TRANSFORMING CUSTOMER ENGAGEMENT

Netcall

Netcall plc

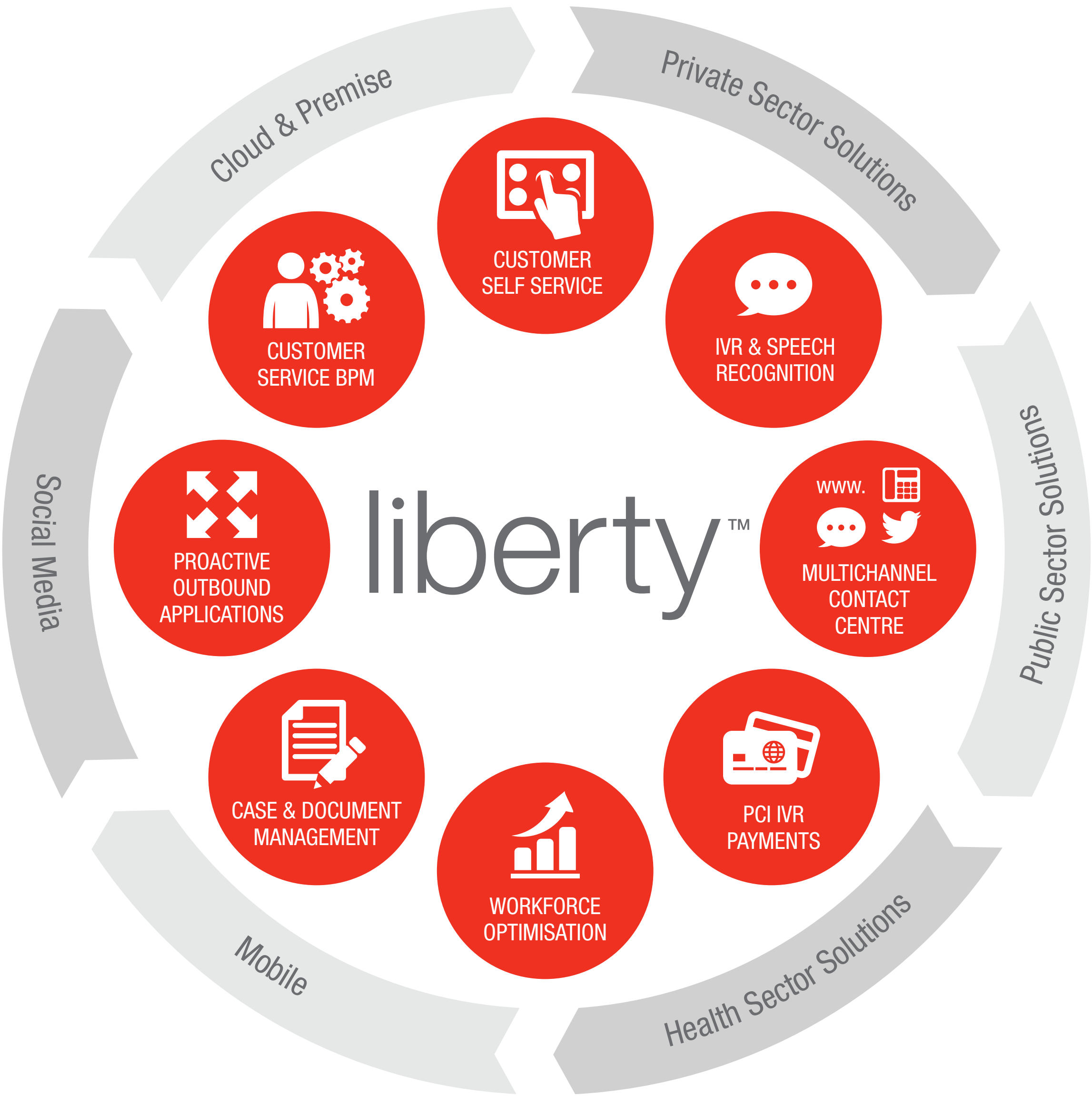
Annual Report and Accounts
for the year ended 30 June 2015

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.

