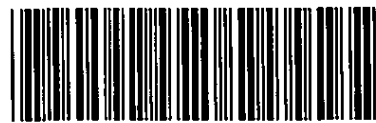


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Netcall plc

Annual Report and Accounts
for the year ended 30 June 2011

Stock code NET

About Netcall

Netcall is the UK's market leading provider of Customer Engagement Solutions. With over 20 years experience and a client base of over 600 organisations, Netcall has established itself as a major UK player with a growing international reputation in the communications industry.

Netcall's solutions provide end-to-end customer engagement, incorporating CallBack, Data Unification, Intelligent Call Handling, Smart Automation and Workforce Management. Our clients span both the private and public sectors and are organisations of all sizes, including many blue-chip companies with global contact centre operations.

Customers want to contact you on their terms, in a manner that suits them — fact! Our CallBack solutions provide you with the technology to offer your customers choice. Whether this is giving them the option to request a call back rather than queue in an automated phone system, or make contact with you online and request a call back at a time that suits them.

Companies often store management information across a variety of back office systems. However, problems can occur when data from each system need to come together to provide business insight.

Our Data Unification solutions simplify the most complex data integration challenges, provide you and your team with a single point to access and manage information, connecting to legacy, enterprise or on-demand applications from any location.

When a customer needs to speak with you, they want to do it quickly and without disruption.

Our Intelligent Call Handling solutions allow organisations to connect with their customers in a way that customers expect — hassle free. They never need know that the person they connect with is working remotely, or that they have queue jumped and routed through three departments before speaking to the correct person to deal with their request.

Customers aren't concerned if a organisation is split into various functions to manage the service they offer. However, they do expect a 'one stop shop' when dealing with you.

Our Smart Automation solutions enable you to join all the elements of your organisation together that are required to deliver a seamless platform for your customers to engage with. Whether this is in the form of an online portal, a contact centre or front desk services.

To provide effective customer service, a contact centre needs to strike the right balance between costs and resources.

Our Workforce Management solutions enable you to manage your contact centre's daily resources, monitor performance and manage tomorrow's demand. With this uninterrupted view of your resource you are able to maximise resource and minimise cost at all times.

Contents

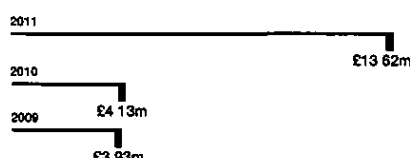
Highlights	01	Statement of Comprehensive Income	16
Chairman's and Chief Executive's Review	02	Consolidated Balance Sheet	17
Officers and Professional Advisers	06	Consolidated Statement of Changes in Equity	18
Report of the Directors	07	Consolidated Statement of Cash Flows	19
Corporate Governance Statement	13	Notes to the Consolidated Financial Statements	20
Independent Auditor's Report	15	Company Balance Sheet	43
Consolidated Income Statement	16	Notes to the Company Financial Statements	44

Highlights

"We have significantly increased our organisational capability and customer base"

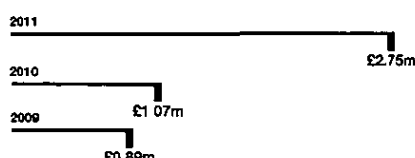
Revenue up 229%

to £13.62m (2010: £4.13m)



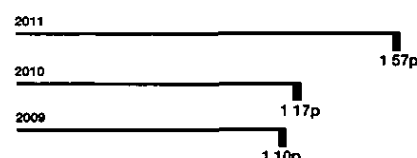
Adjusted EBITDA⁽¹⁾ up 156%

to £2.75m (2010: £1.07m)



Adjusted Earnings per Share up 34%

to 1.57p (2010: 1.17p)



Financial Highlights

- Revenue increased 229% to £13.62 million (2010: £4.13 million) reflecting the successful acquisition of Telephonetics during the period
- Adjusted EBITDA⁽¹⁾ increased by 156% to £2.75 million (2010: £1.07 million)
- Adjusted earnings per share⁽²⁾ increased 34% to 1.57p (2010: 1.17p)
- Maiden dividend of 0.4p per share proposed
- Revenue of a recurring nature of £9.32 million corresponding to 68% of total revenue
- Cash generated from operations increased 189% to £2.20 million (2010: £0.76 million) before acquisition and reorganisation payments
- Debt-free balance sheet with net cash funds of £5.89 million (2010: £2.45 million)

Operational Highlights

- Successful acquisition of Telephonetics increased market presence and expanded product portfolio
- Completed integration, realising annual cost savings of £1.8 million
- Significant cross-selling pipeline built with initial orders won
- New Appointment Management Cycle product developed from combined technologies resulting in first wins
- 25% increase in business from new customers
- Placing of shares at 19p raising £4.25 million during the year

(1) Profit before interest, taxation, depreciation, amortisation, acquisition and restructuring expenses and share-based payments

(2) Earnings per share before amortisation of acquired intangible assets, acquisition and restructuring expenses, share-based charges, adjusted to a standard rate of corporation tax

"Our headline strategy is to broaden and cross-fertilise our product suite and expand our customer base"

Revenue

up 229%

£13.62m (2010: £4.13m)

Operational Cash Flow

up 189%

£2.20m (2010: £0.76m)

Chairman's and Chief Executive's Review

Introduction

The Board is pleased to report that the Company has performed ahead of market expectations and has made good progress over the last 12 months following the acquisition of Telephonetics. Group revenue for the year more than trebled to £13.62 million (2010: £4.13 million), adjusted EBITDA increased by 156% to £2.75 million (2010: £1.07 million) and adjusted earnings per share increased by 34% to 1.57p (2010: 1.17p).

The Board is confident that the levels of profit and cash generation are sustainable and is therefore delighted to propose a maiden dividend of 0.4 pence per share at the forthcoming Annual General Meeting.

The significant reorganisation of the business following the acquisition of Telephonetics in July 2010 has been successfully completed, achieving annualised net cost savings of over £1.8 million while creating enhanced growth prospects for the enlarged business. Against this backdrop of considerable organisational and operational activity, we recorded 25% growth in business from new customers for the Group's products such as QueueBuster, ContactPortal and Remind+ and expanded our market share in our key segments of NHS Hospital Trusts, Local Authorities and Contact Centres. This increase in market share has been partially masked when comparing these results to historic pro-forma revenues due to the contribution of a refresh programme of Telephonetics' SEMAP+ platform in the previous year.

"Achieving annualised net cost savings while creating enhanced growth prospects"

Netcall continues to demonstrate increasing financial strength. Revenues of a recurring nature now exceed the fixed cost base of the Group and the business is highly cash generative, delivering over £2 million in operating cash flows for the year to bring net cash balances to £5.9 million at the year end. At 31 August the net cash balance had increased further to over £6.5 million.

Importantly, we secured our first cross-sale contracts into the enlarged customer base during the second half of the year, including cross-sales of Eden and ContactCentre 59R into QMax customers and QueueBuster into NHS Trust customers.

The MovieLine service remains a good source of cash generation and one which we continue to actively support. During the year we agreed a new multi-year supply contract on improved terms with our Telecom providers, upgraded the MovieLine user interface and as a result were delighted to secure a multi-year contract renewal with a key cinema customer.

Financial Review

Group revenue for the year was £13.62 million (2010: £4.13 million), the increase reflecting the impact of the Telephonetics acquisition. The breakdown of contribution to total revenues was as follows:

- SaaS (Software as a Service), maintenance and support contract revenues increased to £7.42 million (2010: £3.28 million),
- product and professional service revenues increased to £4.29 million (2010: £0.85 million), and
- revenues from Telephonetics' MovieLine service of £1.91 million (2010: £nil). As expected, pro-forma revenues from the MovieLine service showed a decline year on year due to the continued shift of transactions to the Internet.

Case Study – Anderson Anderson & Brown LLP

Anderson Anderson & Brown LLP is one of the leading chartered accountancy firms in Scotland offering services to a wide range of clients with varying financial and taxation requirements.

To meet client needs the firm was using a number of different systems which could not be easily integrated together without compromising integrity or incurring great cost. Consequently, gathering data for clients was time-consuming and inefficient.

Eden Single View was implemented to help streamline multiple data processes creating a single interface bringing together data from disparate systems.

As a result of implementing Eden Single View the firm have been able to ensure

- Single view of client data improving staff efficiency
- KPI data recorded daily to provide senior management with an accurate and current measurement of divisional performance
- Data accuracy and consistency across disparate systems

Revenue of a recurring nature, from the Group's hosted platforms, maintenance and support agreements, was £9.32 million being 68% of total revenue (2010: 79%) and is £10.0 million on a pro-forma annualised basis, providing good visibility for future periods.

Gross profit margin was 87% compared to 91% in the same period last year, due to a change in product mix resulting from the acquisitions. This compares to pro-forma gross profit margin in 2010 of 85%.

Administrative expenses before depreciation, amortisation, acquisition and restructuring expenses and share-based charges increased to £9.10 million (2010: £2.69 million) as a result of the acquisition of Telephonetics. Pro-forma administrative expenses were 9% lower at £9.80 million (2010: £10.56 million) reflecting the impact of net cost savings in the period of approximately £1 million offset by inflationary increases and additional investment into sales and marketing.

“We recorded 25% growth in business from new customers”

Approximately, £1.8 million of annualised cost savings have been achieved, comprising £1.4 million in staff costs and a £0.4 million reduction in duplicate costs of being AIM quoted and the number of office locations.

Consequently, the Group recorded a 156% increase in adjusted EBITDA to £2.75 million (2010: £1.07 million), a margin of 20%, which was ahead of market expectations due to the improved gross margin, earlier than expected realisation of cost-savings from the Telephonetics integration and an ongoing focus on cost management.

This adjusted EBITDA, after taking into account one-off reorganisation and acquisition costs of £0.91 million and amortisation of acquired intangible assets of £0.91 million, resulted in a profit before tax figure of £0.54 million for the period (2010: loss £0.25 million).

The Group benefited from the utilisation of tax losses brought forward and has recorded a tax credit of £0.14 million (2010: £0.26 million tax credit).

Adjusted earnings per share increased 34% to 1.57p (2010: 1.17p). Reported earnings per share increased to 0.58p (2010: 0.04p).

Cash generated from operations before acquisition and reorganisation payments increased to £2.20 million (2010: £0.76 million) a conversion of 80% adjusted EBITDA (2010: 71%).

The Group raised £4.25 million before expenses in the period through the issue of 22,368,420 shares at 19 pence per share at a premium of 38% to the prevailing mid-market price on the day before the announcement of the placing. The net proceeds of the placing were used to part finance the acquisition of Telephonetics and for general working capital requirements.

The Group used £2.53 million of cash during the period in acquiring and integrating Telephonetics, comprising £1.06 million in cash consideration (net of cash acquired), and £1.47 million of acquisition and reorganisation cost payments. A further £0.30 million of reorganisation costs are included in current liabilities at 30 June 2011 and are expected to be paid during the next financial year.

As a result of these factors, cash increased by £3.44 million (2010: outflow £1.71 million). The Group continues to maintain a debt-free balance sheet and had net cash funds of £5.89 million at 30 June 2011.

"This synergistic combination of proven technologies provides a differentiated offering from that of our competitors"

Chairman's and Chief Executive's Review *continued*

Strategy

In order to build and retain long-term shareholder value, the Board remains committed to its ongoing investment in its suite of contact centre and enterprise call management solutions. These combine to deliver a complete solution for end-to-end customer engagement, enabling our customers to improve the productivity and quality of their customer interactions.

