

Netcall Systems Limited

Registered number 03662618

Annual report and financial statements

Year ended 30 June 2023



Netcall Systems Limited

Annual report and financial statements for the year ended 30 June 2023

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Netcall Systems Limited

Directors and advisors

Registered number

03662618

Registered office

Netcall Systems Limited, Suite 203, Bedford Heights Brickhill Drive, Bedford, Bedfordshire,
England, MK41 7PH

Directors

J A Ormondroyd
R Billington
R G Hughes (appointed on 19 December 2023)

Company secretary

M Greensmith

Auditor

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

Principal bankers

Lloyds Bank Plc, Black Horse House, Progression Centre, 42 Mark Road, Hemel Hempstead, HP2
7DW

Solicitors

DLA Piper UK LLP, 160 Aldersgate Street, London, EC1A 4HT

Netcall Systems Limited

Strategic report for the year ended 30 June 2023

The Directors present their Strategic Report for the year ended 30 June 2023.

Principal activities

Netcall Systems Limited ("Netcall") is a leading provider of Intelligent Automation software and services. Netcall's purpose is to help organisations transform their customer engagement activities and enable digital transformation faster and more efficiently, empowering them to improve customer experiences and operational efficiencies.

We achieve this by delivering a market-leading software platform, Liberty, which provides a comprehensive and easy-to-use digital transformation tool kit that helps customers build leaner, more customer-centric organisations to manage the complexities that rapid technological advances across all industries have resulted in, being more data, 24/7 'always on' availability, increased automation and growing channels of communication.

Our Intelligent Automation offering comprises of:

- Liberty Create: A low-code software solution for faster development of applications utilising an intuitive drag-and-drop environment enabling both professional and business developers to create enterprise grade applications that drive and automate workflows and business processes.
- Liberty RPA: An AI-powered robotic process automation solution, which frees-up people from mundane and cumbersome tasks, enabling them to be more productive.
- Liberty AI: A machine learning solution that offers richer insights to data, predicts outcomes and improves business decision making.

Business review

Netcall's markets represent a substantial and growing opportunity and the Liberty platform continues to gain market traction as we support our customers' Digital Transformation strategies. This has contributed to growth in average contract values and a significant increase in recurring revenue from those customers, demonstrating the value of our existing customer base.

Digital transformation is rapidly advancing across our customer base and key market segments. Solutions enabled by our Liberty platform touch many aspects of our daily lives, whether it be enabling users to apply for mortgages, to make insurance claims, to agree payment plans online with a utility company, or to check patient criteria after staying in hospital and dispensing the correct prescription medication. This demonstrates the power of our Liberty platform and the ability of our team to combine technology capabilities and business knowledge to create solutions which enable organisations to implement more lean and automated operations, delivering better experiences for their customers and employees.

Key performance indicators

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

	June 2023	June 2022	Change
Revenue (£'000's)	13,917	9,815	+42%
Revenue recurring in nature (£'000's)	11,282	7,213	+56%
Adjusted EBITDA (£'000's)	1,859	1,545	+20%

Netcall Systems Limited

Strategic report for the year ended 30 June 2023 *(continued)*

Key performance indicators *(continued)*

Revenues

Revenues for the year were £13.9m (2022 - £9.8m).

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 considered to be recurring in nature is derived from cloud and communication services. Revenue recurring in nature rose by 56% to £11.3m (2022 - £7.2m) being 81% (2022 - 73%) of total revenue.

Product and service revenues were £2.6m for the year (2022 - £2.6m).

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 £2.1m (2022 - £1.3m) comprising £1.4m in the statement of comprehensive income (2022 - £0.8m) and £0.7m capitalised development expenditure (2022 - £0.5m).

Profit for the year

Profit for the year was £1.2m (2022 - £0.9m).

Adjusted EBITDA

Adjusted EBITDA for the year was £1.9m (2022 - £1.5m). Adjusted EBITDA is defined as profit before interest, tax, depreciation and amortisation adjusted to exclude the effects of share-based payments and profit or loss on disposals. The Board believes this gives a better view of on-going maintainable earnings.

Outlook

Trading conditions in the new financial year have remained positive, with a healthy pipeline of new business, combined with a growing cloud business revenue stream underpinned by an increase in annual contract value.

The Company's target markets represent a substantial and growing opportunity with its Liberty platform being well positioned to support customers' digital transformation strategies. Our significant and growing cloud business is delivering enhanced profitability and revenue visibility which, combined with our product innovation, produces new growth opportunities.