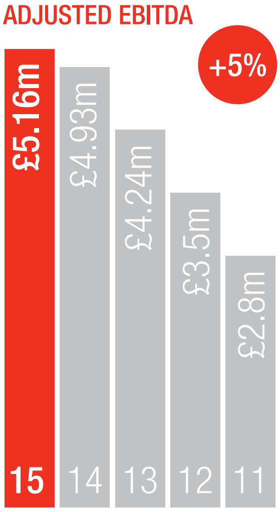
Currently over 700 organisations in the Public, Private and Healthcare markets use one or more of our solutions, which include:



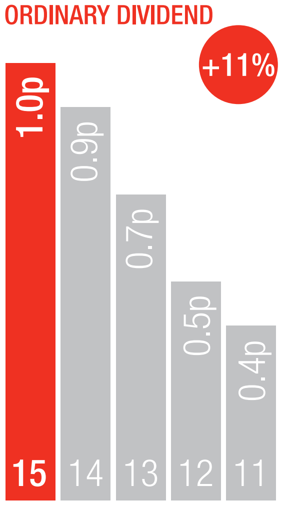
FINANCIAL AND OPERATIONAL HIGHLIGHTS

REVENUE

ADJUSTED EBITDA



ORDINARY DIVIDEND



FINANCIAL HIGHLIGHTS

- Revenue of £17.2 million (2014: £16.9 million)
- Revenue of a recurring nature[(1)] £10.6 million corresponding to 62% of total revenue
- Adjusted EBITDA[(2)] increased by 5% to £5.16 million (2014: £4.93 million)
- Profit before tax increased by 24% to £2.35 million (2014: £1.89 million)
- Basic earnings per share increased 10% to 1.94 pence (2014: 1.76 pence)
- Debt-free balance sheet with net cash funds of £13.7 million (2014: £11.4 million)
- Enhanced dividend programme announced for the next three years. Dividend of 2.2 pence per share proposed (2014: 0.9 pence per share)

OPERATIONAL HIGHLIGHTS

- Strong demand from our existing customer base while also winning new customers across both the private and public sectors
- Liberty platform gaining further traction with recent client wins including:
  - — five-year SaaS contract for a Liberty multi-channel contact centre and unified communications solutions
  - — two universities acquired Liberty solutions to assist them in their clearing process, implementing the same solutions in the cloud and on-premise respectively
- Expanded product suite with new multi-media capabilities and deeper platform integration
- Accelerated investment in cloud platform planned
- Post period end inclusion for the first time on the Crown Commercial Service Network Services agreement for Inbound Telephony Services

(1) Revenue from support and maintenance and hosted service contracts.
(2) Profit before interest, taxation, depreciation, amortisation, acquisition and non-recurring transaction expenses and share-based payments.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS AND NOTES

CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW

PROFIT BEFORE TAX

+24%

£2.35 million
(2014: £1.89 million)

BASIC EARNINGS PER SHARE

+10%

1.94 pence
(2014: 1.76 pence)

"Netcall has achieved record turnover and EBITDA for the year. Our investment to date in the Liberty platform has been successful and we will accelerate our investment in its cloud capabilities to take full advantage of a market segment which is forecast to grow at double digit rates in the coming years."

"Cash generation remains strong and we are therefore pleased to propose an enhanced dividend programme whilst maintaining sufficient cash on the balance sheet to support the Group's acquisition strategy."

HENRIK BANG
CEO of Netcall

INTRODUCTION

We are pleased to report record turnover and adjusted EBITDA for the year to 30 June 2015 as a result of the continued demand for the Liberty solution suite.

Revenue of a recurring nature accounted for 62% of total revenue and continues to underpin the Group's cash generation and profitability while providing visibility for the new financial year. The cash position was £13.7 million at the period end and, with a debt free balance sheet, this provides excellent opportunity to both invest in the market opportunity and also return cash to shareholders.

We have continued to see growing demand from our existing customer base while also winning new customers across both the private and public sectors, including AXA Insurance and Flogas. During the year there has been a noticeable change in the sales mix towards the more attractive SaaS recurring revenue models and this trend has continued into the new financial year. This development is in line with market estimates that the SaaS contact centre market, a key component of customer engagement solutions, is gaining market share and is expected to grow at double digit rates in the coming years, doubling in size over the next three to five years representing an estimated 20–25% of the contact centre market.