The Board believes that the current economic climate serves to increase the importance of effective customer engagement as an integral component of our customers' business strategies. In the private sector there is a growing emphasis on customer retention and repeat business, and in the public sector, Local Authorities and NHS Trusts are being required to deliver more to their citizens with less resource. In addition, we believe that our customers are increasingly looking to source solutions which can be introduced into an organisation in phases, to provide step-by-step improvement, and which have the potential to be extended into other areas of their business.

Our headline strategy is therefore to continue to broaden and cross-fertilise our product suite of contact centre and enterprise call management solutions, expand our customer base in targeted niches and increase the number of applications used by each customer.

In addition to organic growth, the fragmented nature of the contact centre and enterprise call management solutions market provides Netcall with the opportunity to extend its market reach, broaden its product suite and further increase operational efficiencies. The Board therefore continues to consider accelerating growth through selective acquisitions.

Acquisition of Telephonetics

Netcall started the period well placed in the CallBack and Workforce Management contact centre markets. In line with our strategy, we have successfully broadened our product portfolio to include Intelligent Call Handling, Smart Automation and Data Unification products with the acquisition of Telephonetics in July 2010 for £9.9 million, which also added significant market share in niches such as NHS Hospital Trusts and Local Authorities.

The Board has been extremely pleased by the results of the integration programme. We have identified over £1.8 million of annualised net cost savings, which is ahead of our original estimates, while investing in key areas such as sales, marketing and product development.

The initial integration of the product platforms is now complete, with all 'on-premise' versions of the enlarged product suite able to interact and share appropriate resources and technology. The next phase will be to increase the number of cloud-based versions of our products, such as our Workforce Management and IVR solutions to enable our customers to choose the deployment model suitable for them while continuing to expand the integration of the product sets to enrich their functionality.

"Effective customer engagement as an integral component of our customers' business strategies"

Case Study — Rushcliffe Borough Council

The Customer Services Team vision at Rushcliffe Borough Council is clear — 'Rushcliffe residents will have access to Council services in locations and at times convenient to them by their chosen method of communication'

With a falling incumbent ACD system and new remote locations to support it was agreed that a solution was required to grow with their vision and continue to deliver service excellence

Netcall's ContactCentre 59R ACD system was deployed to support the Civic Centre and six remote Shared Services sites. It enables

- Staff to handle call centre calls at Shared Contact Points, often in police stations
- Scalable solution that integrates with back office systems

By supporting remote working in a shared service environment, ContactCentre 59R enables Rushcliffe to deliver their customer service vision, and work in partnership with Nottinghamshire Police services

"The Board continues to consider accelerating growth through selective acquisitions"

We have invested considerable effort during the year on the integration and training of the enlarged sales team regarding the new product sets, while repositioning and branding the enlarged product portfolio and centralising the sales support functions to enable greater focus. This process is now complete and the encouraging initial levels of cross sales together with an improving overall sales order trend for the quarters following the acquisition give the Board confidence in the execution of the strategy.

Business Development

We have been pleased with the number of new customers signed during the year, securing contracts with some of the UK's leading organisations in the private sector, such as Nestle and AA DriveTech, while adding 18 Local Authorities and NHS Trusts. We have also continued to win international QueueBuster business during the period.

We are continuing to develop alliances with distribution partners where they help increase our penetration into core markets including organisations such as Siemen Communications, BT and Cable & Wireless.

With the majority of our 600 strong customer base currently utilising a sub-set of the entire customer engagement portfolio we believe the cross sale opportunity to be significant. Each solution can operate standalone or as part of a fully integrated communications platform. Each of our current customers already benefits from the increased operational efficiencies, service levels and cost reductions which our solutions provide. These benefits have the potential to be augmented through the implementation of additional Group solutions.

We continue to invest in product development with total investment in excess of £1 million in the year (2010: £0.1 million). In addition to the product integration programme we have broadened our product portfolio by developing new solutions from our existing technologies. An example of this is Appointment Management Cycle for the health sector which combines Smart Automation, Intelligent Call Handling and CallBack technology and is planned to be further enhanced by the inclusion of resource management and data integration in the future. This synergistic combination of proven technologies provides a differentiated offering from that of our competitors with an increased value proposition to our customers. We have had early sales of this new product, Appointment Management Cycle, including new customers such as Ipswich Hospital NHS Trusts.

A further area of investment in response to customer demand and recent key wins will be in our premise-based and cloud-based payment product which operates within customers' Payment Card Industry Data Security Standards ('PCI-DSS') compliant environments driven by. Medium-term developments include enlarging the portfolio with new products in key product categories such as multi-media.

Outlook

Netcall has started the year well with sales orders ahead of this time last year and a strengthened balance sheet. Whilst the Board remains mindful of the economic climate, Netcall's developing pipeline together with the full year impact of our cost savings programme and the increased scale of the business, give the Board confidence in achieving a successful outcome for the year ahead.

Michael Jackson
Chairman
23 September 2011

Henrik Bang
CEO

Officers and Professional Advisers

Chairman

Michael Jackson^{*^~} (60) joined the Board in March 2009. He founded Elderstreet Investments Limited in 1990 and is its Executive Chairman. For the past 25 years, he has specialised in raising finance and investing in the smaller companies quoted and unquoted sector. Michael has been Chairman of two FTSE 100 companies and from 1997 until August 2006 was Chairman of The Sage Group plc.

Chief Executive Officer

Henrik Bang (53) joined Netcall in January 2004. Previously he was Vice President in GN Netcom 1999-2004, part of the Danish OMX listed GN Great Nordic Group. Before that he held a number of international management positions in IBM and AP Moller-Maersk Line.

Group Finance Director

James Ormondroyd (39) was appointed to the Netcall Board on the acquisition of Telephonetics plc on 30 July 2010 where he served as the Finance Director and Company Secretary for 5 years, previously he was the Finance Director and Company Secretary at World Television Group plc. He is a member of the Institute of Chartered Accountants in England and Wales.

Non-Executive Directors

Roger Allsop^{*^~} (68) joined the Board in 1987. He is a Non-Executive Director of Tricorn Group plc, chairman of Malva Properties Ltd and was also formerly Managing Director of Westwood Dawes plc.

Mark Brooks (47) was appointed to the Netcall Board on 30 July 2010 following the acquisition of Telephonetics plc where he was a Non-Executive Director from 2008. Previously he co-founded Voice Integrated Products Ltd in 1991, which was acquired by Telephonetics plc in 2006.

Michael Neville^{*^~} (56) was appointed to the Netcall Board on 30 July 2010 following the acquisition of Telephonetics plc where he served as a Non-Executive Chairman from July 2005. He has extensive experience in capital markets and serves as a Non-Executive Director for a number of AIM quoted companies. His background is in the telecommunications, technology and media arena.

* denotes membership of the Audit sub-committee of the Board
^ denotes membership of the Remuneration sub-committee of the Board
~ denotes membership of the Nomination sub-committee of the Board

Company registration number:
1812912

Registered office:

3rd Floor
Hamilton House
111 Marlowes
Hemel Hempstead
HP1 1BB

Directors:

M Jackson
H Bang
J Ormondroyd
R Allsop
M Brooks
M Neville

Secretary:

M Greensmith

Bankers:

National Westminster Bank plc
Cambridge

Lloyds TSB Bank plc
Hemel Hempstead

Nominated advisers:

Evolution Securities Ltd
100 Wood Street
London
EC2V 7AN

Registrars:

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
B63 3BR

Solicitors:

TaylorWessing
London

Orme & Slade
Ledbury

Auditors:

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Cambridge

Report of the Directors

The Directors present their report and the audited financial statements of Netcall Plc (the 'Company' 'Netcall') and the Group for the year ended 30 June 2011

Principal activities

Netcall is a leading provider of end-to-end customer engagement software and services to the healthcare, public and private sectors

Business review and future developments

A review of the development and performance of the Group's business during the year, its position at the year-end and indication of likely future developments is provided in the Chairman's and Chief Executive's review (which have been incorporated into this report by reference)

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

	2011	2010	Change
Revenue (£m)	13.62	4.13	229%
Revenue recurring in nature (£m)	9.32	3.43	172%
Gross profit margin (%)	87%	91%	-4%
Adjusted EBITDA (£m)	2.75	1.07	156%
Cash generated from operations before acquisition and reorganisation payments (£m)	2.20	0.76	189%
Total equity (£m)	14.01	5.02	179%

Dividends

A dividend in respect of the year ended 30 June 2011 of 0.4 pence per share, amounting to a total dividend of £489,000, will be proposed at the Annual General Meeting to be held on 24 November 2011. No dividend was paid in the years ended 30 June 2010 or 2011.

Research and development

The Group continues an active programme of research and development into telecoms software and products. The total charge in the Consolidated income statement for research and development excluding amortisation was £1.01 million (2010: £108,000).

Principal risks and uncertainties

The principal risks facing the Group and discussed by the Board relate broadly to its acquisition strategy, intellectual property, the market place and competitive environment, dependence on key people and information technology.

Acquisitions The Group's strategy includes seeking acquisitions of companies or businesses that are complementary to its businesses. As a consequence there is a risk that management's attention may be diverted and the Group's ongoing business may be disrupted or the Group may fail to retain key acquired personnel, or encounter difficulties in integrating acquired operations. In order to mitigate this risk management communicate widely and closely monitors detailed integration plans.

Intellectual property rights ('IPR') The Group is reliant on IPR surrounding its internally generated and licensed-in software, whilst it relies upon IPR protections including patents, copyrights and contractual provisions it may be possible for third parties to obtain and use the Group's intellectual property without its

authorisation. Third parties may also challenge the validity and/or enforceability of the Group's IPR. In addition, the Directors are aware of the supply risk of losing key software partners. This would have a short-term impact on the Group as it sought to identify and then train staff in alternative products. The Group's product Board regularly monitors contracts and reviews and evaluates alternate suppliers.

Market place and competition The sector the Group operates in and/or routes to market may undergo rapid and unexpected changes or not develop at a pace in line with the Directors' expectations. It is also possible that competitors will develop similar products, the Group's technology may become obsolete or less effective, or that consumers use alternative channels of communication, which may reduce demand for the Group's products and services. In addition, the Group's success depends upon its ability to develop new, and enhance existing products on a timely and cost-effective basis, that meet changing customer requirements and incorporate technological advancements. As a result, the Group continues to invest in marketing and research and development.

Key personnel The Group depends on the services of its key technical, operations, sales, marketing and management personnel. The loss of the services of any one or more of these persons could have a material adverse effect on the Group's business. The Group maintains an active policy to identify, hire, train, motivate and retain highly skilled personnel in key functions.

Information technology Data security and business continuity pose inherent risks for the Group. The Group invests in and keeps under review formal data security and business continuity policies which are independently audited.

Report of the Directors continued

Political and charitable donations and political expenditure

There were charitable donations during the year of £2,000 (2010 £nil). In accordance with the Board's policy no political donations were made or expenditure incurred during the year.

Post balance sheet events

For details of post balance sheet events see note 29 of the consolidated financial statements.

Directors

The Directors who held office during the year ended 30 June 2011 are as follows:

Henrik Bang	Chief Executive
James Ormondroyd*	Group Finance Director
Michael Jackson	Chairman
Roger Allsop	Non-Executive Director
Mark Brooks*	Non-Executive Director
Michael Neville*	Non-Executive Director

* Appointed on the 30 July 2010

In accordance with the Articles of Association of the Company, Henrik Bang and James Ormondroyd retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting to be held on 24 November 2011.