Netcall Systems Limited**Strategic report for the year ended 30 June 2023 (continued)****Principal risks and uncertainties**


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

Risk area and potential impact	Mitigation
<p>Data security and business continuity</p> <p>The appropriate and secure utilisation of client and other sensitive information is essential for the Company's business. The Company may face reputational, business and operational risks if it fails to prevent fraudulent activity, cyber-crime or security breaches related to data protection and service delivery.</p> <p>The reliability of the Company's services largely depends on the efficient and uninterrupted operation of its platforms and network systems as well as the availability of sufficient staffing levels. In doing so, the Company also relies on third party products and platforms. The Company may experience delays and disruptions in its ability to develop, deliver or maintain its products and services if it encounters system or network failures, fraud or security incidents or the unavailability of key staff or management. This may adversely affect the Company's business and reputation, resulting in customer or revenue losses.</p>	<p>The Company maintains formal data security policies and procedures and a documented business continuity and disaster recovery plan which are tested and regularly reviewed.</p> <p>The Company maintains ISO27001 and Cyber Essentials accreditations and also screens new employees carefully.</p>
<p>Economic Environment</p> <p>The Company's markets may fall into decline.</p> <p>Weak economic conditions including the current inflation, foreign currency and interest rate environment may impact upon the ability of the Company's clients to do business for example in longer sales cycles, lower demand or higher credit risk.</p>	<p>The Company has a diversified portfolio of customers and vertical markets.</p> <p>Innovative solutions are offered in a variety of ways to best suit each customer's business needs including traditional software licensing or payment by subscription via software as a service.</p>
<p>Product development</p> <p>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.</p>	<p>The Company continues to monitor the market place for competitor development and maintains a significant investment in research and development.</p>

Netcall Systems Limited**Strategic report for the year ended 30 June 2023** *(continued)*

Risk area and potential impact <i>(continued)</i>	Mitigation <i>(continued)</i>
<p>Talent</p> <p>As a technology company, the Company is heavily reliant on the people it employs and it competes for the best talent available. If the Company is unable to attract or retain the niche skills and experience it needs to drive the business forward, creating innovation and growth, this could materially impact its success.</p> <p>The Netcall brand must remain attractive for it to successfully attract and retain development, engineering, consulting, sales and marketing staff and leadership.</p>	<p>The Company seeks to ensure that employees are motivated in their work and receive regular reviews and encouragement to develop their skills. Annually, there is a Company-wide salary review that rewards performance and ensures pay and benefits remain competitive. Commission and bonus schemes help to ensure that both Netcall's success and individual achievement are appropriately recognised.</p>
<p>Project delivery</p> <p>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.</p>	<p>The Company has procedures and policies for project delivery and regularly measures and reviews project progress. Regular testing of quality management processes is carried out. If issues arise on projects, senior management are involved to ensure timely resolution.</p>
<p>Intellectual property rights ('IPR')</p> <p>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.</p> <p>There is a supply risk of losing key software partners. This would have an impact on the Company as it sought to identify and then train staff in alternative products.</p>	<p>The Company relies upon IPR protections including copyrights and contractual provisions.</p> <p>The Company's product team monitors contracts, and reviews and evaluates alternate suppliers.</p>

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


R G Hughes
Director
Date: 19/3/2024

Netcall Systems Limited

Report of the Directors for the year ended 30 June 2023

The Directors present their report together with the audited financial statements for the year ended 30 June 2023.

Results and dividends

The Statement of comprehensive income is set out on page 12 and shows total comprehensive income for the year of £1.2m (2022 – £0.9m).

There were no dividends declared or paid in the year. (2022 - £nil).

Donations

There were no charitable or political donations during the year (2022 - £nil).

Directors

The Directors of the Company during the year were:

H P Bang (resigned on 31 December 2023)
J A Ormondroyd
R Billington

Events after the balance sheet date

There have been no significant events after the balance sheet date.

Future developments

Refer to the 'Outlook' section of the Strategic Report.

Research and development

The Company continues an active programme of research and development into Intelligent Automation software and products. Refer to the Strategic Report for expenditure during the financial year.

Going concern

The financial statements have been prepared on the going concern basis. See note 2.2 for further information.

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. The Directors consider the Annual Report and Financial Statements as a whole, provide the information necessary to assess the company's performance.