The success to date of the Liberty platform, and the market's continuing move towards the SaaS model, underpin the Board's decision to increase further investment in the Group's SaaS delivery capabilities. Having previously explored a number of acquisition opportunities to accelerate this offering, the Board believes that further internal development is the best way forward to meet customer demand. As such, we shall increase capital expenditure in both development and operational headcount to take advantage of this market opportunity while also continuing to look for suitable acquisitions.

The Board is also proposing an 11% increase in the ordinary dividend to 1.0 pence per share and an additional 1.2 pence per share as part of a new three-year enhanced dividend policy, further details of which are set out below.

The new financial year has started well and with a good order inflow, of which a significant share is based on the recurring SaaS model which will benefit future periods. Combined with a healthy pipeline and a strong balance sheet, Netcall is well positioned for the future.

STRATEGY

Netcall's objective remains consistent: to provide a comprehensive platform of customer engagement software solutions which help both private and public sector organisations transform their customer engagement activities by improving customer experience while reducing costs.

The Company's aim is to build a strong business organically and through acquisition by both developing its end-to-end customer engagement Liberty platform and by acquiring businesses with complementary proprietary and/or additional customers in our target markets.

The Group's key drivers for organic growth include the expansion of the product suite, continuing to unlock the huge potential from our existing 700 customers with up- and cross-sales, which accounted for the majority of new business in the last period, and growing via engaging with new customers.

BUSINESS REVIEW

MARKET

Netcall sees a significant market opportunity with organisations accelerating the digitalisation across their businesses and investing in solutions which improve the way they interact with their customers, citizens or patients. The implementation of new technologies, such as mobile, social media and cloud computing, merged with changing business models creates substantial opportunities in assisting organisations transform their customer engagement strategies.

The key driver is that increasingly well informed consumers across all sectors expect organisations to provide multiple interaction channels, intuitive interfaces, around-the-clock availability, personalised treatment, first contact resolution and real-time fulfilment. As a result organisations are required to change their customer interaction focus from 'isolated transactions' to long-term relationships with a 360 degree end-to-end view of customers in order to meet the changing demand. This requires, in addition to a great user experience, a radical overhaul of business processes and integrated front- and back-office systems which, where successful, delivers improved customer retention and acquisition.

The Liberty platform, which is available in the cloud or on premise, delivers this comprehensive functionality and can be acquired as a suite or on a modular basis. This provides a flexible entry point and upgrade path for organisations, thereby giving them the level and quality of customer interaction they need as well as additional competitive advantages such as lower costs, improved operational controls and less risk. As a result, it continues to gain foothold amongst new customers and its adoption is also broadening within our existing client base.

Our ability to deliver cloud solutions to the public sector has also been enhanced with Netcall's inclusion for the first time on the Crown Commercial Service Network Services agreement for Inbound Telephony Services, which creates a more flexible and streamlined procurement process for public sector buyers to acquire Liberty solutions.

CUSTOMER WINS

Examples of organisations investing in Netcall's Liberty platform and roadmap for the future include:

- A private sector client signed a five-year SaaS contract for a Liberty multi-channel contact centre and unified communications solutions. The service includes provision of a range of inbound and outbound voice, email and chat applications that utilise Liberty's business process management capabilities for workflow automation and data integration with legacy systems. This will enable the client to deliver a consistent, personalised customer experience and achieve efficiencies.
- Two universities bought the Liberty contact centre solution to assist them in their clearing process. One university purchased a license for deployment of the solution on their private cloud; the other signed a three-year SaaS contract. Both clients achieved a significantly improved student admission process.
- A local authority upgraded their existing Netcall contact centre solution to include email, social and web chat multi-channel functionality as well as our patented call-back application.

PRODUCT DEVELOPMENT

In the last three years Netcall has increased its investment in product development by more than 40%, focusing on adding functionality to the Liberty platform via a combination of new features and deeper integration between the platform's various modules. Most recently there has been an increased focus on providing modern responsive interfaces to various modules and enabling these to be more easily deployed in a cloud infrastructure.