Directors' interest in the ordinary share capital of the Company

	30 June 2011	30 June 2010
Executive Directors		
Henrik Bang	930,000	930,000
Non-Executive Directors		
Roger Allsop	1,250,000	1,250,000
Michael Jackson ⁽¹⁾	800,000	800,000
Michael Neville	247,548	—

⁽¹⁾ Of which 200,000 shares are held by Michael Jackson and Richard Jackson as trustees of the W&E Jackson Trust whose beneficiaries are the children and remoter issue of Michael Jackson.

There has been no change in the interests set out above between 30 June 2011 and 22 September 2011. Interests in share options are set out below.

Directors' remuneration

As the Company is quoted on the Alternative Investment Market (AIM) it is not required to set out its remuneration policy but is doing so on a voluntary basis. As required by AIM Rule 19, the Company has disclosed below the remuneration received by its Directors during the financial year.

The Company's policy is to remunerate Directors appropriately to secure the skills and experience the Group needs to meet its objectives and reward them for enhancing shareholder value and returns. Each review is set in the context of the Group's needs, individual responsibilities, performance and market practice.

The main components of Executive Director remuneration comprise:

- basic salary
- performance related bonus
- defined contribution to personal pension plan
- other benefits such as car allowances, medical and life assurance
- share option scheme

The Executive Directors participate in a bonus plan linked to the achievement of financial and individual performance targets set by the Remuneration Committee. The bonus plan is structured so as to pay 100% and 75% of salary for Henrik Bang and James Ormondroyd respectively, on achieving targets. Bonuses payable are subject to the discretion of the Remuneration Committee after taking into account an overall view of the Group's performances and its assessment of strategic and personal performance. In the year ended 30 June 2011, performance against targets resulted in a bonus payment of 83% and 62% of salary for Henrik Bang and James Ormondroyd respectively (adjusting for salary sacrificed for additional personal pension contributions). Henrik Bang elected to receive £50,000 of bonus as an additional employer pension contribution to his personal pension plan.

During the year a new Long Term Incentive Plan ("LTIP") was introduced. The LTIP is designed to incentivise senior management to deliver an increasing performance of the Company's ordinary share price up to 55 pence from the date of grant until 1 January 2017. The Remuneration Committee appointed Kepler Associates (independent advisers on executive remuneration) and TaylorWessing (legal advisers) to provide advice on designing the LTIP. Major shareholders were fully consulted before the LTIP was adopted by the Board in June 2011.

The remuneration of Non-Executive Directors is determined by the Board within the limits set by the Company's Articles of Association.

The service contracts and letters of appointment of the Directors include the following terms:

	Date of appointment	Notice period
Executive Directors		
Henrik Bang	13 February 2004	12 months
James Ormondroyd	30 July 2010	12 months
Non-Executive Directors		
Roger Allsop	28 August 1987	6 months
Mark Brooks	30 July 2010	1 month
Michael Jackson	23 March 2009	1 month
Michael Neville	30 July 2010	12 months

The table below sets out the detailed emoluments of each Director who served during the year

	Salary and fees £'000	Benefits in kind £'000	Bonus £'000	2011 Total £'000	2010 Total £'000
Executive Directors					
Henrik Bang	207	16	123	346	187
James Ormondroyd	124	14	90	228	—
Non-Executive Directors					
Roger Allsop	24	—	—	24	22
Mark Brooks	4	—	—	4	—
Michael Jackson	50	—	—	50	54
Michael Neville	22	—	—	22	—
	431	30	213	674	263

In addition to the payments included in the table above Mark Brooks entered into a fixed term employment contract with Datadialogs Limited (a subsidiary undertaking) as interim Managing Director between 30 July 2010 to 31 March 2011 and received emoluments of £65,000 for the period

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

	2011 £'000	2010 £'000
Executive Directors		
Henrik Bang	66	13
James Ormondroyd	23	—
	89	13

The table below sets out share options granted to Directors

Date of grant	Earliest exercise date	Expiry date	Exercise price (pence)	Number at 1 July 2010	Granted in year	Lapsed in year	Number at 30 June 2011
Roger Allsop							
15 02 02	15 02 04	14 02 12	20 0	100,000	—	—	100,000
19 01 03 ⁽¹⁾	19 01 03	18 01 13	10 0	100,000	—	—	100,000
				200,000	—	—	200,000
Henrik Bang							
26 02 04	26 02 04	25 02 14	25 0	400,000	—	400,000	—
02 06 09 ⁽²⁾	02 06 09	30 01 15	5 0	3,370,000	—	—	3,370,000
07 06 11 ⁽³⁾	07 06 11	06 06 21	5 0	—	7,000,000	—	7,000,000
				3,770,000	7,000,000	400,000	10,370,000
Michael Jackson							
07 06 11 ⁽³⁾	07 06 11	06 06 21	5 0	—	1,000,000	—	1,000,000
James Ormondroyd							
07 06 11 ⁽³⁾	07 06 11	06 06 21	5 0	—	4,200,000	—	4,200,000
				3,970,000	12,200,000	400,000	15,770,000

⁽¹⁾ Options are conditional on certain vesting criteria including performance of the Company's ordinary share price reaching 30 pence or a sale of the business. Once vested up to 100% of the options awarded may be exercised.

⁽²⁾ Options are conditional on certain vesting criteria including performance of the Company's ordinary share price up to 40 pence from the date of grant or an annual Group profit target of up to £2.1 million until 30 September 2014, and, the option holder being in employment at the date the option is exercised. Once vested up to 100% of the options awarded may be exercised. The options shall not be exercisable later than 48 hours after the publication of the June 2014 financial statements.

⁽³⁾ Options are conditional on certain vesting criteria including performance of the Company's ordinary share price up to 55 pence from the date of grant until 1 January 2017, and the option holder being in employment at the date the option is exercised. Once vested up to 100% of the options awarded may be exercised.

Report of the Directors *continued*

The closing mid-market price of the Company's shares at 30 June 2011 was 17 pence. During the financial year the share price reached a high of 21 pence and a low of 9 pence.

Directors' indemnity and insurance

The Group maintained insurance cover during the year for its Directors and Officers and those of subsidiary companies under a Directors' and Officers' liability insurance policy against liabilities which may be incurred by them while carrying out their duties.

On 19 September 2011, the Group agreed to indemnify James Ormondroyd to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of his powers, duties and responsibilities as a Director of Netcall Telecom, Inc. This indemnity is a Qualifying Third Party Indemnity Provision as defined in Section 234 of the Companies Act 2006 (the 'Act') and a copy is available for inspection at the registered office of the Company during business hours on any weekday except public holidays.

Corporate governance

The Company's statement on corporate governance can be found in the corporate governance report on pages 13 to 14 of this annual report.

Employees

The Group encourages employee involvement in the business at all levels with the human capital of Netcall being the key to continuing success. All employees are remunerated according to results wherever possible and participate in benefit schemes.

Every effort is made to keep all staff informed and involved in the operations and progress of the Group. This is achieved through the use of electronic communications, the Group's intranet, employee representatives meetings and staff briefings.

Netcall has always actively encouraged a diverse workforce and has reviewed its processes in light of recent legislative changes. This year the particular focus has been on age following the abolition of the default retirement age. The Company has always placed high importance on retaining its older workers with 17% of our workforce aged over 50 and a number of staff now working beyond the former default retirement age. The Company has proactively amended its benefit policies to include older workers, previously excluded after the age of 65. We offer flexible working to all staff and have found that a number of older workers have chosen to reduce their working hours rather than opt to take retirement. Retaining the key skills and knowledge of older workers and utilising them to coach less experienced staff is vital to the success of the future of the Company.

The Group continues to adopt an equal opportunities policy under which training and career development opportunities are available to all employees regardless of gender, religion, race, disability or sexual orientation. Fair consideration is given to applications for employment from disabled people and the retention and retraining, where practicable, of employees who become disabled is encouraged.

Policy and practise on payment of creditors

The Group recognises the importance of good relationships with its suppliers and subcontractors. Although the Group does not follow any particular code or standard on payment practice, its established payment policy is to agree payment terms in advance of any commitment being entered into and to seek to abide by these agreed terms provided that the supplier has also complied with them. Trade creditor days for the Company for the year were 58 days (2010: 31 days).

Financial instruments

Financial instruments, including financial risk management objectives and policies for hedging, exposure to market risk, credit risk and liquidity risk are disclosed in note 3 to the consolidated financial statements.

Share capital

Details of the issued share capital, together with details of the movement in the Company's issued share capital during the year are shown in note 12 to the consolidated financial statements.

The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. At the date of this report the Company consisted of 122,247,826 issued and fully paid ordinary shares with a nominal value of 5p per share, quoted on the AIM of the London Stock Exchange.

There are no specific restrictions on the size of holding nor on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Details of employee share schemes are set out in note 13 to the consolidated financial statements.

The Company was authorised at its last Annual General Meeting to make market purchases of up to 12,224,782 of its ordinary shares provided that the minimum price per share that may be paid for any such shares is £0.05 pence, and, the maximum price that may be paid for any such shares is not more than the higher of (i) an amount equal to 120% of the average market value for an ordinary share, as derived from the London Stock Exchange Business List, for the five business days prior to the day on which the purchase is made, or (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. This authority expires at the earliest on the close of the next Annual General Meeting or 17 February 2012. No purchases have been made as at the date of this report under this authority.

Auditor

Grant Thornton UK LLP, who were re-appointed on 18 November 2010, have expressed their willingness to continue in office as auditors and a resolution to appoint them and authorise the Directors to determine their remuneration for the ensuing year will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at TaylorWessing LLP, 5 New Street Square, London, EC4A 3TW on 24 November 2011 at 10.30 am. Details and an explanation of the resolutions to be proposed are contained in the Notice of Annual General Meeting sent to shareholders with the annual report.

By order of the Board



James Ormondroyd

Director

23 September 2011

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable IFRS as adopted by the EU, and applicable United Kingdom Accounting Standards have been followed for the Group and Parent Company respectively, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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.