Netcall Systems Limited

Report of the Directors for the year ended 30 June 2023

Statement of Directors' responsibilities *(continued)*

Company law requires the directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for the period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors 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,



R G Hughes
Director

Date: 19/3/2024

Netcall Systems Limited

Independent auditor's report to the members of Netcall Systems Limited

Opinion

We have audited the financial statements of Netcall Systems Limited (the 'company') for the year ended 30 June 2023, 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 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2023 and of its profit for the year 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 are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the cost of living crisis, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Netcall Systems Limited

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

As explained more fully in the Statement of Directors' responsibilities, 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.

Netcall Systems Limited

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are most applicable to the company and determined the most significant are those that relate to the financial reporting frameworks, being the Companies Act 2006 and FRS 101 'Reduced Disclosure Framework', together with relevant tax compliance regulations. In addition, we concluded that there are certain other significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, being laws and regulations relating to health and safety, employee matters, data protection and bribery and corruption practices.
- We obtained an understanding of how the company is complying with legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes.
- We enquired of management about the company's policies and procedures relating to the identification, evaluation and response to the risks of fraud and the establishment of internal controls to mitigate these risks.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to areas of increased management judgement, specifically revenue recognition and the capitalisation of software development costs, both of which could be impacted by management bias.
- Audit procedures performed by the engagement team included:
 - Identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud;
 - Obtaining an understanding of how those charged with governance consider and address the potential for management override of controls or other inappropriate influence over the financial reporting process;
 - Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
 - Challenging assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Netcall Systems Limited

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

Auditor's responsibilities for the audit of the financial statements *(continued)*

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - Understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
 - Knowledge of the industry in which the company operates; and
 - Understanding of the legal and regulatory frameworks applicable to the company.
- Relevant laws and regulations and potential fraud risks were communicated to all engagement team members. We remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

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

Date: 19/3/2024

Netcall Systems Limited**Statement of comprehensive income for the year ended 30 June 2023**

	Note	2023 £'000	2022 £'000
Revenue	4	13,917	9,815
Cost of sales		<u>(3,235)</u>	<u>(2,514)</u>
Gross profit		10,682	7,301
Administrative expenses	5	(9,430)	(6,417)
Adjusted EBITDA		1,859	1,545
Depreciation	13,14	(175)	(181)
Amortisation of intangible assets	12	(427)	(439)
Share based payments	20	(5)	(41)
Operating profit	6	1,252	884
Interest receivable and similar income	9	54	-
Interest payable and similar charges	10	<u>(13)</u>	<u>(16)</u>
Profit before tax		1,293	868
Tax credit/(charge) on profit	11	<u>(98)</u>	<u>40</u>
Profit for the year		<u>1,195</u>	<u>908</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>1,195</u>	<u>908</u>

All amounts relate to continuing activities.

The notes on pages 15 to 34 form part of these financial statements.

Netcall Systems Limited (Registered number 03662618)**Balance sheet as at 30 June 2023**

	Note	30 June 2023 £'000	30 June 2022 £'000
Fixed assets			
Intangible assets	12	2,255	2,019
Right-of-use assets	13	228	317
Tangible assets	14	186	272
		<u>2,669</u>	<u>2,608</u>
Current assets			
Trade and other debtors	15	3,965	3,626
Contract assets	4	284	254
Cash at bank and in hand		2,645	1,529
		<u>6,894</u>	<u>5,409</u>
Creditors: amounts falling due within one year			
Trade and other creditors	16	3,345	3,311
Contract liabilities	4	4,327	3,952
Lease liabilities	13	68	91
		<u>7,740</u>	<u>7,354</u>
Net current liabilities		<u>(846)</u>	<u>(1,945)</u>
Total assets less current liabilities		<u>1,823</u>	<u>663</u>
Creditors: amounts falling due after more than one year			
Contract liabilities	4	32	30
Provision for liabilities	17	509	457
Lease liabilities	13	246	339
		<u>787</u>	<u>826</u>
Net assets/(liabilities)		<u>1,036</u>	<u>(163)</u>
Capital and reserves			
Called up share capital	19	2	2
Share premium		561	561
Profit and loss account		473	(726)
Shareholders' funds/(deficit)		<u>1,036</u>	<u>(163)</u>

The financial statements were approved by the Board of Directors and signed on its behalf by:

R Hughes
R G Hughes
Director
Date: 19/3/2024

The notes on pages 15 to 34 form part of these financial statements.

