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SUPPORTING ORGANISATIONS TO DELIVER OUTSTANDING CUSTOMER SERVICE

Netcall plc

Annual Report and Accounts
for the year ended 30 June 2013

Stock code NET

Welcome to Netcall

Netcall is one of the UK's leading providers of customer engagement solutions. Our goal is to support organisations to deliver outstanding customer service and achieve a realistic return on their investment.

Currently over 700 organisations in the Public, Private and Healthcare markets use one or more of our solutions which include

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Financial Highlights

- Revenue increased 10% to £16 1 million (2012 £14 6 million)
- Adjusted EBITDA[1] increased by 22% to £4 24 million (2012 £3 47 million)
- Adjusted earnings per share[2] increased 25% to 2 56p (2012 2 04p)
- Dividend of 0 7p per share proposed, an increase of 40% (2012 0 5p per share)
- Revenue of a recurring nature[3] of £10 7 million corresponding to 66% of total revenue
- Cash generated from operations increased 25% to £4 89 million (2012 £3 90 million) before acquisition and reorganisation payments
- Profit before tax increased 10% to £2 26 million (2012 £2 05 million)
- Basic earnings per share increased 11% to 1 65p (2012 1 49p)
- Debt-free balance sheet with net cash funds of £9 19 million (2012 £8 43 million)

Revenue
up 10%
to £16 1 million (2012 £14 6 million)

Operational Highlights

- Launch of next generation Liberty platform, including hosted version lending to greater recurring revenue opportunities
- High ratio of sales to existing customers demonstrates high levels of customer satisfaction and deeper levels of engagement
- Successful integration of Serengeti Systems Ltd ('Serengeti'), broadening the Group's skill set and enhancing ability to take on larger projects
- Good demand for our SaaS and BPM solutions driven by a strengthening private sector performance

Adjusted EBITDA[1]
up 22%
to £4 2 million (2012 £3 5 million)

Adjusted Earnings per Share
up 25%
to 2 6p (2012 2 0p)

[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
[3] revenue from SaaS and support contracts

"The successful execution of our strategy has delivered another year of solid growth for Netcall."

Chairman's and Chief Executive's Review

Introduction

This has been another period of solid growth for Netcall as we continue to successfully execute our growth strategy During the year we improved the product offering through the launch of our next generation platform, Liberty, further extended the customer base and completed the integration of our latest acquisition, Serengeti

We have seen continuing good demand for our product portfolio, driven principally by a strengthening private sector and orders for our Business Process Management ('BPM') and SaaS solutions As a result, the Group delivered revenue growth of 10% and adjusted earnings per share growth of 25%

The Group's profitability is underpinned by the two thirds of its revenues that are recurring in nature, resulting in strong cash generation of £4 9 million from trading during the period The Group remains debt free with an increased net cash position of £9 2 million at 30 June 2013

As a result of this substantial increase in profitability and cash flow, the Board proposes a 40% increase in the dividend to 0 7 pence per share

Private and public sector organisations' desire to transform customer engagement continues to drive demand for our innovative solutions which enable them to deliver a better quality of service to their customers while improving internal efficiencies and reducing costs As such, we continue to see growing interest for our suite of software solutions which deliver rapid return on investment for our customers

Netcall has continued to secure a growing level of orders from new customers, with new wins including Spire Healthcare and Oxford City Council

Up and cross-sales to the existing customer base remain strong, representing the majority of new order inflow, and are evidence of our deepening engagement within our customers' businesses and an endorsement of the high level of customer satisfaction we enjoy

With an increased market opportunity and growing pipeline, we continue to invest in enhancing and broadening our end-to-end customer engagement product suite to ensure we continue to offer new valuable solutions to our customers The most significant product development in the period was the launch of a major upgrade of our platform which includes an embedded version of our BPM suite together with tighter product integration and an updated technology stack

Targeted acquisitions remain an important pillar of our growth strategy as we look to augment organic growth with acquisitions During the year, we acquired Serengeti, a provider of Enterprise Content Management ('ECM') and Customer Relationship Management ('CRM') software to the UK public sector, expanding the customer base and product portfolio Serengeti has now been successfully integrated into the Group and the enlarged product portfolio is creating incremental new business opportunities

Financial Review

Group revenue for the year increased 10% to £16 1 million (2012 £14 6 million) comprising underlying organic growth of 6% offset by a continuing reduction in the MovieLine service, and an initial nine month contribution from Serengeti

An increasing proportion of new order inflow is for SaaS solutions and this shift in sales mix from product sales has a delayed revenue impact, while adding to the revenue visibility of the Group

Revenue which is considered to be recurring in nature, derived from SaaS and support contracts, increased to £10 7 million (2012 £10 0 million) being 66% (2012 68%) of total Group revenue, and continues to exceed the Group's fixed operating costs

The gross profit margin improved from 88% to 90% reflecting the benefit of continuing cost savings programmes and an increased proportion of higher margin products and services in the sales mix

Administrative expenses, before depreciation, amortisation, acquisition and reorganisation costs and share-based charges, increased to £10 2 million (2012 £9 41 million) as a result of the acquisition of Serengeti, higher incentive pay and a 1% increase in the fixed cost base

Profit Before Tax

up 10%

£2 26 million (2012 £2 05 million)

Revenue

up 10%

£16 1 million (2012 £14 6 million)

"Our strategy, which remains unchanged, is to broaden our product portfolio, grow our customer footprint and combine organic growth with targeted acquisitions"

Consequently, the Group recorded a 22% increase in adjusted EBITDA to £4 24 million (2012 £3 47 million) a margin of 26% of revenue (2012 24%)

This adjusted EBITDA, after taking into account amortisation of acquired intangible assets of £1 04 million, share-based payment charges of £0 51 million, and, £0 24 million acquisition and restructuring costs relating to Serengeti, resulted in profit before tax of £2 26 million for the period (2012 £2 05 million)

The Group tax charge was £0 27 million (2012 £0 24 million) and effective rate of tax of 12% (2012 12%) The effective rate of tax was driven by the utilisation of previously unrecognised tax losses from prior years

Adjusted earnings per share increased 25% to 2 56p (2012 2 04p) Reported earnings per share increased 11% to 1 65p (2012 1 49p)

Cash flow remains strong with cash generated from operations before acquisition and reorganisation payments increasing by 25% to £4 89 million (2012 £3 90 million), representing 116% of adjusted EBITDA (2012 112%)

Expenditure on research and development including capitalised expenditure increased by 20% to £1 52 million (2012 £1 27 million) due to spending on product development As a result capitalised software development expenditure was 48% higher at £0 46 million (2012 £0 31 million)

Total capital expenditure was £0 58 million (2012 £0 51 million), the balance after capitalised development being £0 12 million (2012 £0 20 million) relating to corporate facilities

The Company purchased 0 89 million of its own shares during the period for £0 25 million, as a result it now holds 1 87 million ordinary shares in treasury

The Company used £1 95 million of cash during the period in acquiring Serengeti, comprising £2 39 million cash, offset by £0 44 million cash acquired within the business In addition to the cash already paid, a liability for remaining total contingent consideration of £92,000 has been recorded resulting in a total consideration of £2 48 million

As a result of these factors, cash increased to £9 19 million at 30 June 2013 (30 June 2012 £8 43 million) The Group continues to maintain a debt-free balance sheet

A dividend in respect of the year ended 30 June 2013 of 0 7 pence per share, amounting to a total dividend of £0 84 million is to be proposed at the Annual General Meeting on 21 November 2013

Case study

TT2 improves transaction security and the customer experience with payment automation.