In so far as each of the Directors is aware

- there is no relevant audit information of which the Company's auditors are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance Statement

Introduction

The Board recognises the principles of good corporate governance set out in the Corporate Governance Code published by the Financial Reporting Council in June 2010 ('the Code') and although as the Company is quoted on AIM it is not required to comply with the Code it does so as far as it feels is practical and appropriate for a Company of its size

This statement, together with the statement of Directors' responsibilities, Chairman's and Chief Executive's review and the Directors' report, indicates how the Company has applied the principles of the Code

Board responsibilities

The Board's principal responsibilities are to deliver shareholder value, maintain reliable systems of control and provide the overall vision and leadership for the Company. It determines corporate strategy, reviews the Group's operating and financial performance to ensure it is effectively controlled, and is the primary decision-maker for all matters considered to be significant to the Group as a whole

There is an agreed formal schedule of matters reserved for approval by the Board including the approval of acquisitions, budgets, commercial strategy, major capital expenditure, treasury policy, corporate governance, risk control and the appointment of new Directors

Board composition and balance

The Board, chaired by Michael Jackson, comprises two Executive Directors and four Non-Executive Directors. Collectively, the Directors have a wide range of relevant business and financial experience and knowledge which is vital to the success of the Group

The Chairman and Chief Executive have clearly defined and distinct roles. The Chairman is responsible for corporate governance, shareholder communications and the efficient operation of the Board. The Chief Executive is responsible for the day-to-day operation of the Group and leads the communication programme with analysts and potential investors

Biographical details of the Directors can be found on page 6

The Directors forming the Remuneration and Audit Committees are not independent, as defined by the Code because Roger Allsop has served as a Director for 24 years, Michael Neville became a Director of the Company following the acquisition of Telephonetics Plc of which Company he was a Director, and Michael Jackson was appointed a Director and Chairman without the intervention of a Nomination Committee. Each of these Directors holds shares in the Company and Roger Allsop and Michael Neville are Directors of other companies in the Group

Board process

The Board carries out its duties with the assistance of the Board committees. The Board meets regularly during the year and additional meetings are arranged as necessary for specific purposes. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities

All Directors have access to the advice and services of the Company Secretary, who ensures that the Board meets formally at least eleven times per year, receives appropriate and timely information for decision making, that Board procedures are followed and that statutory and regulatory requirements are met. Any Director, in order to fulfil their duties, may take independent professional advice at the Company's expense

The table below shows the number of monthly meetings individual Directors could have attended during the year (taking account of eligibility, appointment and retirement dates) and their actual attendance

	Number of meetings	Number of meetings attended
Roger Allsop	11	11
Henrik Bang	11	11
Mark Brooks	10	9
Michael Jackson	11	11
Michael Neville	10	10
James Ormondroyd	10	10

The Board has procedures in place to deal with potential conflicts of interest and confirms that the procedures have operated effectively during the year under review

The Board does not formally evaluate the performance of the Board, its committees and its individual Directors but evaluates the effectiveness of the Board as a whole by a policy of managing the achievement of business objectives and monitors the effectiveness thereof principally by the regular review of financial information and the work of the Audit Committee

Internal control and risk management

The Directors are responsible for risk assessment and the systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately

Company management The Board has put in place a system of internal controls, set within a clearly defined organisational structure with well understood lines of responsibility, delegation of authority, accountability, policies and procedures. Managers assume responsibility for running day-to-day operational activities with performance regularly reviewed and employees are required to follow procedures and policies appropriate to their position within the business

Corporate Governance Statement *continued*

Business risks The Board is responsible for identifying, evaluating and managing all major business risks facing the Group. To facilitate the assessment of risks, monthly reports on non-financial matters are received by the Board covering such matters as sales performance, project progress and human resource issues.

Financial management A business plan and an annual operating budget are prepared by management and are reviewed and approved by the Board prior to commencement of each financial year. Monthly accounts comparing current year performance with budget together with key performance metrics are received and discussed by the Board. The Group has in place documented authority levels for approving purchase orders, invoices and all bank transactions.

Quality management The Group is focused on meeting the highest levels of customer satisfaction. Quality procedures for the development of products, services and maintenance support are documented and reviewed frequently.

Internal audit The Directors do not currently believe that an additional separate internal audit function is appropriate for the size and complexity of the Group but will continue to periodically review the position. The Group is ISO9001 accredited which has been independently audited.

Election and re-election of Directors

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. The Company's Articles of Association require that Directors retire and stand for re-election at least once every three years.

Directors' indemnity and insurance

In accordance with the Articles of Association, the Company has provided indemnities to the Directors (to the extent permitted by the Companies Act 2006) in respect of liabilities incurred as a result of their office. The Company has taken out an insurance policy in respect of those liabilities for which Directors may not be indemnified. Neither the indemnity nor insurance provides cover in the event that the Director is proved to have acted dishonestly or fraudulently.

Audit Committee

The Audit Committee assists the Board to discharge its responsibilities for ensuring the integrity of the financial information reported to shareholders, meeting with and recommending the appointment and resignation of the Company's auditor and ensuring that non-audit services do not impact on the objectivity and independence of the Company's auditor. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Audit Committee. The Audit Committee is chaired by Michael Neville and meets on at least two occasions each year. The Group's auditors have direct access to the Audit Committee at any time to raise any matters of concern or for discussion.

The table below shows the number of meetings individual Directors could have attended during the year (taking account of eligibility, appointment and retirement dates) and their actual attendance.

	Number of meetings	Number of meetings attended
Roger Allsop	2	1
Michael Jackson	2	2
Michael Neville	2	2

Remuneration Committee

The Remuneration Committee's principal function is to review the performance of the Executive Directors, recommend the setting of their remuneration and for considering the grant of share options to Directors and employees. The Committee is chaired by Roger Allsop and meets not less than four times a year. Details of the Directors' remuneration can be found on page 8. The table below shows the number of meetings individual Directors could have attended during the year (taking account of eligibility, appointment and retirement) and their actual attendance.

	Number of meetings	Number of meetings attended
Roger Allsop	13	13
Michael Jackson	13	12
Michael Neville	13	12

Nomination Committee

The Nomination Committee comprises the Chairman and two Non-Executive Directors. It is chaired by Michael Jackson. The principal functions are to review the structure, size and composition of the Board, consider succession and identify and nominate Board candidates. The nomination committee did not meet during the year.

Relations with shareholders

The Board attaches great importance to maintaining good relationships with its institutional shareholders. Following the announcement of the half-year and year-end results, a series of formal meetings with institutional shareholders is undertaken which allows the Executive Directors to form relationships with the investors and for the shareholders to raise any concerns.

The Company's brokers and financial PR advisers provide feedback from investor and analyst meetings which are presented to the Board. The Annual General Meeting also provides an opportunity for the Board to communicate directly with shareholders. The Company maintains a website which contains information on the Group, regulatory announcements and financial statements. www.netcall.com

Independent Auditor's Report to the Members of Netcall plc

We have audited the financial statements of Netcall plc for the year ended 30 June 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, consolidated balance sheet and Parent Company balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (UK GAAP).

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities on page 12, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2011 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Alison Seekings

Senior Statutory Auditor

For and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Cambridge

23 September 2011

Consolidated Income Statement for the year ended 30 June 2011

	Notes	2011 £'000	2010 £'000
Revenue	5	13,616	4,131
Cost of sales	18	(1,785)	(360)
Gross profit		11,831	3,771
Administrative expenses	18	(11,308)	(4,008)
Other gains/(losses) — net	17	18	(11)
Adjusted EBITDA		2,746	1,073
Acquisition costs	18	(38)	(916)
Reorganisation costs	18	(910)	—
Share-based payments	20	(105)	(205)
Depreciation	6	(128)	(30)
Amortisation of acquired intangible assets	7	(897)	(150)
Amortisation of other intangible assets	7	(127)	(20)
Operating profit/(loss)		541	(248)
Finance income	22	13	13
Finance costs	22	(8)	—
Finance costs — net		5	13
Profit/(loss) before tax		546	(235)
Tax	23	141	261
Profit for the period		687	26
Earnings per share — pence			
Basic	24	0.58	0 04
Basic — adjusted	24	1.57	1 17
Diluted	24	0.58	0 04
Diluted — adjusted	24	1.55	1 15

All activities of the Group in the current and prior periods are classed as continuing. All of the profit for the period is attributable to the shareholders of Netcall plc.

The notes on pages 20 to 42 form part of these financial statements.

Statement of Comprehensive Income for the year ended 30 June 2011

	2011 £'000	2010 £'000
Profit for the year	687	26
Total comprehensive income for the year	687	26

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

Consolidated Balance Sheet as at 30 June 2011

	Notes	2011 £'000	2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	6	162	82
Intangible assets	7	11,120	2,883
Deferred income tax asset	15	897	810
Total non-current assets		12,179	3,775
Current assets			
Inventories	9	243	31
Trade and other receivables	10	3,949	1,164
Cash and cash equivalents	11	5,885	2,449
Total current assets		10,077	3,644
Total assets		22,256	7,419
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	12	6,112	3,210
Share premium	12	3,010	2
Merger reserve		2,509	220
Capital reserve		188	188
Employee share schemes reserve		331	264
Retained earnings		1,861	1,136
Total equity		14,011	5,020
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	15	1,027	130
Provisions	16	25	—
Total non-current liabilities		1,052	130
Current liabilities			
Trade and other payables	14	6,945	2,269
Current income tax liabilities		78	—
Provisions	16	170	—
Total current liabilities		7,193	2,269
Total liabilities		8,245	—
Total equity and liabilities		22,256	7,419

The notes on pages 20 to 42 form part of these financial statements

These financial statements on pages 16 to 42 were approved and authorised for issue by the Board of Directors on 23 September 2011 and were signed on its behalf by


James Omundroyd
Director

Netcall plc
Registered no 1812912

Consolidated Statement of Changes in Equity as at 30 June 2011

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital reserve £'000	Employee share scheme reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2009	3,130	2	—	188	227	942	4,489
Issue of ordinary shares in relation to business combination	80	—	220	—	—	—	300
Increase in equity reserve in relation to options issued	—	—	—	—	205	—	205
Reclassification following exercise and cancellation of options	—	—	—	—	(168)	168	—
Transactions with owners	80	—	220	—	37	168	505
Profit and total comprehensive income for the year	—	—	—	—	—	26	26
Balance at 30 June 2010	3,210	2	220	188	264	1,136	5,020
Balance at 1 July 2010	3,210	2	220	188	264	1,136	5,020
Proceeds from share issue	1,118	2,979	—	—	—	—	4,097
Issue of ordinary shares in relation to business combination	1,784	29	2,289	—	—	—	4,102
Increase in equity reserve in relation to options issued	—	—	—	—	105	—	105
Reclassification following exercise and cancellation of options	—	—	—	—	(38)	38	—
Transactions with owners	2,902	3,008	2,289	—	67	38	8,304
Profit and total comprehensive income for the year	—	—	—	—	—	687	687
Balance at 30 June 2011	6,112	3,010	2,509	188	331	1,861	14,011

The notes on pages 20 to 42 form part of these financial statements

Consolidated Statement of Cash Flows for the year ended 30 June 2011

	Notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Profit/(loss) before income tax		546	(235)
Adjustments for			
Depreciation		128	30
Amortisation		1,024	170
Share-based payments		105	205
Net finance income		(5)	(13)
Changes in working capital (excluding the effects of acquisitions)			
Inventories		147	(2)
Trade and other receivables		(877)	46
Trade and other payables		(343)	168
Cash generated from operations		725	369
<i>Analysed as</i>			
Cash generated from/(used in) operations before acquisition and reorganisation payments		2,197	757
Acquisition costs paid	18	(806)	(388)
Reorganisation costs paid	18	(666)	—
Interest paid		(8)	—
Income tax paid		(83)	—
Net cash generated from operating activities		634	369
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(1,056)	(2,002)
Purchase of property, plant and equipment		(30)	(49)
Development expenditure		(152)	—
Purchase of other intangible assets		(70)	(45)
Interest received		13	13
Net cash used in investing activities		(1,295)	(2,083)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		4,097	—
Net cash generated from financing activities		4,097	—
Net increase/(decrease) in cash and cash equivalents		3,436	(1,714)
Cash and cash equivalents at beginning of the period		2,449	4,163
Cash and cash equivalents at end of period		5,885	2,449

The notes on pages 20 to 42 form part of these financial statements

Notes to the Consolidated Financial Statements

1 General information

Netcall plc (the 'Company') and its subsidiaries (together, the 'Group') design, develop and market communications and workforce management software and services to the healthcare, public and private sectors

The Company is a public limited company which is quoted on AIM (a market of the London Stock Exchange) and is incorporated and domiciled in the UK. The Company's registered address is 3rd Floor, Hamilton House, 111 Marlowes, Hemel Hempstead, HP1 1BB and the Company's registered number is 1812912

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated

(a) Basis of preparation

The consolidated financial statements of Netcall plc have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4

(b) Going concern

As a result of the funding activities undertaken and an increased level of cash generated from operating activities the Group has improved its liquidity position and remains debt-free, despite significant expenditure on acquisitions and associated restructuring in the last year

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financing

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

(c) Changes in accounting policies

There are no new or amended standards that have been adopted by the Group in the year which have had a material impact on the consolidated financial statements

The following standards, amendments and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2011 or later periods, but the Group has not presently adopted them

- IFRS9 Financial Instruments (effective 1 January 2013)
- IFRS10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS11 Joint Arrangements (effective 1 January 2013)
- IFRS12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS13 Fair Value Measurement (effective 1 January 2013)
- IAS24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IAS27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Prepayments of a Minimum Funding Requirement — Amendments to IFRIC14 (effective 1 January 2011)
- Improvements to IFRS issued May 2010 (note some changes are effective 1 July 2010, though not yet EU-adopted, others effective 1 January 2011)
- Disclosures — Transfers of Financial Assets — Amendments to IFRS7 (effective 1 July 2011)
- Deferred Tax Recovery of Underlying Assets — Amendments to IAS12 Income Taxes (effective 1 January 2012)

Based on its current business and accounting policies, the Group does not expect these new standards, amendments or interpretations to have a material impact on the consolidated financial statements when they become effective

2 Summary of significant accounting policies continued

(d) Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations (except Netcall UK Limited — formerly Netcall Telecom Limited, see explanation below). The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and, the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (note 2(h)).

