Non-recurring costs (1)		**619**	-
Depreciation	14	**39**	23
Amortisation of intangible assets	13	**306**	142
Employee benefit expense	8	**2,983**	1,784
Operating lease payments		**117**	65
Other administrative expenses		**800**	604
		4,864	2,618

(1) Non-recurring costs relate to legal fees and other payments in relation to the acquisition of the Company by Netcall plc in August 2017.

6 Other operating income

Other operating income is analysed as follows:

	12 months to June 2018 £'000	6 months to June 2017 £'000
Other income [1]	**26**	13
Net foreign exchange loss on amounts owed by related party undertakings	**(10)**	(48)
	16	(35)

[1] The Company sublets part of its office space and the income relates to an inclusive rental charge for that space of £25,000 (2017 - £13,000) and other sundry income of £1,000 (2107 - £nil)

7 Operating loss

Operating loss is arrived at after charging:

	12 months to June 2018 £'000	6 months to June 2017 £'000
Research and development costs		
- Current period expenditure	**915**	506
- Amortisation of intangible assets	**306**	142
Depreciation	**39**	23
Foreign exchange loss	**10**	48
Operating lease expense:		
- Land and buildings	**117**	65
Non-recurring costs [1]	**619**	-

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	**10**	6
- In relation to previous period	**9**	-
	19	6

[1] See note 5 for details

8 Employees

Staff costs, including Directors, consist of:

	12 months to June 2018 £'000	6 months to June 2017 £'000
Wages and salaries	**2,655**	1,633
Less: internal development costs capitalised in the period	**(259)**	(144)
Social security costs	**320**	175
Pension costs – defined contribution plans	**129**	58
Share option costs	**128**	-
Other staff related expenses	**10**	62
	2,983	1,784

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 £129,000 (2017 - £58,000). Contributions totalling £11,000 (2017 - £9,000) were payable at the end of the period.

Average number of people, including executive directors, employed during the period was 54 (2017 – 57).

9 Directors

Directors' emoluments are shown below.

	12 months to June 2018 £'000	6 months to June 2017 £'000
Director emoluments	**119**	147
Company contributions to defined contribution pension schemes	**22**	11
	141	158

In addition to the above, consultancy fees of £3,000 (2017: £17,000) 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 £111,000 (2017 - £67,000) and Company contributions to defined contribution pension schemes of £22,000 (2017 - £11,000).

10 Interest receivable and similar income

	12 months to June 2018 £'000	6 months to June 2017 £'000
Bank interest receivable	**2**	-
	2	-

11 Interest payable and similar charges

	12 months to June 2018 £'000	6 months to June 2017 £'000
Shareholder loan interest (note 17)	**2**	17
Other loan interest (note 17)	**9**	4
Bank and credit card charges	**1**	1
	12	22

12 Taxation on loss on ordinary activities

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

	12 months to June 2018 £'000	6 months to June 2017 £'000
UK corporation tax:		
Current tax on profits for the period	**-**	-
Adjustments in respect of prior periods	**-**	-
Total current tax	**-**	-
Deferred tax: (note 19)		
Origination and reversal of timing differences	**14**	59
Tax credit on profit on ordinary activities	**14**	59

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

The tax assessed on the loss on ordinary activities for the period is higher than (2017 – higher than) the standard rate of corporation tax in the UK of 19.00% (2017 – 19.75%).