TT2 Limited is responsible for the service delivery and partial finance of the four dedicated tunnels that make up the Tyne Tunnel Crossings, handling over 47,000 vehicle journeys daily 45% of these journeys are made by regular commuters who use the Permit Pre-paid Tolling System

The use of Automation Agents has significantly reduced dependency on live agents to handle pre-payment enquiry calls The Payments solution hosted on Netcall's Liberty platform now integrates with the existing web service and toll-systems and allows customers phone to make payments or check their account details

PCI compliance is maintained as the web data base and toll data base are separated and only connected via the telephony platform rather than the web service

"We place great importance on the customer experience at the Tyne Tunnels and I believe the Payments system offers our customers a more reliable, secure facility than the previous system

It has helped us to achieve operational efficiencies using an automated, streamlined approach and has brought tangible financial benefits too "

Rachel Turnbull CEO, TT2

Chairman's and Chief Executive's Review
continued

Business Review

Organisations today face the balancing act of having to improve the quality of their customer engagement while also being required to improve operational efficiencies and reduce costs

Channels through which customers can interact with organisations continue to proliferate (web, mobile, social media, webchat, telephone and SMS) and for many businesses, this means they must support all of these channels, manage multiple, complex requests quickly and do so more efficiently whilst delivering repetitive positive customer experiences Simultaneously, organisations operate in an increasingly complex environment with changes in customer behaviour combined with stricter regulation and growing compliance requirements

To navigate through these challenges, organisations are looking to improve their end to end customer engagement processes Netcall's platform provides a suite of innovative software solutions which support organisations' integrated end to end customer engagement strategies Our platform also provides the ability to gather relevant customer information required to create improved customer engagement strategies and relationship programmes with the aim of continuously improving customer service, retention and acquisition

Our Liberty platform also includes multichannel contact handling solutions designed to improve customer interactions supported by BPM and workflow capabilities enabling the implementation of consistent, compliant and efficient business processes underpinned by management information to track and monitor business performance

This is supported by our workforce optimisation solutions, which simplify staff forecasting and planning while offering management and quality monitoring of staff, and the platform has the capacity to collect, store and retrieve relevant customer information and interaction history capabilities which can provide valuable information such as customer preferences and trends

Our solutions can be purchased as a suite or individually, in the Cloud or on-premise The Group's modular platform approach where customers can buy solutions individually provides a flexible and affordable entry point from which the platform can be upgraded and expanded This protects customers' investments as their business requirements evolve while also potentially reducing the number of suppliers For Netcall, the modular platform approach enables us to resell and upsell into the existing customer base as new products are introduced on the platform

"There remains substantial cross-selling opportunity across our existing customer base of more than 700 organisations."

Examples of solution implementations include

- King's College London chose to upgrade their platform to Liberty This included an expansion of their applications to include email blending allowing the college to manage, report and improve 50% of service desk interactions As a result email wait times are now measured in minutes
- Alliance Homes selected our CRM (Customer Relationship Management), EDRMS (Electronic Document and Records Management System) and Business Process Management solutions to improve customer service and transform internal operations Netcall is delivering an enterprise-wide solution that allows Alliance Homes to provide a fully integrated, compliant case management process, offering a complete 360° view of all tenant records and interactions as well as supporting field workers with full mobile access
- The Warranty Group, an existing Netcall customer, has implemented Netcall's Business Process Management capability to create a unified desktop environment for contact centre agents integrating and updating information from disparate systems via a modern and logical interface resulting in a significant reduction in average handling times In addition Netcall has subsequently provided an integrated and rules-based knowledgebase solution to support contact centre agents managing customer repairs for a large consumer goods company

Moving forward the Group's established strategy remains unchanged, to broaden its product portfolio, grow its customer footprint, combine organic growth with targeted acquisitions and continue its focus on operational cost management

Customer wins

Netcall continued to win new customers during the financial year with order value exceeding that of the previous year

Netcall has also continued to benefit from its significant presence within NHS Acute Trusts and Health Boards in the UK to contracting with new and existing customers for our Appointment Management Cycle which has now been purchased by more than one in five Acute Trusts or Health Boards

In addition Netcall's existing customer base of more than 700 organisations continues to represent a significant new business opportunity with a large share having a limited number of our solutions This represents a substantial cross-selling and up-selling opportunity which is also reflected in the Group's new order inflow of which the majority in the year came from existing customers who upgraded or expanded the usage of the Group's offering Recent examples, in addition to the ones mentioned above, include British Airways who chose a SaaS based solution and Southwest One selecting a premise-based implementation

Product development

The Netcall product roadmap focuses on continuously expanding the Group's cloud and premise based platform capabilities concentrating on offering customers a full suite of end-to-end customer engagement solutions

During the year Netcall launched a significant upgrade to the Company's platform, including Business Process Management and work-flow as a new standard capability The new Liberty platform has been very well received with a number of customers having already decided to purchase or upgrade to the new platform We also recently launched an upgrade to Netcall's cloud version of the platform which includes a wide range of new functionality thereby strengthening our offering and underpinning the Group's ability to deliver customers blended solutions while providing the Group with an opportunity to grow its recurring revenue stream

Furthermore the integration of the product portfolio acquired from Serengeti earlier in the year is moving forward These additional capabilities combined with our existing solutions further extends our platforms positioning which have opened new sales opportunities previously not available for Netcall

In the year ahead, our priority will be to broaden the cloud offering while continuing to invest in mobility and multichannel solutions and integrating our CRM and the Liberty solutions

Acquisitions

Acquisitions remain an important component of Netcall's growth strategy, and the Board continues to evaluate opportunities for growing its solution portfolio and customer base to create shareholder value

Outlook

Netcall has started the new financial year well, with sales orders well ahead of this time last year We continue to benefit from a growing sales pipeline as the requirement for increasingly sophisticated end-to-end customer engagement solutions drives demand for our broadening range of capabilities and solutions With a robust financial position, the Board continues to evaluate acquisition opportunities to complement our organic growth We remain mindful of the wider economic conditions, however with a clear strategy in place and continued successful execution, we are confident in a positive outcome for the year ahead

Michael Jackson	**Henrik Bang**
Chairman	CEO
23 September 2013	

Officers and Professional Advisers

Michael Jackson*^~(63)
Chairman

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

Henrik Bang (55)
Chief Executive Officer

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

James Ormondroyd (41)
Group Finance Director

was appointed to the Netcall Board on the acquisition of Telephonetics Plc on 30 July 2010 where he served as the Finance Director and Company Secretary for five years Previously he was the Finance Director and Company Secretary at World Television Group plc He is a member of the Institute of Chartered Accountants in England and Wales

Michael Neville*^~ (59)
Non-Executive Director

was appointed to the Netcall Board on 30 July 2010 following the acquisition of Telephonetics Plc where he served as 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 and 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

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M Jackson
H Bang
J Ormondroyd
M Neville

Secretary
M Greensmith

Bankers
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Auditor
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Chartered Accountants and
Registered Auditor
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CB4 0FY

Directors' Report

The Directors present their report and the audited financial statements of Netcall plc (the 'Company' or 'Netcall') and its subsidiaries (together the 'Group') for the year ended 30 June 2013

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 (both of which are 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 A review of these KPIs is provided in the Chairman's and Chief Executive's review

	2013	2012	Change
Revenue (£m)	**16.1**	14 6	+10%
Revenue recurring in nature (£m)	**10 7**	9 99	+7%
Gross profit margin (%)	**90%**	88%	+2%
Adjusted EBITDA (£m)	**4.24**	3 47	+22%
Cash generated from operations before acquisition and reorganisation payments (£m)	**4.89**	3 90	+21%
Total equity (£m)	**16 9**	15 5	+9%

Results and dividends

The Group's profit for the year after tax amounted to £2 00 million (2012 £1 81 million)

A dividend in respect of the year ended 30 June 2013 of 0 7 pence per share, amounting to a total dividend of £0 84 million will be proposed at the Annual General Meeting to be held on 21 November 2013

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 52 million (2012 £1 27 million)

Principal risks and uncertainties

The principal risks facing the Group and considered by the Board relate broadly to its acquisition strategy, intellectual property, the market place and competitive environment, dependence on key people, project delivery 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, before an acquisition management commissions financial and legal due diligence reports to highlight potential risks and post-acquisition it implements a detailed integration plan which it monitors closely

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 To mitigate this risk the Group continues to monitor the market place for competitor development and maintains a significant investment in research and development