Inter-company transactions, balances and unrealised gains on transactions between Group Companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Where a Group Company has acquired an investment in a subsidiary undertaking and elected under section 612 of the Companies Act 2006 to apply merger relief, the investment in the subsidiary undertaking is recorded in the Group Company's balance sheet at the nominal amount of the shares issued. On consolidation the difference between the nominal value and fair value of the shares issued is credited to the merger reserve.

The Group elected not to apply IFRS3 Business Combinations retrospectively to business combinations prior to date of transition to IFRS from UK GAAP. Accordingly the classification of the combination remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition, 1 July 2006, if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. When Netcall plc acquired Netcall UK Limited in 1996, ordinary shares were issued to form the consideration. The UK GAAP merger accounting criteria were met and so a merger reserve was recognised. Due to the election not to apply IFRS3 Business Combinations prior to the date of transition, this merger reserve has remained unchanged on transition to IFRS.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(f) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling (£), which is the Company's functional and the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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 the profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other gains/(losses) — net'.

(g) Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of depreciation and any provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Notes to the Consolidated Financial Statements *continued*

2 Summary of significant accounting policies *continued*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss in the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

- Computer equipment 3–7 years
- Furniture, fittings and equipment 3–7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(i)).

Gain and losses on disposal of an asset is determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses) – net' in the income statement.

(h) Intangible assets

Acquired intangible assets

Intangible assets acquired in a business combination are recognised at fair value at the acquisition date and amortised over their expected useful economic life using the straight-line method. The expected useful economic life of intangible assets is assessed for each acquisition as it arises and is as follows:

- Brand names 18 months
- Technology assets 4–15 years
- Customer contracts and relationships 6–10 years

Goodwill

Goodwill represents the excess of the fair value of the consideration transferred on acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill written off to reserves prior to date of transition to IFRS remains in reserves. There is no reinstatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 3 to 10 years.

Internally generated 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 Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use,
- management intends to complete the software product and use or sell it,
- there is an ability to use or sell the software product,
- it can be demonstrated how the software product will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available, and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

2 Summary of significant accounting policies continued

(i) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables 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 which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 10 and 11).

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On initial recognition, financial assets are measured at fair value. Available-for-sale financial assets are subsequently carried at fair value; movements in fair value are recognised in other comprehensive income. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that a financial asset or group of financial assets are impaired.

The amount of the loss is measured for loans and receivables as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, and for equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(k) Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recorded initially at fair value and subsequently at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. A financial liability is derecognised only when the obligation is extinguished.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned using the first in, first out method. The cost of finished goods and work-in-progress comprises computer hardware and software, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling prices in the ordinary course of business, less applicable variable selling expenses.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, and other short-term deposits with a maturity of three months or less.

Notes to the Consolidated Financial Statements *continued*

2 Summary of significant accounting policies continued

(n) Equity

Equity comprises the following

- Share capital which represents the nominal value of equity shares,
- Share premium which represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue,
- Merger reserve which represents the premium arising on the fair values ascribed to shares issued in the course of business combinations where over 90% of the issued share capital of the acquiree is acquired by the parent,
- Capital reserve which represents amounts set aside following a capital reduction scheme,
- Employee share schemes reserve which represents equity-settled share-based employee remuneration until such share options are exercised, and
- Profit and loss account which represents cumulative net gains and losses recognised in the consolidated income statement

(o) Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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 income 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 income 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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.

(p) Employee benefits — pensions

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

(q) Share-based payments

The Group operates a number of employee share schemes under which it makes equity-settled share-based payments to certain employees. The fair value of employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, including any market performance conditions and any non-vesting conditions but excluding the impact of any service and non-market performance vesting conditions (for example profitability targets and remaining an employee of the Group for a specified period).

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

In accordance with the exemptions available under IFRS1, IFRS2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as at 1 July 2006.

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.

(r) Provisions

Provisions for vacant property obligations and associated costs and leasehold dilapidations are recognised when the Group 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 has been reliably estimated.

2 Summary of significant accounting policies continued

Provisions are measured at the present value of the expenditures 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.

(s) 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 Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group 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 Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group recognises revenue on each element of a contract as follows:

- product — revenue is recognised when risks and rewards have passed to the customer and there is no significant ongoing obligation on the Group,
- professional services — the Group performs a number of professional services to its customers. These can include implementation and configuration of the software and training of the customer's staff. Revenue is recognised as the services are performed,
- maintenance and support — revenues are recognised on a straight line basis over the duration of the contract, and
- Software as a Service ("SaaS") — revenues comprise fixed fees and service charges, and, telephony call and transaction charges. Fixed fees and service charges are recognised on a straight line basis over the duration of the contract. Telephony call and transaction charges are recognised when the call or transaction has been delivered over the Group's network.

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 Group derives fair value for its professional services based on day rates for consultants and for product maintenance based on maintenance 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 primarily relate to managed services and customer support fees, which have been invoiced to the customer prior to the performance of these services. Deferred revenue is generally recognised over a period of 1 to 3 years.

(t) 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 income statement on a straight-line basis over the period of the lease.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

The Board has overall responsibility for the determination of the Group's financial risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing, operating and reporting thereof to the Group's finance function. The overall objective is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

(a) Financial risk factors

The principal financial instruments used by the Group are cash and bank deposits, trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The main risks arising from these financial instruments are market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Risk management is carried out by the finance department under policies approved by the Board of Directors.

Notes to the Consolidated Financial Statements continued

3 Financial risk management continued

Foreign exchange risk

The Group conducts some trade in Swiss francs, Euros and US dollars and therefore holds a small amount of cash and trade balances in these currencies, as set out below

	Swiss franc £'000	US dollar £'000	Euro £'000	Total £'000
At 30 June 2011				
Trade and other receivables (excluding prepayments)	101	27	26	154
Cash and cash equivalents	—	8	13	21
Trade and other payables (excluding statutory liabilities)	—	(33)	(10)	(43)
	101	2	29	132
At 30 June 2010				
Trade and other receivables (excluding prepayments)	—	44	10	54
Cash and cash equivalents	—	15	58	73
	—	59	68	127

The Group does not consider there to be a material foreign exchange risk and therefore does not hedge against movements in foreign currency. A 10% movement in the exchange rate between sterling and the Swiss franc, Euro or US dollar would not have a material effect on the net assets or net profit of the Group.

Interest rate risk

The Group has no significant debt therefore the Group's interest rate risk arises principally from bank deposits. The Group manages its cash held on deposit to gain reasonable interest rates whilst maintaining sufficient liquidity to support the Group's strategy by placing a proportion of cash into fixed term deposits and retaining the balance in current accounts. The average interest rate gained on cash held during the year was 0.33% (2010: 0.13%). A 1% movement in interest rates would impact upon equity and net profit by approximately £48,000.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers before entering contracts and has a frequent and proactive collections process. Historically, bad debts across the Group have been low. The concentration of credit risk is limited due to the large and unrelated customer base comprising mainly blue chip companies and public sector organisations. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. At the year-end the Group's cash at bank was held with two major UK clearing banks.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. These are summarised within note 8. The Group's management considers that all the above financial assets that are not impaired for each of the balance sheet dates under review are of good credit quality, including those that are past due. See note 10 for more information of financial assets that are past due.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Directors review an annual 12-month financial projection as well as information regarding cash balances on a monthly basis. At the balance sheet date, liquidity risk was considered to be low given the fact the Group is cash generative, has no borrowings and cash and cash equivalents are thought to be at acceptable levels. While the Board considers there to be no need for borrowing facilities at the moment it continually monitors the Group's cash requirements.

3 Financial risk management continued

The Group's financial liabilities have contractual maturities as summarised below

	Within 6 months £'000	Between 6 and 12 months £'000	Total £'000
At 30 June 2011			
Trade and other payables (excluding statutory liabilities and deferred income)	1,902	—	1,902
	1,902	—	1,902
At 30 June 2010			
Trade and other payables (excluding statutory liabilities and deferred income)	911	13	924
	911	13	924

(b) Capital risk management

The Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and through a proposed dividend policy. The Group has no debt or credit facilities. An analysis of net capital is set out in the table below.

	2011 £'000	2010 £'000
Cash and cash equivalents	5,885	2,449
Equity attributable to owners of the parent	14,011	5,020
Net capital	8,126	2,571

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares or debt. The Group has maintained cash balances at a level over 40% of equity throughout the period.

4 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

Revenues for arrangements that involve significant modification or customisation of the software or extended service delivery phases may be recognised based on achievement of contract specific milestones, or using the percentage of completion method depending on the terms of the contract. The Group determines the stage of completion based on an assessment of direct labour costs incurred to date as a percentage of total estimated project costs required to complete the project. The total amount of accrued income at the year-end was £1.01 million (2010: £102,000).

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the estimation of future cash flows and the selection of a discount rate in order to calculate the present value of cash flows. Further information including the carrying value is given in note 7.

Intangible assets

On acquisition of a business, the Group is required to value the assets acquired and recognise intangible assets on the balance sheet. The valuation of these assets relies on various assumptions, including future revenues and costs derived from those assets and the selection of an appropriate discount rate in order to calculate the present value of those cash flows. Further information including the carrying value is given in note 7.

Notes to the Consolidated Financial Statements *continued*

4 Critical accounting estimates and judgements continued

Useful lives of intangible assets

Intangible assets are amortised over their useful lives in accordance with the accounting policy stated in note 2(h). These useful lives are based on management's estimates of the period that the assets will generate revenue. These estimates are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the Consolidated Income Statement in specific periods. The carrying value of intangible assets is given in note 7.

Share-based payments

The fair value of share-based payments is estimated using the binominal valuation model as at the date of grant and using certain assumptions. These assumptions are disclosed in note 13.