Following the initial very positive customer response to the new versions of Liberty, the Board is planning to accelerate the Group's development programme with particular focus on cloud deployment of the Liberty platform. As a result Netcall will significantly increase its development and delivery capabilities, enabling the Group to launch and roll out a series of Liberty cloud products in the coming periods.

CASE STUDY:
SHEFFIELD HALLAM UNIVERSITY CLEARING SUCCESS

As more students use clearing to find their university place, many universities struggle to cope with the number of calls coming in, especially for such a short period of time in the year. Clearing is how universities and colleges fill places they still have on their courses.

SHU looked to Netcall's hosted contact handling technology to help reduce waiting times, help people go through the process more quickly and try to make it less stressful for callers.

The results for Sheffield Hallam University included:

- 37% more calls answered
- 3× agent capacity
- Agents in control
- Overall a great student experience
- 20% fewer offers out to students
- 92% fewer abandoned calls

CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW
CONTINUED

FINANCIAL REVIEW

Group revenue for the year increased 2% to £17.2 million (2014: £16.9 million) comprising underlying core growth of 4% offset by an ongoing reduction in the MovieLine service as anticipated, which continues to generate positive cash flow for the Group. The underlying rate of growth was moderated in the period by reduced transaction volumes from two legacy hosted contracts and increased demand for SaaS solutions, which have a different revenue profile. Absent these factors the Board believes underlying core revenue growth would have been 9%.

Revenue which is considered to be recurring in nature, derived from support, maintenance, hosting and managed service contracts, was £10.6 million (2014: £10.7 million), being 62% (2014: 64%) of total Group revenue, and continues to exceed the Group's fixed operating costs. The small reduction reflects the ongoing reduction in MovieLine.

The Group's gross profit margin was maintained at 91%.

Administrative expenses, before depreciation, amortisation, acquisition and non-recurring transaction costs and share-based charges, were £10.4 million (2014: £10.4 million), representing an improvement in the expense-to-revenue ratio from 62% to 61% as a result of the continuing focus on operational efficiencies.

Consequently, the Group recorded a 5% increase in adjusted EBITDA to £5.16 million (2014: £4.93 million), a margin of 30% of revenue (2014: 29%). This movement comprises a 14% increase in underlying EBITDA to £4.69 million (2014: £4.13 million) offset by a reduced MovieLine contribution of £0.47 million (2014: £0.80 million).

Profit before tax increased by 24% to £2.35 million (2014: £1.89 million) after non-recurring transaction costs relating to the proposed acquisition of the Company earlier in the year.

The Group reported a tax credit for the year of £0.30 million (2014: credit £0.33 million) principally as a result of tax relief available from the exercise of share options in the prior period and a related adjustment to previous periods' tax computations. The underlying effective rate excluding these adjustments is 22% (2014: 19%).

Reported earnings per share increased 10% to 1.94 pence (2014: 1.76 pence).

Adjusted earnings per share was 2.71 pence (2014: 2.81 pence). The movement comprises a 0.5 pence increase in underlying earnings per share offset by the impact of the issue of shares under share option schemes and a reduction in the contribution from MovieLine from 0.62 pence to 0.33 pence.

Cash generated from operations before national insurance on share options payments was £4.37 million (2014: £4.34 million), representing 85% of adjusted EBITDA (2014: 88%).

Expenditure on research and development, including capitalised expenditure, increased by 2% to £1.79 million (2014: £1.76 million), capitalised software development expenditure was 6% higher at £0.70 million (2014: £0.66 million) due to a higher proportion of development resources working on new product development in the year.

Total capital expenditure was £0.88 million (2014: £0.89 million); the balance after capitalised development, being £0.18 million (2014: £0.23 million) relating primarily to computer hardware and office equipment.

During the period Netcall completed a further £100,000 investment in Macranet Ltd (trading as "Sentiment"), a cloud provider of social media engagement solutions.

As a result of these factors, cash increased to £13.7 million at 30 June 2015 (30 June 2014: £11.4 million). The Group continues to maintain a debt-free balance sheet.