Key people The Group's success relies on recruiting, developing and incentivising senior management and other key employees, the loss of whom may affect the financial performance of the Group The Group operates a detailed vetting and recruitment process and provides continual personal development of employees through objective setting, training and regular appraisals Key employees are incentivised via bonus plans and share schemes

Project delivery The Group contracts for multiple projects each year to deliver products and services to clients Failure to deliver large or even smaller projects can result in significant financial loss The Group has proven procedures and policies for project delivery and regularly measures and reviews project progress If issues arise on projects, senior management are involved at an early stage to ensure timely resolution

Directors' Report
continued

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

Political and charitable donations and political expenditure

There were no charitable donations during the year (2012 £nil) In accordance with the Board's policy no political donations were made or expenditure incurred during the year (2012 £nil)

Post balance sheet events

For details of post balance sheet events see note 30 of the consolidated financial statements

Directors

The Directors who held office during the year ended 30 June 2013 are as follows

Henrik Bang	Chief Executive
James Ormondroyd	Group Finance Director
Michael Jackson	Chairman
Mark Brooks (resigned 19 November 2012)	Non-Executive Director
Michael Neville	Non-Executive Director

In accordance with the Articles of Association of the Company, Henrik Bang retires by rotation and, being eligible, offers himself for re-election at the Annual General Meeting to be held on 21 November 2013

Directors' remuneration

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

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

The main components of Executive 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 basic salary of the Executive Directors is reviewed annually by the Remuneration Committee, with changes, if any, taking effect on 1 December of each year

The Executive Directors participate in a bonus plan linked to the achievement of financial and individual performance targets set by the Remuneration Committee The bonus plan is structured so as to pay 100% 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 financial and personal performance In the year ended 30 June 2013, performance against targets resulted in a bonus payment of 100% and 75% of salary for Henrik Bang and James Ormondroyd, respectively, (adjusting for salary sacrificed for additional personal pension contributions) Henrik Bang elected to receive £44,000 of bonus as an additional employer pension contribution to his personal pension plan

In 2011 the Company introduced a Long Term Incentive Plan ("LTIP") for senior management The LTIP provides senior managers with share options that vest upon meeting certain criteria including the performance of the Company's ordinary share price up to 55 pence from the date of grant until 1 January 2017 Further details are set out below

The remuneration of Non-Executive Directors is determined by the Board within the limits set by the Company's Articles of Association and is based on fees paid in similar companies and the skills and expected time commitment required by the individual concerned

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

	Date of appointment	Notice period
Executive Directors		
Henrik Bang	13 February 2004	12 months
James Ormondroyd	30 July 2010	12 months
Non-Executive Directors		
Michael Jackson	23 March 2009	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	**2013 Total £'000**	2012 Total £'000
Executive Directors					
Henrik Bang	231	15	194	**440**	404
James Ormondroyd	149	15	123	**287**	270
Non-Executive Directors					
Mark Brooks	6	–	–	**6**	12
Michael Jackson	50	–	–	**50**	50
Michael Neville	29	–	–	**29**	24
	465	30	317	**812**	760

In addition to the payments included in the table above Mark Brooks received £14,000 as an ex-gratia payment by way of compensation for loss of office as a Non-Executive Director

In 2012 Roger Allsop who resigned as a Non-Executive Director on 28 October 2011, received fees of £8,000 and £30,000 as an ex-gratia payment

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

	2013 £'000	2012 £'000
Executive Directors		
Henrik Bang	**67**	66
James Ormondroyd	**28**	26
	95	92

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 2012	Granted in year	**Number at 30 June 2013**
Henrik Bang						
02 06 09[1]	02 06 09	30 01 15	5 0	3,370,000	–	**3,370,000**
07 06 11[2]	07 06 11	06 06 21	5 0	7,000,000	–	**7,000,000**
				10,370,000	–	**10,370,000**
James Ormondroyd						
07 06 11[2]	07 06 11	06 06 21	5 0	4,200,000	–	**4,200,000**
Michael Jackson						
07 06 11[2]	07 06 11	06 06 21	5 0	1,000,000	–	**1,000,000**
Michael Neville						
21 12 12[2]	21 12 12	20 12 22	5 0	–	500,000	**500,000**
				15,570,000	500,000	**16,070,000**

[1] 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 the year ending 30 June 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

[2] LTIP 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

The closing mid-market price of the Company's shares at 30 June 2013 was 39 25 pence During the financial year the share price reached a high of 39 25 pence and a low of 24 6 pence

Directors' Report
continued

Directors' interest in the ordinary share capital of the Company

	30 June 2013 £'000	30 June 2012 £'000
Executive Directors		
Henrik Bang	**930,000**	930,000
Non-Executive Directors		
Michael Jackson[1]	**800,000**	800,000
Michael Neville	**247,548**	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 2013 and 23 September 2013 Interests in share options are set out on page 9

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 statement on pages 13 and 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 and wherever possible participate in bonus incentive 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

The Group is an equal opportunities employer Its policy is to ensure that no job applicant or employee receives less favourable treatment on the grounds of gender, race, disability, colour, nationality, ethnic or national origin, marital status, sexuality, responsibility for dependents, religion or belief, trade union activity and age Selection criteria and procedures are kept under review to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities Fair consideration is given to applications for employment from disabled people and the retention and retraining, where practicable, of employees who become disabled is encouraged

Policy and practice on payment of creditors

The Group recognises the importance of good relationships with its suppliers and subcontractors Although the Group does not follow any particular code or standard on payment practice, its established payment policy is to agree payment terms in advance of any commitment being entered into and to seek to abide by these agreed terms provided that the supplier has also complied with them Trade creditor days for the Company for the year were 15 days (2012 17 days)

Financial instruments

Financial instruments, including financial risk management objectives and policies, 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 share capital of the Company consisted of 120,478,645 issued and fully paid ordinary shares with a nominal value of 5p per share, quoted on AIM, together with 1,869,181 ordinary 5p shares held in treasury

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

Details of 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 12,127,150 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 earlier of the close of the next Annual General Meeting or 18 February 2014 During the year the Company purchased 892,857 of its ordinary shares which are held in treasury

Auditor

Grant Thornton UK LLP, who were reappointed on 19 November 2012, have expressed their willingness to continue in office as auditor 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 21 November 2013 at 10 30 am Details and an explanation of the resolutions to be proposed are contained in the Notice of Annual General Meeting and explanatory notes thereto sent to shareholders with the Annual Report

By order of the Board

James Ormondroyd
Director
23 September 2013

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year Under that law 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 Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable 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

The Directors confirm that

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is 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 UK Corporate Governance Code ('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 and complexity The main exceptions are that

- the Directors forming the Remuneration and Audit Committees are not independent, as defined by the Code, because 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 Michael Neville is a director of other companies in the Group
- the Board does not undertake a formal evaluation of its performance, as this is constantly under review given its size

This statement, together with the statement of Directors' responsibilities, Chairman's and Chief Executive's review and the Directors' report, explains the Company's corporate governance

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 two 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 Biographical details of the Directors are on page 6

The Chairman and Chief Executive have clearly defined and distinct roles The Chairman is responsible for corporate governance, shareholder communication 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

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 11 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 his duties, may take independent professional advice at the Company's expense

The following table 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
Henrik Bang	11	11
James Ormondroyd	11	11
Mark Brooks (resigned 19 November 2012)	4	1
Michael Jackson	11	11
Michael Neville	11	11

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

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

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

Corporate Governance Statement continued

Financial management An annual operating budget is 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 require that one third of the current Directors must retire as Directors by rotation

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 a 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 auditor has 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**
Michael Jackson	2	2
Michael Neville	2	2

Remuneration Committee

The Remuneration Committee's principal functions are to review the performance of the Executive Directors, recommend the setting of their remuneration and bonus payments, and to consider the grant of share options to Directors and employees The Committee is chaired by Michael Neville 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**
Michael Jackson	8	8
Michael Neville	8	8

Nomination Committee

The Nomination Committee comprises the Chairman and a Non-Executive Director 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 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 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, the Parent Company balance sheet and the 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 (United Kingdom Generally Accepted Accounting Practice)