Taxation

The Group is subject to United Kingdom corporate taxation and judgement is required in determining the provision for income and deferred taxation. The Group recognises taxation assets and liabilities based upon estimates and assessments of many factors including past experience, advice received on the relevant taxation legislation and judgements about the outcome of future events. To the extent that the final outcome of these matters is different from the amounts recorded, such differences will impact on the taxation charge made in the Consolidated Income Statement in the period in which such determination is made.

The Group has tax losses available for carrying forward against future taxable income of £7.00 million (2010: £7.31 million). The Group has recognised a deferred tax asset of £897,000 (2010: £810,000) which is 49% of the total loss as management consider that it is more likely than not that the future taxable profits will exceed this amount within the next five years.

5 Segment information

Management consider that there is one operating business segment being the design, development, sale and support of software products and services, which is consistent with the information reviewed by the Board of Directors when making strategic decisions. Resources are reviewed on the basis of the whole business performance.

The key segmental measure is adjusted EBITDA which is profit before interest, taxation, depreciation, amortisation, acquisition and restructuring expenses and share-based payments as set out in the Consolidated Income Statement.

A breakdown of revenue by category is as follows:

	2011 £'000	2010 £'000
Product and professional services	4,291	855
Maintenance and support	5,734	1,604
SaaS	3,591	1,672
	13,616	4,131

The business is domiciled in the UK. The result of its revenue from external customers in the UK is £13.10 million (2010: £3.63 million), and the total from external customers from other countries is £0.51 million (2010: £0.50 million).

All non-current assets are located in the UK.

During this financial year reported thereon the Group had no significant customers (customers who generate in excess of 10% of the Group's revenues). Last year the Group has two customers who were significant and generated revenues of £0.49 million and £0.44 million respectively.

6 Property plant and equipment

	Computer equipment £'000	Furniture, fittings and equipment £'000	Total £'000
Cost			
At 1 July 2009	79	200	279
Additions	—	49	49
Disposals	—	(22)	(22)
At 30 June 2010	79	227	306
Acquisition of subsidiary (note 27)	46	132	178
Additions	24	6	30
Disposals	(2)	(23)	(25)
At 30 June 2011	147	342	489
Accumulated depreciation			
At 1 July 2009	52	164	216
Depreciation charge	8	22	30
Disposals	—	(22)	(22)
At 30 June 2010	60	164	224
Depreciation charge	27	101	128
Disposals	(2)	(23)	(25)
At 30 June 2011	85	242	327
Net book amount			
At 30 June 2009	27	36	63
At 30 June 2010	19	63	82
At 30 June 2011	62	100	162

Depreciation expense of £128,000 (2010: £30,000) has been charged in 'administrative expenses'

Notes to the Consolidated Financial Statements continued

7 Intangible assets

	Customer contracts and relationships £'000	Brand £'000	Acquired software £'000	Goodwill £'000	Internally generated software development costs £'000	Trademarks and licences £'000	Total £'000
Cost							
At 1 July 2009	—	—	—	—	—	196	196
Acquisition of subsidiary	500	—	2,223	252	—	—	2,975
Additions	—	—	—	—	—	45	45
Disposals	—	—	—	—	—	(3)	(3)
At 30 June 2010	500	—	2,223	252	—	238	3,213
Acquisition of subsidiary (note 27)	3,331	50	401	4,789	—	468	9,039
Additions	—	—	—	—	152	70	222
Disposals	—	—	—	—	—	—	—
At 30 June 2011	3,831	50	2,624	5,041	152	776	12,474
Accumulated amortisation							
At 1 July 2009	—	—	—	—	—	163	163
Amortisation charge	38	—	112	—	—	20	170
Disposals	—	—	—	—	—	(3)	(3)
At 30 June 2010	38	—	112	—	—	180	330
Amortisation charge	559	31	307	—	10	117	1,024
Disposals	—	—	—	—	—	—	—
At 30 June 2011	597	31	419	—	10	297	1,354
Net book amount							
At 30 June 2009	—	—	—	—	—	33	33
At 30 June 2010	462	—	2,111	252	—	58	2,883
At 30 June 2011	3,234	19	2,205	5,041	142	479	11,120

Amortisation of £1.02 million (2010: £170,000) is included within 'administrative expenses'

Impairment tests for goodwill

As management considers there to be one operating business segment all of the goodwill is allocated to one cash-generating unit. The recoverable amount has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial forecasts prepared by management. Cash flows beyond the five-year period covered by the financial forecasts are extrapolated using an estimate growth rate of zero%.

The key assumptions used for value-in-use calculations are: pre-tax adjusted discount rate 10% (2010: 10%), a growth rate based on the expected return from the continuing investment in sales and marketing of its applications, services, and support contracts, and changes in direct costs based on this investment plan and expectations of future changes in the market consistent with past experience.

8 Financial instruments by category

Assets as per balance sheet

	2011	2010
	£'000	£'000
Loans and receivables		
Trade and other receivables excluding prepayments	3,629	907
Cash and cash equivalents	5,885	2,448
	9,514	3,355
Available-for-sale		
Investment (see note below)	—	—
	—	—
Total	9,514	3,355

During the year the Group wrote off an investment in Telepost, Inc. which had a brought forward historic cost of £350,000 and net book value of £nil (see note F of the Company financial statements). This asset had previously been derecognised in 2002.

Liabilities per balance sheet

	2011	2010
	£'000	£'000
Financial liabilities at amortised cost		
Trade and other payables (excluding statutory liabilities and deferred income)	1,902	924
Total	1,902	924

9 Inventories

	2011	2010
	£'000	£'000
Finished goods and goods for resale	243	31

10 Trade and other receivables

	2011	2010
	£'000	£'000
Trade receivables	2,655	904
Less: provision for impairment of trade receivables	(45)	(1)
Trade receivables — net	2,610	903
Other receivables	10	4
Prepayments	320	156
Accrued income	1,009	102
	3,949	1,165

All amounts are due within one year. The carrying value of trade receivables is considered a reasonable approximation of fair value.

As of 30 June 2011, trade receivables of £2,017,000 (2010: £598,000) were fully performing and £588,000 (2010: £305,000) were past due but not impaired. Both the fully performing and past due but not impaired balances relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011	2010
	£'000	£'000
Not more than 1 month	361	239
More than 1 month but not more than 3 months	173	66
More than 3 months	54	—
	588	305

Notes to the Consolidated Financial Statements continued

10 Trade and other receivables continued

As of 30 June 2011, trade receivables of £50,000 (2010 £1,000) were impaired against which a provision of £45,000 (2010 £1,000) has been recorded. The ageing of these receivables is as follows:

	2011 £'000	2010 £'000
Not more than 1 month	5	—
More than 1 month but not more than 3 months	12	—
More than 3 months	33	1
	50	1

Movements on the Group provision for impairment of trade receivables are as follows:

	2011 £'000	2010 £'000
At 1 July	1	7
Acquisition of subsidiary	24	—
Provisions for receivables impairment	67	—
Receivables written off during the year as uncollectible	(21)	(6)
Unused amounts reversed	(26)	—
	45	1

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2011 £'000	2010 £'000
UK pounds	3,610	1,115
Swiss francs	101	—
Euros	26	10
US dollars	27	40
	3,764	1,165

11 Cash and cash equivalents

	2011 £'000	2010 £'000
Cash at bank and on hand	5,885	2,449
Cash and cash equivalents	5,885	2,449

12 Share capital and premium

	Number of shares thousands	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 July 2009	62,601	3,130	2	3,132
Acquisition of subsidiary				
— pursuant to Q-Max sale and purchase agreement	1,597	80	—	80
At 30 June 2010	64,198	3,210	2	3,212
Proceeds from share issue	22,368	1,118	2,979	4,097
Acquisition of subsidiary (note 27)				
— pursuant to Telephonetics scheme of arrangement	34,670	1,734	—	1,734
— pursuant to Telephonetics option schemes	586	29	—	29
— release of vendor earn out provisions assumed on acquisition of Telephonetics		21	29	50
At 30 June 2011	122,248	6,112	3,010	9,122

All issued shares each having a par value of 5 pence are fully paid

The Company issued 22,368,420 new ordinary shares on 26 and 27 July 2010. The fair value of the shares issued amounted to £4.25 million (19 pence per share). The related transaction costs amounting to £152,000 have been netted off against the proceeds.

The Company issued 34,670,092 new ordinary shares on 30 July 2010 to the shareholders of Telephonetics Ltd (formerly Telephonetics plc) ('Telephonetics') as part of the purchase consideration for 100% of its ordinary share capital (see note 27). Subsequently on 10 August 2010, the Company issued 586,095 new ordinary shares following the exercise of options pursuant to Telephonetics options schemes which were purchased as part of the acquisition of Telephonetics by the Company. The ordinary shares have the same rights as the other shares in issue. The fair value of the shares issued amounted to £4.05 million (11.5 pence per share). Pursuant to this acquisition, under Section 612 of the Companies Act 2006, the Company qualified for merger relief. Therefore, no share premium is accounted for in relation to shares issued in consideration for this series of transactions. Instead the difference between the nominal value of shares issued and the fair value of the shares issued is credited to the merger reserve.

The Company issued 425,530 new ordinary shares on 10 September 2010 in consideration for the release of vendor earn out provisions assumed by Telephonetics on its acquisition of Datadialogs Limited. The ordinary shares have the same rights as the other shares in issue. The fair value of the shares issued amounted to £50,000 (11.75 pence per share).

13 Share-based payment

Share options are granted to Directors and to certain employees.

The Company operates two Enterprise Management Incentive Schemes which were introduced in 2002 and 2007 ('2002 EMI' and '2007 EMI'). The 2002 EMI scheme options have an exercise price based on the market price of the Company's shares at the date of grant with a contractual option term of 10 years and were conditional on the option holder completing 3 years' service. The 2007 EMI scheme options have an exercise price of 5 pence and contractual option term of 10 years and is conditional on the certain vesting criteria including performance of the Company's ordinary share price up to 60 pence for five years from the date of grant, and, the option holder being in employment at the date the option is exercised.

The Company introduced an unapproved share option scheme in 2009 ('2009 Unapproved'). The options are granted at an exercise price of 5 pence. Options are conditional on certain vesting criteria including performance of the Company's ordinary share price up to 40 pence from the date of grant or an annual Group profit target of up to £2.1 million until 30 September 2014, and, the option holder being in employment at the date the option is exercised. The options have a contractual option term of ten years, and once vested up to 100% of the options awarded may be exercised.

The Netcall 2011 Long Term Incentive plan ('2011 LTIP') was introduced in June 2011. The options are granted at an exercise price of 5 pence. Options are conditional on certain vesting criteria including performance of the Company's ordinary share price up to 55 pence from the date of grant until 1 January 2017, and, the option holder being in employment at the date the option is exercised. The options have a contractual option term of ten years, and once vested up to 100% of the options awarded may be exercised.

Notes to the Consolidated Financial Statements continued

13 Share-based payment continued

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows

	2011 Average exercise price in pence per share	2011 Options (thousand)	2010 Average exercise price in pence per share	2010 Options (thousand)
At 1 July	7.4	4,340	6.9	5,690
Granted	5.0	12,200	—	—
Forfeited	25.0	(400)	5.0	(1,000)
Exercised	—	—	5.0	(350)
At 30 June	5.2	16,140	7.4	4,340

Out of the 16,140,000 outstanding options (2010: 4,340,000 options), 2,295,000 options (2010: 2,395,000) were exercisable. The weighted average exercise price for options exercisable at the year-end was 5.9 pence (2010: 9.2 pence).