CASE STUDY:
NCP DRIVES CONTACT CENTRE PRODUCTIVITY UP

When NCP relocated to a new custom designed contact centre, they wanted to align the contact centre resources to the demands of car park users across its 700 car parks. Agents work shifts were designed on spreadsheets; however, NCP quickly realised that for forecasting and planning exceptions, such as holidays and sickness, the capabilities of spreadsheets were limited. NCP turned to Netcall's workforce management technology to effectively manage their customer operations.

NCP now has the right amount of people where they need them, allowing them to release people to other areas of the business. Monitor Reserve Working allows for greater flexibility to adjust schedules to match customer demand whilst maintaining service levels and company values. Managers have more time to focus on quality, performance and service delivery.

Results:

- £0.5 million saving while absorbing an additional 12% workload increase
- 95% forecast accuracy with QMax
- 90% reduction in management payroll activities
- Overall productivity improved with QMax
- Easily react to changes in call volumes

DIVIDEND

At 30 June 2015 the Group had cash balances of £13.7 million and generated net cash flow before financing activities of £3.58 million during the year. The Directors continue to evaluate acquisition opportunities and believe that the Group should retain sufficient cash on its balance sheet to maintain its credibility as a buyer and also to be able to acquire businesses in an expedient manner. The Board believes it can achieve this objective whilst also being able to institute a partial return of cash to shareholders through an enhanced dividend policy. In addition to recommending the payment of a final dividend of 1.0 pence per share (2014: 0.9 pence per share), which represents an increase of 11% on the prior year, the Directors are recommending the payment of an additional dividend of 1.2 pence per share for the year ended 30 June 2015. This will give a total dividend for the year of 2.2 pence per share. It is the intention of the Directors that for each of the next three years an enhanced dividend will be paid half yearly such that by 2018 the retained cash balance is approximately £10 million. Payment of the enhanced dividend will remain subject to the Group's ongoing cash generation, it not having found an appropriate acquisition opportunity and not having returned cash through another manner, including on market share buy backs, for which the Directors intend to seek a renewed authority at the Annual General Meeting.

ACQUISITIONS

The Board adheres to a rigorous set of criteria to analyse acquisition opportunities, including quality of earnings and product offering. During the year the Board started due diligence on a number of possible acquisition opportunities and a proposed merger. The key rationale for looking at these opportunities was to enhance the Group's product offering, particularly SaaS, obtain new customers and broaden the geographic spread of the business. For a variety of reasons no transactions have been consummated and this has led the Board to conclude that the Company's needs are best met, in part, by increasing investment in the SaaS platform. The fragmented nature of the markets means there remain many opportunities for earnings or strategic enhancing acquisitions and the Board continues to assess these opportunities to complement the Group's organic growth strategy.

OUTLOOK

During the year there was a noticeable change in the sales mix towards the more attractive SaaS recurring revenue models, and this trend has continued into the beginning of the new financial year. Our observations are supported by market estimates which show that the SaaS contact centre market, a key component of customer engagement solutions, is gaining market share and is expected to grow at double digit rates in the coming years. Accordingly, the Board has decided to accelerate investment in the Liberty platform and its SaaS delivery capabilities to take full advantage of this market opportunity.

The new financial year has started well, with continued strong demand from across the private and public sectors. A healthy pipeline of new business, combined with favourable market opportunities and a strong balance sheet, leaves the Board confident in the future success of the business.