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 set out 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 2013 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 2013

Consolidated Income Statement
for the year ended 30 June 2013

	Notes	2013 £'000	2012 £'000
Revenue	5	**16,111**	14,589
Cost of sales	18	**(1,661)**	(1,718)
Gross profit		**14,450**	12,871
Administrative expenses	18	**(12,264)**	(10,883)
Other gains/(losses) – net	17	**(1)**	4
Adjusted EBITDA		**4,237**	3,468
Acquisition costs	18	**(146)**	–
Reorganisation costs	18	**(97)**	–
Share-based payments	20	**(505)**	(303)
Depreciation	6	**(94)**	(106)
Amortisation of acquired intangible assets	7	**(1,038)**	(949)
Amortisation of other intangible assets	7	**(172)**	(118)
Operating profit		**2,185**	1,992
Finance income	22	**89**	70
Finance costs	22	**(10)**	(9)
Finance income – net		**79**	61
Profit before tax		**2,264**	2,053
Tax	23	**(266)**	(243)
Profit for the year		**1,998**	1,810
Earnings per share – pence			
Basic	24	**1.65**	1 49
Diluted	24	**1.51**	1 43

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 41 form part of these financial statements

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2013

	2013 £'000	2012 £'000
Profit for the year	**1,998**	1,810
Total comprehensive income for the year	**1,998**	1,810

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

Consolidated Balance Sheet

as at 30 June 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	6	**272**	237
Intangible assets	7	**12,428**	10,380
Deferred income tax asset	15	**653**	817
Total non-current assets		**13,353**	11,434
Current assets			
Inventories	9	**278**	244
Trade and other receivables	10	**4,505**	4,161
Cash and cash equivalents	11	**9,187**	8,431
Total current assets		**13,970**	12,836
Total assets		**27,323**	24,270
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	12	**6,117**	6,112
Share premium	12	**3,015**	3,010
Merger reserve		**2,509**	2,509
Capital reserve		**188**	188
Treasury shares		**(419)**	(167)
Employee share schemes reserve		**872**	612
Retained earnings		**4,603**	3,208
Total equity		**16,885**	15,472
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	15	**845**	819
Other payables		**88**	—
Provisions	16	**68**	44
Total non-current liabilities		**1,001**	863
Current liabilities			
Trade and other payables	14	**3,367**	2,310
Current income tax liabilities		**97**	370
Deferred income		**5,973**	5,255
Total current liabilities		**9,437**	7,935
Total liabilities		**10,438**	8,798
Total equity and liabilities		**27,323**	24,270

The notes on pages 20 to 41 form part of these financial statements

These financial statements on pages 16 to 41 were approved and authorised for issue by the Board of Directors on 23 September 2013 and were signed on its behalf by

James Ormondroyd
Director

Netcall plc
Registered no 1812912

Consolidated Statement of Changes in Equity

as at 30 June 2013

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital reserve £'000	Treasury shares £'000	Employee share scheme reserve £'000	Retained earnings £'000	Total £'000
Balance at 30 June 2011	6,112	3,010	2,509	188	–	331	1,861	14,011
Increase in equity reserve in relation to options issued	–	–	–	–	–	303	–	303
Reclassification following exercise or lapse of options	–	–	–	–	–	(22)	22	–
Purchase of treasury shares	–	–	–	–	(167)	–	–	(167)
Dividends to equity holders of the Company	–	–	–	–	–	–	(485)	(485)
Transactions with owners	–	–	–	–	(167)	281	(463)	(349)
Profit and total comprehensive income for the year	–	–	–	–	–	–	1,810	1,810
Balance at 30 June 2012	6,112	3,010	2,509	188	(167)	612	3,208	15,472
Increase in equity reserve in relation to options issued	–	–	–	–	–	264	–	264
Reclassification following exercise or lapse of options	–	–	–	–	–	(4)	4	–
Purchase of treasury shares	–	–	–	–	(252)	–	–	(252)
Proceeds from shares issued	5	5	–	–	–	–	–	10
Dividends to equity holders of the Company	–	–	–	–	–	–	(607)	(607)
Transactions with owners	5	6	–	–	(252)	260	(603)	(585)
Profit and total comprehensive income for the year	–	–	–	–	–	–	1,998	1,998
Balance at 30 June 2013	**6,117**	**3,015**	**2,509**	**188**	**(419)**	**872**	**4,603**	**16,885**

The notes on pages 20 to 41 form part of these financial statements

Consolidated Statement of Cash Flows

for the year ended 30 June 2013

	Notes	**2013** **£'000**	2012 £'000
Cash flows from operating activities			
Profit before income tax		**2,264**	2,053
Adjustments for			
Depreciation		**94**	106
Amortisation		**1,210**	1,067
Share-based payments		**505**	303
Net finance income		**(79)**	(61)
Changes in working capital (excluding the effects of acquisitions)			
Inventories		**(33)**	(1)
Trade and other receivables		**365**	(212)
Trade and other payables		**286**	469
Cash generated from operations		**4,612**	3,724
Analysed as			
Cash generated from operations before acquisition and reorganisation payments		**4,890**	3,897
Acquisition costs paid	18	**(146)**	–
Reorganisation costs paid	18	**(132)**	(173)
Interest paid		**(10)**	(9)
Income tax paid		**(555)**	(79)
Net cash generated from operating activities		**4,047**	3,636
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(1,946)**	–
Purchase of property, plant and equipment		**(103)**	(181)
Development expenditure		**(460)**	(308)
Purchase of other intangible assets		**(22)**	(19)
Interest received		**89**	70
Net cash used in investing activities		**(2,442)**	(438)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**10**	–
Purchase of treasury shares		**(252)**	(167)
Dividends paid to Company shareholders		**(607)**	(485)
Net cash used in financing activities		**(849)**	(652)
Net increase in cash and cash equivalents		**756**	2,546
Cash and cash equivalents at beginning of the period		**8,431**	5,885
Cash and cash equivalents at end of period		**9,187**	8,431

The notes on pages 20 to 41 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, workforce management and business process 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 01812912

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

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 an increased level of cash generated from operating activities the Group has improved its liquidity position and remains debt-free as shown on the consolidated cash flow statement

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 currently in issue but not effective for accounting periods commencing on 1 July 2012 are

- IFRS9 Financial Instruments (effective 1 January 2015)
- IFRS10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS11 Joint Arrangements (effective 1 January 2014)
- IFRS12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS13 Fair Value Measurement (effective 1 January 2013)
- IAS19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS9 and IFRS7 (effective 1 January 2015)
- Deferred Tax Recovery of Underlying Assets – Amendments to IAS12 Income Taxes (effective 1 January 2013)
- IFRIC Interpretation 21 Levies (effective 1 January 2014)
- Annual Improvements 2009–2011 Cycle (effective 1 January 2013)
- Transition Guidance – Amendments to IFRS10, IFRS11 and IFRS12 (effective 1 January 2014)
- Investment Entities – Amendments to IFRS10, IFRS12 and IAS27 (effective 1 January 2014)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS36) (effective 1 January 2014)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS39) (effective 1 January 2014)

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, except for IFRS13 that may impact measurement of fair values on any future acquisition

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 value 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

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 presentational currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss

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

(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

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))

Notes to the Consolidated Financial Statements continued

2 **Summary of significant accounting policies** continued

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

(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
- Acquired software 4–15 years
- Customer contracts and relationships 7–10 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 three to ten 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

(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 instruments

The Group's financial instruments comprise cash and various items such as trade receivables and trade payables that arise directly from its operations Finance payments associated with financial liabilities are dealt with as part of finance expenses

Financial assets

The Group's financial assets are loans and receivables These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise principally through the provision of services to customers (trade receivables), but also incorporate other types of contractual monetary asset such as deposits on rental property and prepayments, which are contractually recoverable They are initially recognised at fair value and subsequently carried at amortised cost Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values

2 **Summary of significant accounting policies** continued

Financial liabilities

The Group's financial liabilities are trade payables and other financial liabilities These liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values