The weighted average fair value of 2011 LTIP options granted during the period determined using the binomial valuation model was 12.4 pence per option (2010: none). The significant inputs into the model were mid-market share price of 18 pence at the grant date, exercise price shown above, volatility of 55%, dividend yield of nil%, an expected option life of 5.6 years, an illiquid share discount of 20%, and, an annual risk-free interest rate of 2.2%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices over the last four years.

See note 20 for the total expense recognised in the income statement for share options granted to Directors and employees.

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

Expiry date		Exercise price in pence per share	Options (thousands)	
			2011	2010
December 2012	2002 EMI	7.3	245	245
December 2012	2002 Unapproved	10.0	100	100
February 2012	2003 Unapproved	20.0	100	100
February 2014	2004 EMI	25.0	—	400
September 2014	2009 Unapproved	5.0	3,370	3,370
January 2017	2007 EMI	5.0	125	125
July 2021	2011 LTIP	5.0	12,200	—
			16,140	4,340

14 Trade and other payables

	2011 £'000	2010 £'000
Trade payables	279	465
Social security and other taxes	377	165
Other liabilities	131	—
Accrued expenses	1,492	459
Deferred income	4,666	1,180
	6,945	2,269

15 Deferred income tax

The gross movement on the deferred income tax account is as follows

	2011 £'000	2010 £'000
At 1 July	680	559
Acquisition of subsidiary (note 27)	(1,029)	(140)
Income statement credit (note 23)	219	261
At 30 June	(130)	680

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows

	Acquired intangibles £'000	Other temporary differences £'000	Total £'000
Deferred tax liabilities			
At 1 July 2009	—	—	—
Acquisition of subsidiary	140	—	140
Credited to the income statement	(10)	—	(10)
At 30 June 2010	130	—	130
Acquisition of subsidiary (note 27)	1,034	111	1,145
(Credited)/charged to the income statement	(255)	7	(248)
At 30 June 2011	909	118	1,027

	Tax losses £'000	Accelerated tax depreciation £'000	Other temporary differences £'000	Total £'000
Deferred tax assets				
At 1 July 2009	559	—	—	559
Credited to the income statement	251	—	—	251
At 30 June 2010	810	—	—	810
Acquisition of subsidiary (note 27)	84	26	6	116
Credited/(charged) to the income statement	(57)	28	—	(29)
At 30 June 2011	837	54	6	897

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred tax assets of £1.06 million (2010: £1.24 million) in respect of losses amounting to £4.07 million (2010: £4.41 million) that can be carried forward against future taxable income, or, £1.74 million (2010: £1.87 million) in respect of losses that are capital in nature amounting to £6.68 million (2010: £6.68 million).

A deferred tax asset of £86,000 (2010: £74,000) in relation to timing difference due to share-based payment charges of £330,000 (2010: £263,000) has not been recognised.

Notes to the Consolidated Financial Statements continued

16 Provisions

	Dilapidations £'000	Vacant property £'000	Total £'000
At 1 July 2009 and 30 June 2010	—	—	—
Acquisition of subsidiary (note 27)	70	—	70
Charged to the income statement	4	187	191
Released unused to the income statement	(49)	—	(49)
Used during the year	—	(17)	(17)
At 30 June 2011	25	170	195

Analysis of total provisions

	2011 £'000	2010 £'000
Non-current	25	—
Current	170	—
	195	—

(a) Dilapidations

The dilapidations provision provides for the estimated costs of restoring the Group's leasehold properties at lease terms, to the condition in which they were originally leased. During the year a number of leases were renegotiated resulting in historical obligations being waived, as a result £49,000 was released to the income statement. The majority of the provision is anticipated to be utilised in 2018.

(b) Vacant property

As part of a reorganisation, following the acquisition of Telephonetics Ltd, the Group vacated a number of leasehold properties.

A provision of £187,000 has been made in the year for the residual lease commitments (including associated dilapidations), together with outgoings, after taking into account estimated possible sub-let income. Provision is anticipated to be utilised in the next 12 months.

17 Other gains/(losses) — net

	2011 £'000	2010 £'000
Net foreign exchange gains/(losses)	18	(11)

18 Expenses by nature

	2011 £'000	2010 £'000
Inventory expense	565	9
Employee benefit expense (note 20)	7,678	2,081
Depreciation and amortisation (notes 6 and 7)	1,152	200
Operating lease payments (note 26)	196	56
Other expenses	3,502	2,022
Total cost of sales and administrative expenses	13,093	4,368

During the year the Group acquired Telephonetics Ltd (note 27) and incurred £38,000 (2010: £916,000) of acquisition costs, principally professional adviser fees, (included within 'other expenses'). The subsequent reorganisation resulted in restructuring charges to the income statement of £910,000 (2010: £nil) comprising £630,000 of redundancy costs included within 'employee benefit expense', and, £187,000 of provisions for vacant property and £93,000 of professional adviser and contract termination costs both included within 'other expenses'.

The associated cash flows during the year were £806,000 and £666,000 for acquisition and reorganisation costs respectively (2010: £388,000 acquisition costs only), leaving £297,000 carried forward in trade and other payables and provisions to be settled during the next year.

19 Services provided by the Company's auditor and its associates

	2011 £'000	2010 £'000
Fees payable to the Company's auditor for the audit of parent and consolidated financial statements	19	10
Fees payable to the Company's auditor for other services		
— the audit of the Company's subsidiaries pursuant to legislation	47	14
— review interim report	4	—
— corporate services	—	155
— tax services	—	4
	70	183

20 Employee benefit expense

	2011 £'000	2010 £'000
Wages and salaries, including restructuring costs £630,000 (2010: £nil) (note 18)	6,910	1,656
Less: internal development costs capitalised in the year	(152)	—
Social security costs	695	194
Share options granted to Directors and employees (see note 13)	105	205
Pension costs — defined contribution plans	120	26
	7,678	2,081

21 Average number of people employed

	2011	2010
Average number of people (including executive Directors) employed		
Sales and marketing	40	13
Development and operations	56	7
Management and administration	17	6
Total average headcount	113	26

22 Finance income and costs

	2011 £'000	2010 £'000
Interest expense		
— bank charges	8	—
Finance costs	8	—
Finance income		
— interest on short-term bank deposits	13	13
Finance income	13	—
Net finance income	5	13

Notes to the Consolidated Financial Statements continued

23 Tax expense

	2011 £'000	2010 £'000
Current tax		
Current tax on profits for the year	78	—
Total current tax	78	—
Deferred tax (note 15)		
Origination and reversal of temporary differences	(175)	(261)
Impact of change in the UK tax rate	(44)	—
Total deferred tax	(219)	(261)
Tax expense/(income)	(141)	(261)

The tax credit on the Group's profit before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK as explained below

	2011 £'000	2010 £'000
Profit/(loss) before tax	546	(235)
Tax expense/(credit) calculated at 26% (2010: 28%)	141	(66)
Tax effects of		
— expenses not deductible for tax purposes	55	325
— additional deductions for R&D expenditure	(46)	—
— utilisation of previously unrecognised tax losses	(331)	(238)
— tax losses for which no deferred tax asset was recognised	56	—
— other short-term temporary differences	26	(32)
— marginal rate relief	2	—
Remeasurement of deferred tax — change in UK tax rate	(44)	—
Recognition of deferred tax asset	—	(250)
Tax credit	(141)	(261)

During the year, as a result of the change in the UK corporation tax rate from 28% to 26% that was substantively enacted on 29 March 2011 and that became effective from 1 April 2011, the relevant deferred tax balances have been remeasured. Further reductions to the UK tax rate to 23% are not expected to be substantively enacted until future finance bills are approved and therefore are not recognised in these financial statements.

24 Earnings per share

(a) Basic and diluted

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

	2011	2010
Net earnings attributable to ordinary shareholders (£'000)	687	26
Weighted average number of ordinary shares in issue (thousands)	117,769	63,795
Basic earnings per share (pence)	0.58	0.04

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

	2011	2010
Weighted average number of ordinary shares in issue (thousands)	117,769	63,795
Adjustments for share options (thousands)	1,670	1,052
Weighted average number of potential ordinary shares in issue (thousands)	119,439	64,847
Diluted earnings per share (pence)	0.58	0.04

24 Earnings per share continued

(b) Adjusted basic and diluted

Adjusted and basic earnings per share have been calculated to exclude the effect of acquisition and reorganisation costs, share-based payment charges, amortisation of acquired intangible assets and utilisation of historic tax losses. The Board believes this gives a better view of ongoing maintainable earnings. The table below sets out a reconciliation of the earnings used for the calculation of earnings per share to that used in the calculation of adjusted earnings per share.

	2011 £'000	2010 £'000
Profit used for calculation of basic and diluted earnings per share	687	26
Acquisition costs	38	916
Reorganisation costs	910	—
Share-based payments	105	205
Amortisation of acquired intangible assets	897	150
Tax adjustment	(793)	(551)
Profit used for calculation of adjusted basic and diluted earnings per share	1,844	746

25 Dividends per share

No dividends were paid in the years ending 30 June 2011 or 2010. A dividend in respect of the year ended 30 June 2011 of 0.4 pence per share, amounting to a total dividend of £489,000, is proposed at the Annual General Meeting on 24 November 2011. These financial statements do not reflect this dividend payable.

26 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2011 £'000	2010 £'000
Property, plant and equipment	139	—
Total	139	—

(b) Operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between 1 and 7 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:

	2011 £'000	2010 £'000
No later than 1 year	139	56
Later than 1 year and no later than 5 years	305	58
Later than 5 years	137	—
Total	581	114

Notes to the Consolidated Financial Statements continued

27 Business combinations

On 30 July 2010, the Company acquired the entire issued share capital of Telephonetics Ltd (formerly Telephonetics Plc a company incorporated in England & Wales), ("Telephonetics"), a UK-based provider of speech automation and data integration solutions, by way of a scheme of arrangement. The consideration for the acquisition was £9.88 million comprising £5.78 million cash and £4.10 million shares (35,256,187 (including those issued on 10 August) new ordinary shares issued of 5 pence each at 11.5 pence). Further details regarding the acquisition, including the rationale for the combination, are included in the Chairman's and Chief Executive's review.

In addition, on 10 September 2010 the Company paid £100,000 for the early settlement of the vendor earn out assumed by Telephonetics on the acquisition of Datadialogs Limited. The consideration was satisfied by payment of £50,000 and issue of 425,540 new ordinary shares of 5 pence each at 11.75 pence per share (the Company's closing mid-market share price quoted by the London Stock Exchange on the 9 September 2010).

Analysis of assets and liabilities acquired

	Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
Property, plant and equipment	178	—	178
Intangible assets	12,494	(8,244)	4,250
Inventories	359	—	359
Trade and other receivables — gross	1,929	—	1,929
Trade and other receivables — provision	(24)	—	(24)
Cash and cash equivalents	4,723	—	4,723
Trade and other payables	(5,224)	—	(5,224)
Provisions	(70)	—	(70)
Deferred tax asset/(liability)	(134)	(895)	(1,029)
Net assets acquired	14,231	(9,139)	5,092
Goodwill			4,789
Consideration paid			9,881
Satisfied by			
Cash consideration			5,779
Shares issued			4,102
Total purchase consideration			9,881
Net cash flow on acquisition			
Cash consideration			5,779
Cash acquired			(4,723)
Cash flow on acquisition			1,056

The goodwill of £4.79 million arising from the acquisition is attributable to the expected synergistic benefits expected from combining the operations of Telephonetics and Netcall including the significantly expanded human capital that the skilled workforce of Telephonetics provides.