Netcall Systems Limited**Statement of changes in equity for the year ended 30 June 2023**

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total equity £'000
Balance at 30 June 2021	2	561	(1,675)	(1,112)
Share based payments	-	-	41	41
Transactions with owners	-	-	41	41
Loss and total comprehensive income for the year	-	-	908	908
Balance at 30 June 2022	2	561	(726)	(163)
Share based payments	-	-	4	4
Transactions with owners	-	-	4	4
Loss and total comprehensive income for the year	-	-	1,195	1,195
Balance at 30 June 2023	2	561	473	1,036

The notes on pages 15 to 34 form part of these financial statements.

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023

1 Company information

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

The Company is a private company, limited by shares, incorporated in England and Wales.

The Company's registered address is Suite 203, Bedford Heights Brickhill Drive, Bedford, Bedfordshire, England, MK41 7PH 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 101 'Reduced Disclosure Framework' (FRS 101). 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. These policies have all been applied consistently throughout the year unless otherwise stated.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The Company continues to generate good levels of cash from operating activities and remains debt free.

As part of the preparation of the Company's forecasts and projections, the Directors have reviewed a number of scenarios, including the severe yet plausible downside scenario, with respect to levels of new business and client retention.

Following review of the Company's forecasts and projections and after making relevant enquiries, the Directors were able to conclude that the Company has adequate resources to continue in operational existence for a period of at least twelve months following the date of signing of these financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 *(continued)*

2 Accounting policies *(continued)*

2.3 Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- A statement of cash flows and related notes
- The requirements in 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 reconciliations for tangible assets and intangible assets
- Disclosure of key management personnel compensation
- Capital management disclosures
- Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the year
- The effect of future accounting standards not adopted
- Certain share based payment disclosures
- Disclosures in relation to impairment of assets
- Disclosures in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value)
- Fair value measurement disclosures (other than disclosures required as a result of recording financial instruments at fair value)

The Company has also taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the UK consolidated accounts of a larger group.

2.4 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, software development employee costs and an appropriate portion of relevant overheads. 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.

2.5 Leases

The Company leases office space. Rental contracts are typically made for fixed periods of 3 to 7 years. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 *(continued)*

2 Accounting policies *(continued)*

2.5 Leases *(continued)*

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

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.

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 'Administrative expenses' in the statement of comprehensive income.

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 *(continued)*

2 Accounting policies *(continued)*

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.

2.9 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, net of expenses of the share issue; and
- 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 Provisions

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 *(continued)*

2 Accounting policies *(continued)*

2.11 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.

2.12 Revenue

Revenue is recognised at the transaction price being the amount of consideration to which the Company expects to be entitled for the goods sold and services provided in the normal course of business during the year. Revenue is shown net of value-added tax, returns, rebates and discounts.

Revenue is recognised upon transfer of control of the promised product and/or services to customers. The company enters into contracts which can include combinations of services and products, each of which is capable of being distinct and is usually accounted for as a separate performance obligation. Where there are multiple performance obligations, revenue is measured at the value of the expected consideration received in exchange for the products or services, allocated by the relative stand-alone selling prices of each of the performance obligations.

The Company generates revenue principally through the supply of:

- **Cloud services** - comprises the subscription and usage fees to access our software through a hosted solution. The software, maintenance and support and hosting elements are not distinct performance obligations, and represent a combined service provided to the customer. Revenue is recognised as the service is provided to the customer on a straight-line basis over the period of supply;
- **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 licence or subscriptions and service elements, an assessment is made as to whether the software element is distinct in the context of the contract, based on whether the services provided significantly 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 contract liabilities. This deferred income relates predominantly to services which are recognised on a straight line basis over the period of supply. These services are typically invoiced at the beginning of the provision of service and the associated revenue is recognised over the service period which typically ranges from one to five years.

Where 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 a contract asset, representing unbilled work in progress with substantially the same risk characteristics as trade receivables for the same types of contracts.

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 *(continued)*

2 Accounting policies *(continued)*

2.13 Administrative expenses

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

2.14 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 retranslation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains are presented in the income statement within ‘other operating income’. Foreign exchange losses are presented in the income statement within ‘administrative expenses’.

2.15 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.

2.16 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.

2.17 Share-based payments

The Company operates a number of employee share schemes under which the ultimate parent company makes equity-settled share-based payments to certain employees of this Company. The fair value of employee services received in exchange for the grant of the options is recognised as an expense and a credit to retained earnings.

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 *(continued)*

2 Accounting policies *(continued)*

2.17 Share-based payments *(continued)*

The total amount to be expensed is determined by reference to the fair value of the options granted: including any market performance conditions and any non-vesting conditions but excluding the impact of any service and non-market performance vesting conditions (for example profitability targets and remaining an employee of the Company for a specified period).