	12 months to June 2018 £'000	6 months to June 2017 £'000
Loss on ordinary activities before tax	**(231)**	(667)
Tax at the weighted average UK corporation tax rate of 19.00% (2017 – 19.75%)	**(44)**	(132)
Tax effects of:		
Expenses not deductible for tax purposes	**38**	4
Losses arising in period not recoverable against current tax	**341**	160
Utilisation of previously unrecognised tax losses	**(5)**	-
Additional deductions for R&D expenditure	**(81)**	(36)
Relief for employee share schemes	**(263)**	-
Effect of change in deferred tax rate	**-**	(55)
Tax (credit) for the period	**(14)**	(59)

13 Intangible assets

	Software Development costs £'000
Cost	
At 31 December 2016	2,425
Additions	144
At 30 June 2017	2,569
Additions	280
At 30 June 2018	**2,849**
Amortisation	
At 31 December 2016	647
Charge for period	142
At 30 June 2017	789
Charge for period	306
At 30 June 2018	**1,095**
Net book value	
At 31 December 2016	1,778
At 30 June 2017	1,780
At 30 June 2018	**1,754**

Amortisation of £306,000 (2017 - £142,000) is included within 'administrative expenses'.

14 Tangible assets

	Fixtures, fittings and equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 31 December 2016	73	175	248
Disposals	(12)	(79)	(91)
Additions	-	3	3
At 30 June 2017	61	99	160
Additions	1	10	11
At 30 June 2018	**62**	**109**	**171**
Accumulated depreciation			
At 31 December 2016	44	130	174
Disposals	(12)	(79)	(91)
Charge for the period	8	15	23
At 30 June 2017	40	66	106
Charge for the period	15	24	39
At 30 June 2018	**55**	**90**	**145**
Net book value			
At 31 December 2016	29	45	74
At 30 June 2017	21	33	54
At 30 June 2018	**7**	**19**	**26**

Depreciation expense of £39,000 (2017 - £23,000) has been charged in 'administrative expenses'

15 Debtors

	30 June 2018 £'000	30 June 2017 £'000
Trade debtors	**2,534**	606
Amounts owed by related party undertakings	**1,332**	1,001
Other debtors	**9**	7
Corporation tax	**86**	159
Deferred tax	**2**	2
Prepayments and accrued income	**205**	155
	4,168	1,930

16 Creditors: amounts falling due within one year

	30 June 2018 £'000	30 June 2017 £'000
Trade creditors	**262**	168
Amounts owed to related party undertakings	**1,249**	-
Taxation and social security	**410**	156
Deferred Income	**2,917**	2,020
Shareholder loan (note 17)	**-**	110
Pension creditors	**11**	9
Accruals and other creditors	**184**	306
	5,033	2,769

17 Creditors: amounts falling due after more than one year

	30 June 2018 £'000	30 June 2017 £'000
Shareholder loan	**-**	440
Working capital loan	**-**	500
	-	940

Shareholder loan

The Shareholder loan represented secured "A" loan notes with Proven VCT PLC & Proven Growth and Income VCT PLC. The loans of £550,000 were originally scheduled to be repaid in five annual instalments of £110,000.

17 Creditors: amounts falling due after more than one year *(continued)*

Shareholder loan *(continued)*

The "A" loan notes did accrue interest on and from the date of subscription at a rate of 2% for the first year, increasing to 6% in year two and beyond, payable quarterly in arrears. Interest of £2,000 was charged in the period (2017: £17,000).

The Company was acquired by Netcall plc on 4 August 2017 and the shareholder loan was settled in full at that time.

The fixed and floating charge dated 10 February 2011 held by Beringea LLP over the undertaking and all property and assets present and future, including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant & machinery is now also satisfied.

Working capital loan

The Company entered into a new unsecured £500,000 interest only working capital loan during the prior period. Interest at the rate of 10.45% was payable monthly in arrears with the loan advance scheduled to be repaid as a lump sum at the end of the 24 month term.

Interest of £9,000 was charged in the period (2017: £4,000).

The working capital loan was also settled in full at the time of acquisition.