Share capital

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

Further information on the Group's financial instruments can be found in note 3

(k) 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 price in the ordinary course of business, less applicable variable selling expenses

(l) Cash and cash equivalents

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

(m) 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,
- Treasury shares which represents own shares in Netcall plc purchased and retained by the Company,
- Employee share schemes reserve which represents equity-settled share-based employee remuneration until such share options are exercised, and
- Retained earnings which represent cumulative net gains and losses recognised in the consolidated income statement

(n) 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 substantively 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

(o) Employee benefits – pensions

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

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

Notes to the Consolidated Financial Statements continued

2 **Summary of significant accounting policies** continued

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

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium The liability for social security costs arising in relation to the awards is measured at each reporting date based upon the share price at the reporting date and the elapsed portion of the relevant vesting periods to the extent that it is considered that a liability will arise

(q) 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

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

(r) 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 – consists of software product licence fees and hardware Revenue is recognised when risks and rewards have passed to the customer and there is no significant ongoing obligation upon the Group,
- professional services – consists primarily of consultancy, implementation services and training Revenue from these services is recognised as the services are performed based on achievement of contract specific milestones, or using the percentage of completion method depending on the terms of the contract The Group determines the stage of completion by reference to the cost incurred as a proportion of the total estimated costs of the service project,
- support contracts – provide clients with software updates, system monitoring and tuning and technical support services 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 support contracts based on renewal prices Where software is included within a bundled arrangement, the residual value of the contract is ascribed to the software after a fair value has been allocated to all other components

Deferred revenues primarily relate to SaaS fixed fee and service charges and support contract fees, which have been invoiced to the customer prior to the performance of these services

(s) 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

(t) 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

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 2013				
Trade and other receivables (excluding prepayments)	33	11	10	54
Cash and cash equivalents	–	2	67	69
Trade and other payables (excluding statutory liabilities)	–	(2)	–	(2)
	33	**11**	**77**	**121**
At 30 June 2012				
Trade and other receivables (excluding prepayments)	16	9	37	62
Cash and cash equivalents	–	24	13	37
Trade and other payables (excluding statutory liabilities)	–	(4)	(3)	(7)
	16	29	47	92

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 short term treasury deposits and retaining the balance in current accounts The average interest rate gained on cash held during the year was 1 1% (2012 1 0%) A 1% movement in interest rates would impact upon equity and net profit by approximately £65,000 (2012 £54,000)

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 meets its contractual obligations The Group is mainly exposed to credit risk from credit sales It is Group policy to assess credit risk of new customers before entering contracts and actively manage the collections process Historically, bad debts across the Group have been low The concentration of credit risk is limited due to the large and unrelated customer base comprising mainly blue chip companies and public sector organisations Credit risk also arises from cash deposits with banks At the year-end the Group's cash deposits were 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

Notes to the Consolidated Financial Statements continued

3 **Financial risk management** continued

Liquidity risk

Liquidity risk arises from the Group's management of working capital It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due The Board reviews an annual 12 month financial projection as well as information regarding cash balances on a monthly basis At the balance sheet date, liquidity risk was considered to be low given the fact the Group is cash generative, has no borrowings and cash and cash equivalents are 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

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

	Within 6 months £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Total £'000
At 30 June 2013				
Trade and other payables (excluding statutory liabilities)	2,920	63	25	3,008
	2,920	**63**	**25**	**3,008**
At 30 June 2012				
Trade and other payables (excluding statutory liabilities)	2,129	–	–	2,129
	2,129	–	–	2,129

(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 dividends The Group has no debt facilities An analysis of net capital is set out in the table below

	2013 £'000	2012 £'000
Cash and cash equivalents	**9,187**	8,431
Equity attributable to owners of the parent	**16,885**	15,472
Net capital	**7,698**	7,041

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 approximately 50% 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

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

4 **Critical accounting estimates and judgements** continued

Contingent consideration for acquisitions

Contingent consideration relating to acquisitions has been included at fair value based on management estimates of the most likely outcome based on the underlying financial forecasts (note 27) Under IFRS subsequent remeasurement of contingent consideration is recognised in the Consolidated Income Statement

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

Acquired 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 These assets are subject to impairment reviews whenever events or changes in circumstances indicate that the carrying amount may not be recoverable Further information including the carrying value is given in note 7

Acquired 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 £4 80 million (2012 £6 32 million) The Group has recognised a deferred tax asset of £0 68 million (2012 £0 77 million) which is 59% 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

Notes to the Consolidated Financial Statements continued

5 Segment information continued

A breakdown of revenue by category is as follows

	2013 £'000	2012 £'000
Product and professional services	**5,347**	4,602
Support contracts	**6,937**	6,367
SaaS	**3,715**	3,620
Other services	**112**	–
	16,111	14,589

The business is domiciled in the UK The result of its revenue from external customers in the UK is £15 5 million (2012 £14 1 million), and the total from external customers from other countries is £0 57 million (2012 £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)

6 Property, plant and equipment

	Furniture, fittings and equipment £'000	**Computer equipment £'000**	**Total £'000**
Cost			
At 30 June 2011	147	342	489
Additions	139	42	181
Disposals	–	(14)	(14)
At 30 June 2012	286	370	656
Additions	7	96	103
Acquisition of subsidiary (note 27)	16	10	26
Disposals	–	–	–
At 30 June 2013	**309**	**476**	**785**
Accumulated depreciation			
At 30 June 2011	85	242	327
Depreciation charge	41	65	106
Disposals	–	(14)	(14)
At 30 June 2012	126	293	419
Depreciation charge	46	48	94
Disposals	–	–	–
At 30 June 2013	**172**	**341**	**513**
Net book amount			
At 30 June 2011	62	100	162
At 30 June 2012	160	77	237
At 30 June 2013	**137**	**135**	**272**

Depreciation expense of £94,000 (2012 £0 11 million) has been charged in 'administrative expenses'

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 30 June 2011	3,831	50	2,936	5,041	152	464	12,474
Additions	–	–	–	–	308	19	327
Disposals	–	–	–	–	–	–	–
At 30 June 2012	3,831	50	2,936	5,041	460	483	12,801
Additions	–	–	–	–	460	22	482
Acquisition of subsidiary (note 27)	305	10	342	2,119	–	–	2,776
Disposals	–	–	–	–	–	–	–
At 30 June 2013	**4,136**	**60**	**3,278**	**7,160**	**920**	**505**	**16,059**
Accumulated amortisation							
At 30 June 2011	597	31	419	–	10	297	1,354
Amortisation charge	605	19	325	–	41	77	1,067
Disposals	–	–	–	–	–	–	–
At 30 June 2012	1,202	50	744	–	51	374	2,421
Amortisation charge	643	5	390	–	126	46	1,210
Disposals	–	–	–	–	–	–	–
At 30 June 2013	**1,845**	**55**	**1,134**	**–**	**177**	**420**	**3,631**
Net book amount							
At 30 June 2011	3,234	19	2,517	5,041	142	167	11,120
At 30 June 2012	2,629	–	2,192	5,041	409	109	10,380
At 30 June 2013	**2,291**	**5**	**2,144**	**7,160**	**743**	**85**	**12,428**

Amortisation of £1 21 million (2012 £1 07 million) is included within 'administrative expenses'

Impairment tests for goodwill

The goodwill on the balance sheet relates to the acquisitions of Q-Max and Telephonetics, which have subsequently been combined into the Netcall trading business, and Serengeti Goodwill was tested for impairment on 30 June 2013 following IAS36 criteria Management compared the carrying value of each cash-generating unit ('CGU') to the value-in-use, to confirm that no impairment of goodwill is necessary

For each CGU the Group prepares cash flow forecasts derived from the most recent financial budget approved by management for the year ending 30 June 2014 together with the most recent forecast for the year ending 30 June 2015 and extrapolates cash flows for three more years with a 4% growth assumption (2012 4%) The forecast and growth assumption for each CGU is based on management's experience and understanding of the market place for its software Terminal values were calculated, based on the perpetuity of cash generated Forecasts and terminal values for both cash-generating units were discounted at a pre-tax adjusted discount rate of 10% (2012 10%) The pre-tax discount rates are based on the Group's weighted average cost of capital