Fair value adjustments

On acquisition of Telephonetics, all assets were fair valued and appropriate intangible assets recognised following the principles of IFRS3. A deferred tax liability related to these intangible assets was also recognised. Management identified three material intangible assets: (i) customer relationships, (ii) software, and (iii) brand.

The customer relationships intangible asset acquired with Telephonetics were valued using the excess earnings method. The value of this intangible asset at acquisition is £3.33 million. Management believe that these customer relationships have a minimum useful economic life of six years.

27 Business combinations continued

The software acquired with Telephonetics remains at their carrying value. The value of this intangible asset at acquisition is £869,000 (including previously capitalised development expenditure totalling £401,000, software licences held for use in the business and Datadialogs Limited software capitalised at the point of its acquisition totalling £468,000). Management believe that this software has a minimum useful economic life of four years.

The Telephonetics brand was valued using the relief from royalty method. The value of this intangible asset at acquisition is £50,000. Management believe that this brand value has a minimum useful economic life of 18 months.

A £895,000 credit to deferred tax has been made to record the liability arising on these intangible assets.

Impact of acquisition on results of the Group

The acquired business contributed revenues of £9.78 million and net profit of £0.51 million (after related amortisation charges and tax credits) to the Group for the period 31 July 2010 to 30 June 2011. If the acquisition had occurred on 1 July 2010, management estimate the business would have generated revenues of £14.43 million and net profit of £0.51 million (after related amortisation charges and tax credits). Acquisition costs of £38,000 (2010: £916,000) have been charged to the income statement as incurred.

28 Related-party transactions

Netcall plc is the parent and ultimate controlling company of the Group.

(a) Sale and purchase of goods and services

Transactions between the Company and its subsidiaries, whom are related parties, have been eliminated on consolidation and are therefore not disclosed.

(b) Key management compensation

Key management is the Executive and Non-Executive Directors of the Company. The compensation paid or payable to key management for employee services is shown below.

	2011 £'000	2010 £'000
Short-term employee benefits	924	308
Share-based payments	105	173
Total	1,029	481

(c) Directors

	2011 £'000	2010 £'000
Aggregate emoluments	739	263
Company contributions to money purchase pension schemes	89	13
Total	828	276

Details of individual Director's emoluments are set out on page 9 of the Directors' report.

29 Events after the Balance Sheet Date

On 26 July 2011, 2,922,223 share options were granted to certain employees of the Group under the 2011 LTIP scheme (expiry date 25 July 2021).

Notes to the Consolidated Financial Statements continued

30 Principal subsidiaries

	Country of incorporation	Nature of business	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by the Group
Netcall Telecom Limited	UK	Telecoms software	0%	100%
Telephonetics Ltd	UK	Intermediate holding company	100%	0%
Datadialogs Limited	UK	Dormant company	0%	100%
Netcall Telecom Inc	US	Dormant company	0%	100%
Netcall Telecom (Europe) Ltd	UK	Dormant company	100%	0%
Netcall UK Limited	UK	Dormant company	100%	0%
Q-Max Systems Limited	UK	Dormant company	100%	0%
Voice Integrated Products Ltd	UK	Dormant company	0%	100%

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of ordinary shares held.

Company Balance Sheet as at 30 June 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	E	1,970	2,130
Investments	F	18,531	11,257
		20,501	13,387
Current assets			
Debtors	G	686	266
Cash at bank and in hand		4,643	2,115
		5,329	2,381
Creditors, amounts falling due within one year	H	(571)	(2,254)
Net current assets		4,758	127
Total assets less current liabilities		25,259	13,514
Net assets		25,259	13,154
Capital and reserves			
Share capital	J	6,112	3,210
Share premium	K	3,010	2
Capital reserve	K	188	188
Merger reserve	K	520	623
Employee share schemes reserve	K	306	240
Retained earnings	K	15,123	9,251
Shareholders' funds		25,259	13,514

The notes on pages 44 to 47 form part of these financial statements

These financial statements on pages 43 to 47 were approved and authorised for issue by the Board of Directors on 23 September 2011 and were signed on its behalf by



James Ormondroyd
Director

Netcall plc
Registered no 1812912

Notes to the Company Financial Statements

A Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards generally accepted in the United Kingdom and under the historical cost convention. The financial statements have been prepared on the going concern basis.

(b) Profit and loss account

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit for the year ended 30 June 2011 is disclosed in note D.

(c) Turnover

Turnover is royalties received from the Company's subsidiaries, which is recognised on an earned basis.

(d) Tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19 Deferred Tax. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

(e) Intangible fixed assets

Intangible fixed assets are stated at cost net of amortisation and any provision for impairment. Amortisation is provided on cost in equal annual amounts over the estimated useful lives of the assets. The rates of amortisation are as follows:

- Trademarks and licences — 5 years
- Acquired software — 15 years

(f) Investments in subsidiary undertakings

Investments are stated at cost less provision for any impairment. Where the Company has acquired an investment in a subsidiary undertaking and elected under section 612 of the Companies Act 2006 to apply merger relief, the investment in the subsidiary undertaking is recorded in the Group Company's balance sheet at the nominal amount of the shares issued.

(g) Impairment of fixed assets

The carrying values of fixed 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 profit and loss account in the year concerned.

(h) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

(i) Share-based payments

The Company operates equity-settled share-based option plans. The fair value of the employee services received in exchange for the participation in the plan is recognised as an expense in the profit and loss account. The Company has accounted for options granted to the employees of subsidiary undertakings as capital contributions, which have been recharged to the intermediate company holding the investment. The corresponding credit has been recognised in the employee share schemes reserve.

The fair value of the employee service is based on the fair value of the equity instrument granted. This expense is spread over the vesting period of the instrument. The corresponding entry is credited 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.

(j) Dividends

Dividend distributions to the Company's shareholders are recognised in the period when paid or, if earlier, in which the dividend is approved by the Company's shareholders.

B Employees and Directors

The Company employed an average of 2 employees (including executive Directors) during the year (2010: 1). The only employees of the Company are the executive Directors. Directors' remuneration has been disclosed within the Directors' report on page 8.

C Services provided by the Company's auditor and its associates

Fees payable to the Company's auditor for the audit of the Company's accounts and for other services are set out in note 19 of the consolidated financial statements

D Profit for the financial year

The Company made a profit for the financial year of £5,731,000 (2010: loss £491,000)

E Intangible assets

	Acquired software £'000	Trademarks and licences £'000	Total £'000
Cost			
At 1 July 2009	—	113	113
Additions	2,223	—	2,223
At 30 June 2010 and 30 June 2011	2,223	113	2,336
Accumulated amortisation			
At 1 July 2009	—	91	91
Amortisation charge	112	3	115
At 30 June 2010	112	94	206
Amortisation charge	147	13	160
At 30 June 2011	259	107	366
Net book amount			
At 30 June 2009	—	22	22
At 30 June 2010	2,111	19	2,130
At 30 June 2011	1,964	6	1,970

F Fixed asset investments

	Subsidiary undertakings £'000	Other £'000	Total £'000
Cost			
At 1 July 2009	10,990	350	11,340
Additions — acquisition of Q-Max Systems Ltd	303	—	303
At 30 June 2010	11,293	350	11,643
Additions — acquisition of Telephonetics Ltd	7,492	—	7,492
Disposals (see below)	(254)	—	(254)
Write off (see below)	—	(350)	(350)
At 30 June 2011	18,531	—	18,531
Provision			
At 1 July 2009 and 30 June 2010	36	350	386
Disposals	(36)	—	(36)
Write off	—	(350)	(350)
At 30 June 2011	—	—	—
Net book amount			
At 30 June 2009	10,954	—	10,954
At 30 June 2010	11,257	—	11,257
At 30 June 2011	18,531	—	18,531

A number of dormant subsidiary undertakings were eliminated during the year at £nil charge to the profit and loss account. The Company's subsidiaries at the year-end are set out in note 30 of the consolidated financial statements.

The Company has written off its investment in Telepost, Inc. a US corporation which ceased to trade in 2001 and is currently suspended under US state law.

Notes to the Company Financial Statements *continued*

G Debtors

	2011 £'000	2010 £'000
Amounts due within one year		
Amounts owed from Group undertakings	407	—
Other debtors	—	1
Prepayments and accrued income	47	15
	454	16
Amounts due after more than one year		
Deferred tax asset	232	250
	232	250
Total debtors	686	266

H Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Amounts owed to Group undertakings	5	1,882
Trade payables	17	—
Other creditors	23	—
Social security and other taxes	21	13
Accruals and deferred income	505	359
	571	2,254

I Deferred taxation

	2011 £'000	2010 £'000
Provision for deferred tax comprises		
Losses	232	250
Opening balance	250	—
Movement in the year	(18)	250
Closing balance	232	250

During the year, as a result of the change in the UK corporation tax rates from 28% to 26% that was substantively enacted on 29 March 2011 and effective from 1 April 2011, deferred tax balances have been remeasured. This has resulted in a credit to the profit and loss account of £18,000.

The deferred tax asset is disclosed within other debtors.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company has not recognised a deferred tax asset of £544,000 (2010: £644,000) in respect of losses amounting to £2.10 million (2010: £2.30 million) that can be carried forward against future taxable income, or, £1.74 million (2010: £1.87 million) in respect of losses that are capital in nature amounting to £6.68 million (2010: £6.68 million).

J Called up share capital

	2011 thousands	2011 £'000	2010 thousands	2010 £'000
Allocated, called up and fully paid				
Ordinary shares of 5 pence each	122,248	6,112	64,198	3,210

Details of the share options and share capital issued by the Company are detailed in notes 12 and 13 of the consolidated financial statements

K Reconciliation of movements in shareholders' funds

	Share capital £'000	Share premium £'000	Capital reserves £'000	Merger reserve £'000	Employee share schemes reserve £'000	Profit and loss account £'000	Total £'000
At 1 July 2010	3,210	2	188	623	240	9,251	13,514
Profit for the year	—	—	—	—	—	5,731	5,731
Issue of share capital							
— for cash	1,118	3,131	—	—	—	—	4,249
— cost of issuing share capital	—	(152)	—	—	—	—	(152)
— in respect of acquisition of subsidiaries	1,784	29	—	—	—	—	1,813
Share-based payment							
— charge	—	—	—	—	104	—	104
— reclassification	—	—	—	—	(38)	38	—
Transfer ⁽¹⁾	—	—	—	(103)	—	103	—
At 30 June 2011	6,112	3,010	188	520	306	15,123	25,259

⁽¹⁾ A number of dormant subsidiary undertakings were eliminated during the year at £nil charge to the profit and loss account. The Company's subsidiaries at the year-end are set out in note 30 of the consolidated financial statements

L Related party transactions

The Company has taken advantage of the exemption granted FRS8 not to disclose transactions with the parent and wholly-owned subsidiaries. There were no other related party transactions during either 2011 or 2010.

M Post balance sheet events

A dividend in respect of the year ended 30 June 2011 of 0.4 pence per share, amounting to a total dividend of £489,000, is proposed at the Annual General Meeting on 24 November 2011.

On 26 July 2011, 2,922,223 share options were granted to certain employees of the Group under the 2011 LTIP scheme (expiry date 25 July 2021).

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