Non-market conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The liability for social security costs arising in relation to the awards is measured at each reporting date based upon the share price at the reporting date and the elapsed portion of the relevant vesting periods to the extent that it is considered that a liability will arise.

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 judgements that have a significant impact on the financial statements are addressed below.

Revenue recognition

Revenue is recognised upon transfer of control of the promised product and/or services to customers. The Company enters into contracts which can include combinations of services, products, support fees and other services, each of which is capable of being distinct and is usually accounted for as a separate performance obligation. Where there are multiple performance obligations, revenue is measured at the value of the expected consideration received in exchange for the products or services, allocated by the relative stand-alone selling prices of each of the performance obligations. Judgement applied in assessing the distinct performance obligations could have an impact on the timing of 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.

Software development costs

Software development costs are amortised over their useful lives in accordance with the accounting policy stated in note 2.4. These useful lives are based on management's estimates of the period that the assets will generate revenue. These estimates are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the Statement of comprehensive income in specific periods. The carrying value of software is given in note 12.

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 *(continued)*

3 Critical accounting estimates and judgements *(continued)*

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 £2.44m (2022 - £4.52m). 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.

Leases

Extension and termination options are included in a number of the Company's property leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

In determining the lease term, management considers the facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Factors considered include: whether there are any significant penalties to terminate (or not extend) or leasehold improvements which are expected to have a significant remaining value; historical lease durations and the costs and business disruption required to replace the leased asset.

As at 30 June 2023, potential future cash outflows of £0.18m (2022: £0.18m) (undiscounted) have been included in the lease liability because it is reasonably certain that the leases will be extended.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The accounting estimates that have a significant impact on the financial statements are addressed below.

Share-based payments

The fair value of share-based payments is estimated using the Monte Carlo valuation model or Black-Scholes option-pricing model as appropriate at the date of grant and using certain assumptions. Changes to these estimates and assumptions can result in significant variations in the amounts charged to the Statement of comprehensive income. These assumptions are disclosed in note 20.

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 *(continued)*

4 Revenue from contracts with customers

4.1 Revenue by category

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	2023 £'000	2022 £'000
Cloud services	9,988	5,741
Communication services	1,294	1,472
Product	97	-
Services	2,538	2,602
	<u>13,917</u>	<u>9,815</u>
Timing of revenue recognition:		
At a point in time	97	-
Over time	13,820	9,815
	<u>13,917</u>	<u>9,815</u>

4.2 Revenue by location and major customers

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

Analysis of revenue by geographical destination:

	2023 £'000	2022 £'000
United Kingdom	8,550	7,474
Rest of the world	5,367	2,341
	<u>13,917</u>	<u>9,815</u>

Significant customers

Revenue from the top 2 customers in the year ended 30 June 2023 amounted to £5,178,000 and £2,008,000, which represented 37% and 14% of total revenue respectively. Revenue from the top 2 customers in the year ended 30 June 2022 amounted to £2,059,000 and £1,666,000, which represented 21% and 17% of total revenue respectively.

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 *(continued)*

4 Revenue from contracts with customers *(continued)*

4.3 Assets and liabilities related to contracts with customers

The Company has recognised the following assets and liabilities related to contracts with customers:

	2023 £'000	2022 £'000
Contract assets	284	254
Contract liabilities – current	4,327	3,952
Contract liabilities – non-current	32	30

Contract assets have increased by £30,000 as the Company has provided more services ahead of the agreed payment schedules. Contract liabilities have increased by £377,000 due to the timing of advance subscription renewals of Cloud services contracts.

4.4 Revenue recognised in relation to contract liabilities

Set out below is the amount of revenue recognised from:

	2023 £'000	2022 £'000
Amounts included in contract liabilities at the beginning of the year	3,814	2,553
Performance obligations satisfied in previous years	-	-

4.5 Unsatisfied long-term contracts

The unsatisfied performance obligations for communication services, product and service revenues are a part of a contract that has an original expected duration of one year or less.