Notes to the Consolidated Financial Statements continued

7 Intangible assets continued

No impairment was deemed necessary as shown in the table below

	Goodwill £'000	Acquired intangibles £'000	Carrying value £'000	Value-in-use £'000	Excess value-in-use £'000	Sensitivity %
Netcall	5,041	3,874	8,915	30,795	21,880	245%
Serengeti	2,119	566	2,685	3,112	427	16%

The sensitivity shows the excess of value-in-use in relation to the carrying value of the cash-generating unit Management is not aware of any probable changes that would require changes in its key estimates that would lead to impairment

8 Financial instruments by category

Assets as per balance sheet

	2013 £'000	2012 £'000
Loans and receivables		
Trade and other receivables excluding prepayments	**4,077**	3,942
Cash and cash equivalents	**9,187**	8,431
Total	**13,264**	12,373

Liabilities per balance sheet

	2013 £'000	2012 £'000
Financial liabilities at amortised cost		
Trade and other payables (excluding statutory liabilities and deferred income)	**3,008**	2,129
Total	**3,008**	2,129

9 Inventories

	2013 £'000	2012 £'000
Finished goods and goods for resale	**278**	244

10 Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	**3,184**	2,977
Less provision for impairment of trade receivables	**(100)**	(72)
Trade receivables – net	**3,084**	2,905
Other receivables	**14**	13
Prepayments	**428**	219
Accrued income	**979**	1,024
	4,505	4,161

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

10 Trade and other receivables continued

As at 30 June 2013, trade receivables of £2 21 million (2012 £1 95 million) were within credit terms and £0 82 million (2012 £0 95 million) 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

	2013 £'000	2012 £'000
Not more than 1 month	**144**	381
More than 1 month but not more than 3 months	**497**	543
More than 3 months	**183**	25
	824	949

As at 30 June 2013, trade receivables of £0 15 million (2012 £77,000) were impaired against which a provision of £0 10 million (2012 £72,000) has been recorded The provision was determined after taking into account the customers' payment histories The ageing of these receivables is as follows

	2013 £'000	2012 £'000
Current	**12**	3
Not more than 1 month	**3**	–
More than 1 month but not more than 3 months	**3**	–
More than 3 months	**132**	74
	150	77

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

	2013 £'000	2012 £'000
At 1 July	**72**	45
Acquisition of subsidiary	**19**	–
Provisions for receivables impairment	**80**	91
Receivables written off during the year as uncollectible	**(13)**	(12)
Unused amounts reversed	**(58)**	(52)
	100	72

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 or any past due balances

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 nor have any concentration of credit risk

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

	2013 £'000	2012 £'000
UK pound	**4,451**	4,099
Swiss francs	**33**	16
Euros	**10**	37
US dollar	**11**	9
	4,505	4,161

Notes to the Consolidated Financial Statements continued

11 Cash and cash equivalents

	2013 £'000	2012 £'000
Cash at bank and on hand	**9,187**	8,431
Cash and cash equivalents	**9,187**	8,431

12 Share capital and premium

	Number of shares (thousands)	Ordinary shares £'000	Share premium £'000	Total £'000
At 30 June 2011 and 30 June 2012	122,248	6,112	3,010	9,122
Proceeds from share issue	100	5	5	10
At 30 June 2013	**122,348**	**6,117**	**3,015**	**9,132**

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

During the year the Company purchased a total of 892,857 (2012 976,324) for £0 25 million (2012 £0 17 million) of the Company's own shares and retained these in treasury The total number of ordinary shares held in treasury at the end of the year was 1,869,181 (2012 976,324)

13 Share-based payment

Share options are granted to Directors and to certain employees

The Company operates an Enterprise Management Incentive Scheme which was introduced in 2007 ('2007 EMI') The 2007 EMI scheme options have an exercise price of 5 pence and contractual option term of ten years and are conditional on certain vesting criteria including attainment of the Company's ordinary share price up to 60 pence in the 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 achievement of the Company's ordinary share price up to 40 pence or an annual Group profit target of up to £2 1 million until the financial year 30 June 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 achievement of the Company's ordinary share price up to 55 pence in the period 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

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

	2013 Weighted average exercise price in pence per share	2013 Options (thousands)	2012 Weighted average exercise price in pence per share	2012 Options (thousands)
At 1 July	**5 1**	**18,717**	5 2	16,140
Granted	**5.0**	**984**	5 0	2,922
Exercised	**(10 0)**	**(100)**	—	—
Forfeited	—	—	8 0	(345)
At 30 June	**5.0**	**19,601**	5 1	18,717

13 Share-based payment continued

Out of the 19,600,556 outstanding options (2012 18,717,223 options), 13,564,984 options (2012 7,059,822) were exercisable The weighted average exercise price for options exercisable at the year-end was 5 0 pence (2012 5 0 pence)

Options exercised in the year resulted in 100,000 shares (2012 nil) being issued at a weighted average price of 10 pence each The related average weighted share price at the time of exercise was 29 pence per share

The weighted average fair value of 2011 LTIP options granted during the period determined using the Binomial valuation model was 14 1 pence per option (2012 10 2 pence) The significant inputs into the model were mid-market share price of 28 2 pence at the grant date, exercise price shown above, volatility of 38%, dividend yield of 2 5%, an expected option life of 4 2 years, an illiquid share discount of 3%, and, an annual risk-free interest rate of 0 9% 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) 2013	2012
February 2012	2003 Unapproved	10 0	–	100
September 2014	2009 Unapproved	5 0	**3,370**	3,370
January 2017	2007 EMI	5 0	**125**	125
July 2021	2011 LTIP	5 0	**16,106**	15,122
			19,601	18,717

14 Trade and other payables

	2013 £'000	2012 £'000
Trade payables	**367**	143
Social security and other taxes	**447**	181
Other liabilities	**467**	97
Accrued expenses	**2,086**	1,889
	3,367	2,310

15 Deferred income tax

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

	2013 £'000	2012 £'000
At 1 July	**(2)**	(130)
Acquisition of subsidiary (note 27)	**(158)**	–
Income statement (debit)/credit (note 23)	**(32)**	128
At 30 June	**(192)**	(2)

Notes to the Consolidated Financial Statements continued

15 Deferred income tax continued

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

Deferred tax liabilities	Accelerated tax depreciation £'000	Acquired intangibles £'000	Other temporary differences £'000	Total £'000
At 30 June 2011	–	909	118	1,027
(Credited)/charged to the income statement	–	(239)	31	(208)
At 30 June 2012	–	670	149	819
(Credited)/charged to the income statement	30	(194)	32	(132)
Acquisition of subsidiary (note 27)	4	72	82	158
At 30 June 2013	**34**	**548**	**263**	**845**

Deferred tax assets	Tax losses £'000	Accelerated tax depreciation £'000	Other temporary differences £'000	Total £'000
At 30 June 2011	837	54	6	897
Credited/(charged) to the income statement	(65)	(13)	(2)	(80)
At 30 June 2012	772	41	4	817
Credited/(charged) to the income statement	(119)	(41)	(4)	(164)
Acquisition of subsidiary (note 27)	–	–	–	–
At 30 June 2013	**653**	**–**	**–**	**653**

During the year, as a result of the change in the UK corporation tax rates from 24% to 23% that was substantively enacted on 3 July 2012 and effective from 1 April 2013, deferred tax balances have been remeasured

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 £0 45 million (2012 £0 74 million) in respect of losses amounting to £1 96 million (2012 £3 10 million) that can be carried forward against future taxable income, or £1 60 million (2012 £1 60 million) in respect of losses that are capital in nature amounting to £6 68 million (2012 £6 68 million)

A deferred tax asset of £0 93 million (2012 £0 33 million) in relation to timing differences due to share-based payment charges of £0 93 million (2012 £0 33 million) has not been recognised