Loans are repayable as follows:

	30 June 2018 £'000	30 June 2017 £'000
Within one year	-	110
Between one to two years	-	940
Between two to five years	-	-
More than five years	-	-
	-	1,050

18 Financial instruments

	30 June 2018 £'000	30 June 2017 £'000
Financial assets that are debt instruments measured at amortised cost		
Cash at bank and in hand	**414**	1,304
Trade debtors	**2,534**	606
Amounts owed by related party undertakings	**1,332**	1,001
Other financial assets	**25**	7
	4,305	2,918
Financial liabilities measured at amortised cost		
Trade and other creditors (excluding statutory liabilities)	**273**	177
Amounts owed to related party undertakings	**1,249**	-
Shareholder loans	**-**	550
Working capital loan	**-**	500
	1,522	1,227

19 Provisions for liabilities

	Property Provisions (as restated) £'000	Deferred Tax Provision £'000	Total (as restated) £'000
At 31 December 2016	92	371	463
Increase/ (decrease) in provision	28	(59)	(31)
At 30 June 2017	120	312	432
Increase/ (decrease) in provision	3	(14)	(11)
At 30 June 2018	**123**	**298**	**421**

Property provisions

£4,000 was recognised in the period relating to dilapidations on leasehold properties (2017 - £28,000).

20 Deferred tax

Deferred tax has been provided for at 17.00% (2017 – 20.00)%.

	30 June 2018 £'000	30 June 2017 £'000
Included in debtors (note 15)	2	2
Included in provisions for liabilities (note 19)	(298)	(312)
	(296)	(310)
Accelerated capital allowances	(3)	(9)
Capitalised development costs	(295)	(303)
Pension costs	2	2
	(296)	(310)

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

Deferred tax liabilities	Pension Costs £'000	Accelerated Capital Allowances £'000	Capitalised Development Costs £'000	Total £'000
At 31 December 2016	(2)	15	356	369
Credited to statement of comprehensive income	-	(4)	-	(4)
Effect of change in deferred tax rate	-	(2)	(53)	(55)
At 30 June 2017	(2)	9	303	310
Credited to statement of comprehensive income	-	(6)	(8)	(14)
At 30 June 2018	**(2)**	**3**	**295**	**296**

The Company has not recognised deferred tax assets in respect of £2.96m (2017 £2.21m) 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

	2018 Number of ordinary shares	2018 Nominal value £	2017 Number of ordinary shares	2017 Nominal value £
Authorised, allotted and fully paid				
Ordinary shares of £0.01 each	**160,463**	**1,605**	133,133	1,331
A Ordinary shares of £0.01 each	**-**	**-**	15,895	159
Deferred shares of £0.01 each	**-**	**-**	200	2
	160,463	**1,605**	149,228	1,492

During the period 15,895 of A Ordinary shares were converted to Ordinary Shares (2017 none)

Deferred shares carried no voting rights and were redeemed in full during the period.

At the balance sheet date the Company had outstanding (a) nil (2017 - 8,450) share options over ordinary shares at an exercise price of £7.03 which were awarded in 2010 and (b) nil (2017 - 2,985) share options over ordinary shares at an exercise price of £3.67 awarded in 2013. During the year these options were exercised and the resulting shares issued.

22 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 2018 Land and buildings £'000	30 June 2017 Land and buildings £'000
Operating leases which expire:–		
No later than 1 year	**95**	103
Later than 1 year and no later than 5 years	**-**	95
Later than 5 years	**-**	-
	95	198

23 Capital commitments

There are no amounts contracted but not provided in the financial statements (2017 £nil).

24 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 £3,000 (2017: £17,000) 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. At the balance sheet date £nil (2017: £9,000) was included within accruals.

At the balance sheet date loans totalling £nil (2017: £550,000) were due to shareholders. Interest is payable at a rate of 6% and amounted to £2,000 in the period (2017: £17,000). The loans are repayable in five annual instalments of £110,000 which were due to commence in February 2016 however the 2016 and 2017 payments were both agreed to be deferred. These loans were then repaid by Netcall plc after the acquisition of the Company in August 2017.

25 Ultimate parent company

The Company's parent and ultimate parent undertaking at 30 June 2018 was Netcall plc.

Netcall plc was head of the largest group for which the results of Matssoft Limited were consolidated at 30 June 2018 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