The unsatisfied performance obligations for cloud services and product support contracts as at 30 June may span a duration of more than one year, and as at 30 June are as follows:

	2023 £'000	2022 £'000
Within one year	7,056	6,466
More than one year	10,921	15,366

Netcall Systems Limited**Notes to the financial statements for the year ended 30 June 2023 (continued)****5 Administrative expenses**

Administrative expenses by nature are analysed as follows:

	Note	2023 £'000	2022 £'000
Depreciation of tangible fixed assets	14	86	93
Depreciation of right-of-use assets	13	89	88
Amortisation of intangible assets	12	427	439
Employee benefit expense	7	4,367	3,636
Other administrative expenses		4,461	2,161
		<u>9,430</u>	<u>6,417</u>

6 Operating profit

Operating profit is arrived at after charging/(crediting):

	2023 £'000	2022 £'000
Research and development costs		
- Current year expenditure	1,382	834
- Amortisation of intangible assets (Note 12)	427	439
Depreciation of tangible fixed assets (Note 14)	86	93
Depreciation of right-of-use assets (Note 13)	89	88
Foreign exchange loss/(gain)	<u>(33)</u>	<u>(192)</u>
Auditor's remuneration is analysed as follows:		
- Fees payable to the Company's auditor for the audit of the Company's annual accounts ⁽¹⁾ :	34	31
- Fees payable to the Company's auditor for other services	<u>-</u>	<u>-</u>

- ⁽¹⁾ Apportionment of total fees paid by the ultimate parent company and recharged to Company as part of on-going management charges

7 Employees

Staff costs, including Directors, consist of:

	2023 £'000	2022 £'000
Wages and salaries	4,951	4,150
Less: internal development costs capitalised in the year	(572)	(464)
Social security costs	591	507
Pension costs – defined contribution plans	285	241
Share option costs	5	41
Other staff related expenses	<u>11</u>	<u>12</u>
	<u>5,271</u>	<u>4,486</u>

Netcall Systems Limited**Notes to the financial statements for the year ended 30 June 2023 (continued)****7 Employees (continued)**

On behalf of its employees, the Company makes contributions to a defined contribution 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 year was £285,000 (2022 - £241,000). Contributions totalling £24,000 (2022 - £23,000) were payable at the end of the year.

The average number of people, including executive directors, employed during the year is detailed in the table below:

	2023 £'000	2022 £'000
Sales and marketing	10	10
Development and operations	67	57
Management and administration	2	2
	<u>79</u>	<u>69</u>

8 Directors

Directors' emoluments are shown below:

	2023 £'000	2022 £'000
Director emoluments	201	155
Company contributions to defined contribution pension schemes	15	13
	<u>216</u>	<u>168</u>

The highest paid director received emoluments of £201,000 (2022 - £155,000) and Company contributions to defined contribution pension schemes of £15,000 (2022 - £13,000). For share based payments, refer to note 20. One (2022: one) of the directors is remunerated through the Company. Two (2022: two) of the directors are also directors of Netcall plc and are remunerated by that entity. A portion of their costs are recharged to the Company.

9 Interest receivable and similar income

	2023 £'000	2022 £'000
Bank interest receivable	54	-
	<u>54</u>	<u>-</u>

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 (continued)

10 Interest payable and similar charges

	2023 £'000	2022 £'000
Interest payable for lease liabilities	12	15
Bank and credit card charges	1	1
	<u>13</u>	<u>16</u>

11 Tax credit/(charge) on profit

The tax credit/(charge) is based on the result for the year and represents:

	2023 £'000	2022 £'000
<i>UK corporation tax:</i>		
Current tax on losses for the year	-	-
Adjustments in respect of prior periods	-	-
Total current tax	<u>-</u>	<u>-</u>
<i>Deferred tax: (note 19)</i>		
Origination and reversal of timing differences	<u>(98)</u>	<u>40</u>
Tax credit/(charge) for the year	<u>(98)</u>	<u>40</u>

The tax assessed on the loss for the year is lower than (2022 – lower than) the standard rate of corporation tax in the UK of 20.50% (2022 – 19.00%).

	2023 £'000	2022 £'000
Profit before tax	<u>1,293</u>	<u>868</u>
Tax at the weighted average UK corporation tax rate of 20.50% (2022 – 19.00%)	(265)	(165)
<i>Tax effects of:</i>		
Expenses not deductible for tax purposes	(9)	1
Losses arising in period not recoverable against current tax	-	-
Additional deductions for R&D expenditure	-	115
Utilisation of previously unrecognised tax losses	-	63
Relief for employee share schemes	62	52
Losses surrendered under group relief	148	-
Change in rate of deferred tax asset	<u>(34)</u>	<u>(26)</u>
Tax credit/(charge) for the year	<u>(98)</u>	<u>40</u>

In March 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25% from 19%. This new law was substantively enacted on 24 May 2021. On 23 September 2022, the Government announced that the increase in the main rate of corporation tax to 25% had been cancelled. On 14 October 2022, the Government announced that the increase in the main rate of corporation tax to 25% would take place as previously legislated for. Deferred taxes at the balance sheet date have been measured using this tax rate in the financial statements, as this is the rate at which they are expected to reverse or be utilised.