16 Provisions

	Dilapidations £'000	Vacant property £'000	Total £'000
At 30 June 2011	25	170	195
Charged to the income statement	19	–	19
Used during the year	–	(170)	(170)
At 30 June 2012	44	–	44
Acquisition of subsidiary (note 27)	6	–	6
Charged to the income statement	18	–	18
Used during the year	–	–	–
At 30 June 2013	**68**	**–**	**68**

16 **Provisions** continued

Analysis of total provisions

	2013 £'000	2012 £'000
Non-current	**68**	44
Current	**–**	–
	68	44

(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 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 in 2010, the Group vacated a number of leasehold properties A provision of £0 17 million was brought forward at 30 June 2011 for the residual lease commitments (including associated dilapidations), together with outgoings, after taking into account estimated possible sub-let income which was used during the year ended 30 June 2012

17 **Other gains/(losses) — net**

	2013 £'000	2012 £'000
Net foreign exchange gains/(losses)	**(1)**	4

18 **Expenses by nature**

	2013 £'000	2012 £'000
Inventory recognised as an expense	**433**	621
Employee benefit expense (note 20)	**8,752**	7,627
Depreciation and amortisation (notes 6 and 7)	**1,304**	1,173
Operating lease payments (note 26)	**168**	155
Other expenses	**3,268**	3,025
Total cost of sales and administrative expenses	**13,925**	12,601

In 2013 the Group acquired Serengeti Systems Ltd (note 27) and incurred £0 15 million of acquisition costs, principally professional advisors' fees, (included within 'other expenses') The subsequent reorganisation resulted in restructuring charges to the income statement in 2013 of £97,000 comprising £81,000 of redundancy costs included within 'employee benefit expense', and £16,000 of professional advisor costs included within 'other expenses'

In 2010 the Group acquired Telephonetics Ltd (then Telephonetics plc), the subsequent reorganisation resulted in restructuring charges to the income statement in 2011 of £0 91 million comprising £0 63 million of redundancy cost, £0 19 million of provisions for vacant property and £93,000 of professional advisor and contract termination costs

The associated cash flows during the year ended 30 June 2013 were £0 15 million of acquisition costs and £0 13 million reorganisation costs (2012 £0 17 million of reorganisation costs)

Notes to the Consolidated Financial Statements continued

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

	2013 £'000	2012 £'000
Fees payable to Company's auditor for the audit of parent and consolidated financial statements	**18**	16
Fees payable to the Company's auditor for other services		
– the audit of the Company's subsidiaries pursuant to legislation	**31**	22
– review interim report	**7**	6
– corporate finance services	**20**	5
	76	49

20 Employee benefit expense

	2013 £'000	2012 £'000
Wages and salaries, including restructuring costs £81,000 (2012 £nil) (note 18)	**7,581**	6,739
Less internal development costs capitalised in the year	**(460)**	(308)
Social security costs	**916**	767
Share options granted to Directors and employees (see note 13)	**505**	303
Pension costs – defined contribution plans	**210**	126
	8,752	7,627

21 Average number of people employed

	2013 £'000	2012 £'000
Average number of people (including Executive Directors) employed		
Sales and marketing	**57**	49
Development and operations	**65**	56
Management and administration	**19**	18
Total average headcount	**141**	123

22 Finance income and costs

	2013 £'000	2012 £'000
Interest expense		
– bank charges	**10**	9
Finance costs	**10**	9
Finance income		
– interest on short-term bank deposits	**89**	70
Finance income	**89**	70
Net finance income	**79**	61

23 Tax expense

	2013 £'000	2012 £'000
Current tax		
Current tax on profits for the year	**234**	371
Total current tax	**234**	371
Deferred tax (note 15)		
Origination and reversal of temporary differences	**32**	(128)
Total deferred tax	**32**	(128)
Tax expense	**266**	243

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

	2013 £'000	2012 £'000
Profit before tax	**2,264**	2,053
Tax expense calculated at 23 75% (2012 25 5%)	**538**	523
Tax effects of		
— expenses not deductible for tax purposes	**235**	105
— additional deductions for R&D expenditure	**(238)**	(129)
— utilisation of previously unrecognised tax losses	**(269)**	(256)
Tax expense	**266**	243

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, excluding those held in treasury

	2013 £'000	2012 £'000
Net earnings attributable to ordinary shareholders (£'000)	**1,998**	1,810
Weighted average number of ordinary shares in issue (thousands)	**120,856**	121,630
Basic earnings per share (pence)	**1 65**	1 49

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

	2013 £'000	2012 £'000
Weighted average number of ordinary shares in issue (thousands)	**120,856**	121,630
Adjustments for share options	**11,339**	5,268
Weighted average number of potential ordinary shares in issue (thousands)	**132,195**	126,898
Diluted earnings per share (pence)	**1.51**	1 43

Notes to the Consolidated Financial Statements continued

24 Earnings per share continued

(b) Adjusted basic and diluted

Adjusted 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

	2013 £'000	2012 £'000
Profit used for calculation of basic and diluted earnings per share	**1,998**	1,810
Acquisition costs	**146**	–
Reorganisation costs	**97**	–
Share-based payments	**505**	303
Amortisation of acquired intangible assets	**1,038**	949
Tax adjustment	**(696)**	(575)
Profit used for calculation of adjusted basic and diluted earnings per share	**3,088**	2,487

	2013 pence	2012 pence
Adjusted basic earnings per share	**2.56**	2 04
Adjusted diluted earnings per share	**2.34**	1 96

25 Dividends per share

The dividends paid in the year ended 30 June 2013 and 30 June 2012 was £0 61 million (0 5 pence per share) and £0 49 million (0 4 pence per share) respectively A dividend in respect of the year ended 30 June 2013 of 0 7 pence per share, amounting to a total dividend of £0 84 million, is to be proposed at the Annual General Meeting on 21 November 2013 These financial statements do not reflect this dividend payable

26 Operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements The lease terms are between one and seven 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

	2013 £'000	2012 £'000
No later than 1 year	**165**	110
Later than 1 year and no later than 5 years	**446**	296
Later than 5 years	**–**	67
Total	**611**	473

27 Business combinations

On 25 September 2012, the Company acquired the entire issued share capital of Serengeti Systems Ltd ('Serengeti'), a UK-based provider of Enterprise Content Management ('ECM') software The fair value of consideration for the acquisition is £2 48 million comprising £2 13 million cash and £0 35 million contingent consideration

Analysis of assets and liabilities acquired

	Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
Intangible assets	342	315	657
Property, plant and equipment	26	–	26
Trade and other receivables – gross	729	–	729
Trade and other receivables – provision	(19)	–	(19)
Cash and cash equivalents	444	–	444
Trade and other payables	(1,310)	–	(1,310)
Provisions	(6)	–	(6)
Deferred tax liability	(86)	(72)	(158)
Net assets acquired	**120**	**243**	**363**
Goodwill			2,119
Consideration paid			**2,482**

Satisfied by	
Cash	2,390
Cash – contingent consideration	92
Total purchase consideration	**2,482**

Net cash flow on acquisition	
Cash consideration paid during the year	2,390
Cash acquired	(444)
Cash flow on acquisition	**1,946**

The goodwill of £2 12 million arising from the acquisition is attributable to the expected synergistic benefits expected from combining the operations of Serengeti and Netcall including the expanded human capital that the skilled workforce of Serengeti provides

Fair value adjustments

On acquisition of Serengeti, 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

- Customer relationships acquired with Serengeti were valued using the excess earnings method The value of this intangible asset at acquisition is £0 31 million Management believe that these customer relationships have a minimum useful economic life of six years,
- Software acquired with Serengeti remains at its carrying value The value of this intangible asset at acquisition is £0 34 million (principally previously capitalised development expenditure) Management believe that this software has a minimum useful economic life of four years, and,
- Brand the Serengeti brand was valued using the relief from royalty method The value of this intangible asset at acquisition is £10,000 Management believe that this brand value has a minimum useful economic life of eighteen months

A £0 07 million credit to deferred tax has been made to record the liability arising on these intangible assets

Notes to the Consolidated Financial Statements continued

27 Business combinations continued

The contingent consideration is based on an earn-out arrangement of up to £0 90 million which will be payable in a mixture of cash and shares dependent upon the achievement of certain targets in the period to November 2014 by the acquired Serengeti business Any new shares allotted as consideration will be priced on the average mid-market price preceding issue The fair value of the contingent consideration arrangement of £0 35 million was estimated based on the assumed attainment of the earn-out targets of which £0 26 million was paid during the year

Impact of acquisition on results of the Group

The acquired business contributed revenues of £0 94 million and a loss of £0 12 million to the Group for the period 25 September 2012 to 30 June 2013 Had Serengeti been consolidated from 1 July 2012, management estimate the consolidated statement of income would show pro-forma revenue of £16 4 million and profit of £1 83 million

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, which 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

	2013 £'000	2012 £'000
Salaries and other short-term employee benefits	**993**	950
Company contributions to money purchase pension schemes	**45**	42
Share-based payments	**468**	258
Total	**1,503**	1,250

(c) Directors

	2013 £'000	2012 £'000
Aggregate emoluments	**823**	798
Company contributions to money purchase pension schemes	**95**	92
Total	**918**	890

Details of individual Directors' emoluments are set out on page 9 of this Annual Report

The highest paid Director was paid £0 44 million (2012 £0 40 million) Personal pension contributions paid to the highest paid Director were £67,000 (2012 £66,000)

28 Related party transactions continued

The Directors received dividend payments as follows

	2013 £'000	2012 £'000
Executive Directors		
Henrik Bang	**5**	4
Non-Executive Directors		
Michael Jackson[1]	**4**	3
Michael Neville	**1**	1

[1] of which £1,000 of dividend were in respect of 200,000 shares held by Michael Jackson and Richard Jackson as trustees of the W&E Jackson Trust whose beneficiaries are the children and remoter issue of Michael Jackson

29 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	Software & services	0%	100%
Serengeti Systems Ltd	UK	Software & services	100%	0%
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 does not differ from the proportion of ordinary shares held

30 Post balance sheet events

A dividend in respect of the year ended 30 June 2013 of 0 7 pence per share, amounting to a total dividend of £0 84 million, is proposed at the Annual General Meeting on 21 November 2013

Company Balance Sheet
as at 30 June 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	E	**1,671**	1,821
Investments	F	**21,013**	18,531
		22,684	20,352
Current assets			
Debtors	G	**505**	409
Cash at bank and in hand		**4,977**	7,094
		5,482	7,503
Creditors: amounts falling due within one year	H	**(930)**	(529)
Net current assets		**4,552**	6,974
Total assets less current liabilities		**27,236**	27,326
Creditors: amounts falling due after more than one year		**(42)**	–
Net assets		**27,194**	27,326
Capital and reserves			
Called up share capital	J	**6,117**	6,112
Share premium	K	**3,015**	3,010
Capital reserve	K	**188**	188
Merger reserve	K	**520**	520
Treasury shares	K	**(419)**	(167)
Employee share schemes reserve	K	**789**	566
Profit and loss account	K	**16,984**	17,097
Shareholders' funds		**27,194**	27,326

The notes on pages 43 to 47 form part of these financial statements

These financial statements on pages 42 to 47 were approved and authorised for issue by the Board of Directors on 23 September 2013 and were signed on its behalf by

James Ormondroyd
Director

Netcall plc
Registered no 01812912

Notes to the Company Financial Statements

A Pnncipal accountmg policies

The followmg accountmg policies have been applied consistently in dealing with items which are considered matenal 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 2013 is disclosed in note D

(c) Turnover

Turnover is royalties received for license of its intellectual property rights from the Company's subsidiaries It is recognised on an 'as 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 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 licenses — 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 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

Notes to the Company Financial Statements continued

A Pnncipal accounting policies continued

(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 two employees (including Executive Directors) during the year (2012 two) 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 £0 49 million (2012 £2 45 million)

E Intangible assets

	Acquired software £000	Trademarks and licences £000	Total £000
Cost			
At 30 June 2011, 30 June 2012 and 30 June 2013	**2,223**	**113**	**2,336**
Accumulated amortisation			
At 30 June 2011	259	107	366
Amortisation charge	148	1	149
At 30 June 2012	407	108	515
Amortisation charge	149	1	150
At 30 June 2013	**556**	**109**	**665**
Net book amount			
At 30 June 2011	1,964	6	1,970
At 30 June 2012	1,816	5	1,821
At 30 June 2013	**1,667**	**4**	**1,671**

F Fixed asset investments

	Subsidiary undertakings £'000
Cost & Net book amount	
At 30 June 2011 and 30 June 2012	18,531
Additions – acquisition of Serengeti Systems Ltd	2,482
At 30 June 2013	**21,013**

The Company's subsidiaries at the year-end are set out in note 29 of the consolidated financial statements

G Debtors

	2013 £'000	2012 £'000
Amounts due within one year		
Amounts owed from Group undertakings	**290**	147
Other debtors	**–**	5
Prepayments and accrued income	**9**	43
	299	195
Amounts due after more than one year		
Deferred tax asset	**206**	214
	206	214
Total debtors	**505**	409

H Creditors amounts falling due within one year

	2013 £'000	2012 £'000
Amounts owed to Group undertakings	**7**	–
Trade payables	**39**	4
Other creditors	**292**	1
Social security and other taxes	**17**	–
Accruals and deferred income	**575**	524
	930	529

Included in other creditors is contingent consideration relating to the acquisition of Serengeti Systems Ltd, see note 29

Notes to the Company Financial Statements continued

I Deferred taxation

	2013 £'000	2012 £'000
Provision for deferred tax comprises:		
Losses	**206**	214
Opening balance	**214**	232
Movement in the year	**(8)**	(18)
Closing balance	**206**	214

During the year, as a result of the change in the UK corporation tax rates from 24% to 23% that was substantively enacted on 3 July 2012 and effective from 1 April 2013, deferred tax balances have been remeasured This has resulted in a charge to the profit and loss account of £8,000

The deferred tax asset is disclosed within 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 £0 26 million (2012 £0 42 million) in respect of losses amounting to £1 13 million (2012 £1 73 million) that can be carried forward against future taxable income, or £1 60 million (2012 £1 60 million) in respect of losses that are capital in nature amounting to £6 68 million (2012 £6 68 million)

J Called up share capital

	2013 thousands	**2013 £'000**	2012 thousands	2012 £'000
Allocated, called up and fully paid				
Ordinary shares of 5p each	**122,348**	**6,117**	122,248	6,112

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**	**Treasury shares £000**	**Employee share schemes reserve £000**	**Profit and loss account £000**	**Total £000**
At 1 July 2012	6,112	3,010	188	520	(167)	566	17,097	27,326
Profit for the year	–	–	–	–	–	–	490	490
Dividends paid	–	–	–	–	–	–	(607)	(607)
Proceeds from issue of shares	5	5	–	–	–	–	–	10
Purchase of treasury shares	–	–	–	–	(252)	–	–	(252)
Share-based payment								
– charge	–	–	–	–	–	227	–	227
– reclassification	–	–	–	–	–	(4)	4	–
At 30 June 2013	**6,117**	**3,015**	**188**	**520**	**(419)**	**789**	**16,984**	**27,194**

During the year the Company paid a dividend of £0 61 million (2012 £0 49 million)

The Company purchased during the year a total of 892,857 (2012 976,324) of the Company's own shares and retained these in treasury The total number of ordinary shares held in treasury at the end of the year was 1,869,181 (2012 976,324)

L Related party transactions

The Company has taken advantage of the exemption granted under FRS8 not to disclose transactions with the Parent and wholly-owned subsidiaries There were no other related party transactions during either 2013 or 2012

Details of dividend payments received by Directors are set out in note 28

M Post balance sheet events

A dividend in respect of the year ended 30 June 2013 of 0 7 pence per share, amounting to a total dividend of £0 84 million, is proposed at the Annual General Meeting on 21 November 2013

Shareholder Notes

A selection of our customers

"Netcall's continuous objective is to provide software solutions which improve the quality of organisations' customer engagement activites while delivering significant cost savings."

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