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 *(continued)*

12 Intangible assets

	Software development costs £'000
<i>Cost</i>	
At 30 June 2021	4,178
Additions	529
	<hr/>
At 30 June 2022	4,707
Additions	663
	<hr/>
At 30 June 2023	5,370
<i>Accumulated amortisation</i>	
At 30 June 2021	2,249
Charge for the year	439
	<hr/>
At 30 June 2022	2,688
Charge for the year	427
	<hr/>
At 30 June 2023	3,115
<i>Net book value</i>	
At 30 June 2021	1,929
	<hr/>
At 30 June 2022	2,019
	<hr/>
At 30 June 2023	2,255
	<hr/>

Amortisation of £427,000 (2022 - £439,000) is included within 'administrative expenses'.

13 Leases

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

Amounts recognised in the balance sheet

	2023 £'000	2022 £'000
Right-of-use assets		
Buildings	228	317
	<hr/>	<hr/>
	228	317
Lease liabilities		
Current	68	91
Non-current	246	339
	<hr/>	<hr/>
	314	430

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

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 *(continued)*13 Leases *(continued)**Amounts recognised in profit of loss*

	2023 £'000	2022 £'000
Depreciation charge right-of-use assets - Buildings	89	88
Interest expense (including in finance cost)	13	15
Expense relating to short-term leases (included in 'administrative expenses')	-	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in 'administrative expenses')	-	-

The total cash outflow for leases in the year was £129,000 (2022: £77,000).

14 Tangible assets

	Fixtures, fittings and equipment £'000	Computer equipment £'000	Total £'000
<i>Cost</i>			
At 30 June 2021	568	74	642
Additions	-	-	-
Disposals	-	-	-
At 30 June 2022	568	74	642
Additions	-	-	-
Disposals	-	-	-
At 30 June 2023	568	74	642
<i>Accumulated depreciation</i>			
At 30 June 2021	207	70	277
Charge for the year	89	4	93
Disposals	-	-	-
At 30 June 2022	296	74	370
Charge for the year	86	-	86
Disposals	-	-	-
At 30 June 2023	382	74	456
<i>Net book value</i>			
At 30 June 2021	361	4	365
At 30 June 2022	272	-	272
At 30 June 2023	186	-	186

Depreciation expense of £86,000 (2022 - £93,000) has been charged in 'administrative expenses'.

Netcall Systems Limited**Notes to the financial statements for the year ended 30 June 2023 (continued)****15 Trade and other debtors**

	30 June 2023 £'000	30 June 2022 £'000
Trade debtors	1,656	844
Amounts owed by Group undertakings	1,353	1,383
Other debtors	-	1
Deferred tax	30	76
Prepayments	926	1,322
	<u>3,965</u>	<u>3,626</u>

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

16 Trade and other creditors

	30 June 2023 £'000	30 June 2022 £'000
Trade creditors	55	43
Amounts owed to Group undertakings	1,469	1,462
Taxation and social security	312	264
Pension creditors	24	23
Accruals and other creditors	1,485	1,519
	<u>3,345</u>	<u>3,311</u>

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

17 Provisions for liabilities

	Deferred Tax Provision £'000	Total £'000
At 30 June 2021	430	430
Increase/ (decrease) in provision	27	27
At 30 June 2022	457	457
Increase/ (decrease) in provision	52	52
At 30 June 2023	<u>509</u>	<u>509</u>

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 (continued)

18 Deferred tax

Deferred tax has been provided for at 25.00% (2022 – 21.20%).

	30 June 2023 £'000	30 June 2022 £'000
Included in trade and other debtors (note 15)	30	76
Included in provisions for liabilities (note 17)	(509)	(457)
	<u>(479)</u>	<u>(381)</u>
Accelerated capital allowances	(23)	(27)
Capitalised development costs	(486)	(430)
Pension costs	2	1
Other temporary differences	28	75
	<u>(479)</u>	<u>(381)</u>

The movement in deferred tax assets and liabilities during the year:

Deferred tax (assets)/liabilities	Accelerated Capital Allowances £'000	Capitalised Development Costs £'000	Pension Costs £'000	Other Temporary Differences £'000	Total £'000
At 30 June 2021	37	393	(4)	(5)	421
Charged/ (credited) to statement of comprehensive income	(10)	37	3	(70)	(40)
At 30 June 2022	27	430	(1)	(75)	381
Charged/ (credited) to statement of comprehensive income	(4)	56	(1)	47	98
At 30 June 2023	<u>23</u>	<u>486</u>	<u>(2)</u>	<u>(28)</u>	<u>479</u>

The Company has not recognised deferred tax assets in respect of £2.44m (2022 – £4.52m) of losses that can be carried forward against future taxable income as the recoverability is dependent on achieving taxable profits in the future.

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 (continued)

19 Share capital

	2023 Number of ordinary shares	2023 Nominal value £	2022 Number of ordinary shares	2022 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>

The holders of Ordinary shares are entitled to one vote per share and are entitled to receive dividend distributions pro rata to their shareholding. There was no change to share capital in the current year or the prior year.

20 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.

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.

In July and November 2019, Netcall plc granted a number of both EMI and Unapproved share options (“LTIP4”). Options are granted at an exercise price of 5 pence. The vesting period is from the date of grant to 30 June 2023 and the Options are conditional on certain vesting criteria including: achievement of the Company’s ordinary share price up to £1.20 in the period from the date of grant up to June 2023; and, the option holder being in employment at the date the option is exercised. Once vested up to one third of the options awarded may be exercised from and after July 2021 and the remaining vested awards may be exercised one half from each of July 2022 and July 2023; and, having made suitable arrangements with the Netcall plc for payment of any income tax or employee national insurance arising as a result of the award.

Options are granted under the plans for no consideration and carry no dividend or voting rights.

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 *(continued)*

20 Share based payments *(continued)*

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

	2023 Number (‘000)	2023 Weighted average exercise price	2022 Number (‘000)	2022 Weighted average exercise price
Outstanding at 1 July	1,861	5.0p	2,695	5.0p
Granted	-	5.0p	-	5.0p
Exercised	(390)	5.0p	(421)	5.0p
Lapsed / forfeited	(253)	5.0p	(413)	5.0p
Outstanding at 30 June	1,218	5.0p	1,861	5.0p
Exercisable at 30 June	485	5.0p	196	5.0p

Out of the 1,218,206 outstanding options (2022 – 1,860,523 options), 484,692 options (2022 – 196,312) were exercisable. The weighted average exercise price for options exercisable at the year-end was 5.0 pence (2022 – 5.0 pence). The weighted average remaining contractual life for options exercisable at the year-end was 1.2 years (2022 – 2.1 years).

Options exercised in the year resulted in 389,886 shares (2022 – 421,480) being issued at a weighted average price of 5.0 pence each (2022 – 5.0 pence). The related average weighted share price at the time of exercise was 83.44 pence per share (2022 – 69.64 pence per share).

The total expense recognised in the income statement for share options granted to Directors and employees (including associated national insurance) was £5,000 (2022 – £41,000). See note 7. Of this expense, £2,000 (2022: £12,000) related to directors.

21 Interests in other entities

Company name	Country of incorporation	Nature of business	Proportion of ordinary shares held directly	Proportion of ordinary shares held indirectly
MatsSoft Limited	UK(1)	Intermediate holding company	100%	0%
Netcall Systems, Inc.	USA(2)	Software & services	0%	100%

(1) The registered office is Suite 203, Bedford Heights, Brickhill Drive, Bedford, UK, MK41 7PH

(2) The registered office is 100 E.Pierce Road, Suite 100, Itasca, Illinois 60143, USA

22 Capital commitments

There are no amounts contracted but not provided in the financial statements (2022 – £nil).

Netcall Systems Limited

Notes to the financial statements for the year ended 30 June 2023 *(continued)*

23 Related party transactions

The Company has taken advantage of the exemption conferred by FRS 101 which allows it not to disclose transactions with other group undertakings that are wholly owned by the group. There were no other related party transactions during the current or prior year.

24 Ultimate parent company

The Company is a wholly owned subsidiary of its parent company and ultimate parent company Netcall plc. Netcall plc is a public limited company quoted on AIM (a market of the London Stock Exchange) and is incorporated and domiciled in the UK.

Netcall plc was head of the largest group for which the results of the Company were consolidated at 30 June 2023 and of which the Company was a member. Netcall plc prepares publicly available consolidated financial statements in accordance with IFRS. The consolidated accounts of Netcall plc are available from the address stated in note 1 or on the Group's website at www.netcall.com.

25 Post balance sheet events

There have been no significant events after the balance sheet date.