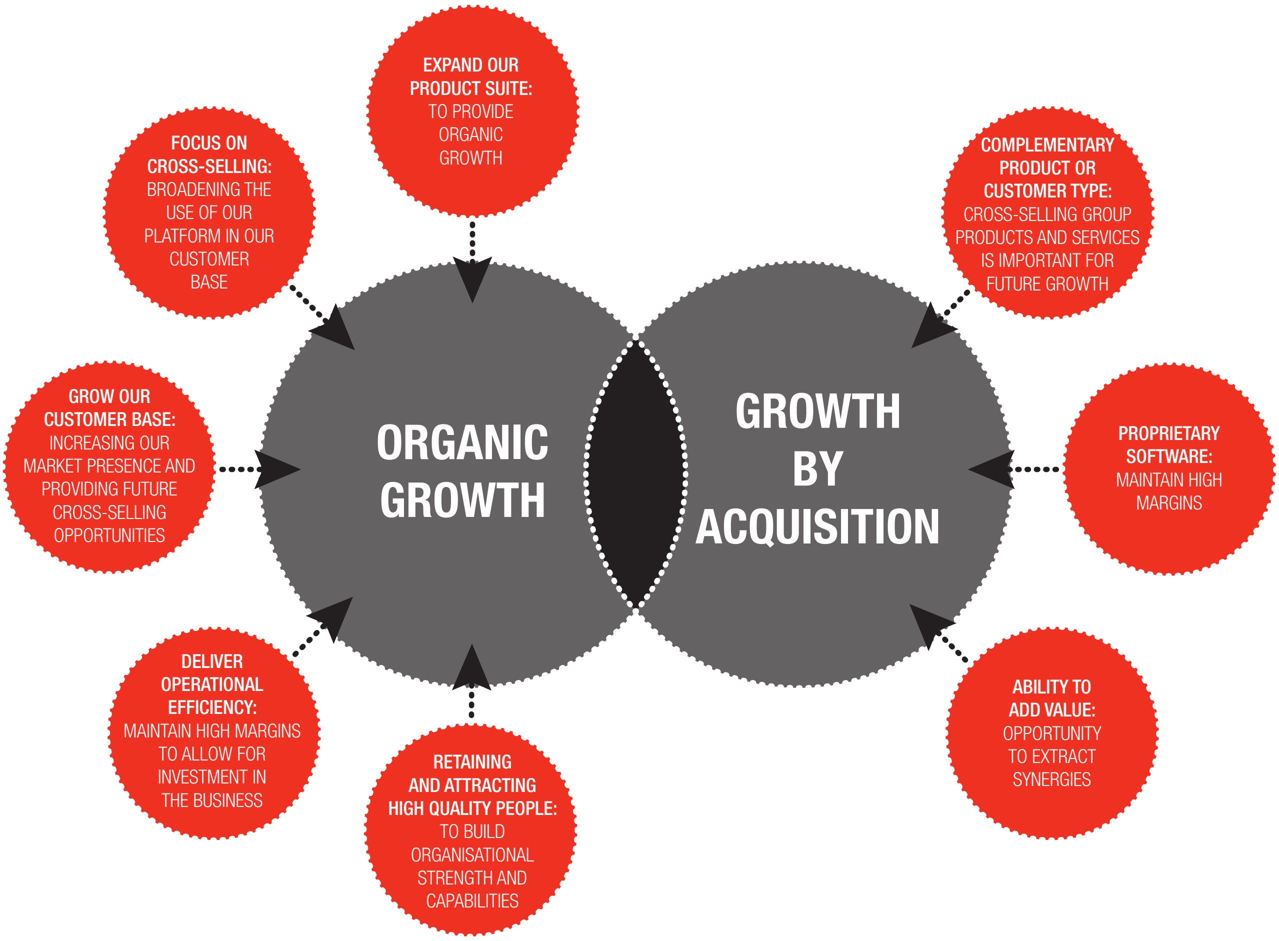
MICHAEL JACKSON
Chairman
29 September 2015

HENRIK BANG
CEO

BUSINESS MODEL

The Group's strategy is to build a strong business organically by developing end-to-end customer engagement solutions to meet customer's needs, and by growing through acquisition where opportunities for consolidation or growth are identified.

Success is ensured by focusing on the following primary value drivers:



KEY PERFORMANCE INDICATORS

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:

	2015	2014	Change
Revenue (£m)	**17.2**	16.9	2%
Revenue recurring in nature (£m)	**10.6**	10.7	–1%
Gross profit margin (%)	**91%**	91%	–
Adjusted EBITDA (£m)	**5.16**	4.93	5%
Cash generated from operations before acquisition, reorganisation and national insurance on share option payments (£m)	**4.37**	4.34	1%
Total equity (£m)	**22.7**	20.2	12%

PRINCIPAL RISKS AND UNCERTAINTIES

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

RISK AREA AND POTENTIAL IMPACT	MANAGEMENT OF RISKS
ECONOMIC	
The Group's markets may fall into decline.	The Group has a diversified portfolio of customers and vertical markets.
Weak economic conditions affect the ability of the Group's clients to do business.	Innovative solutions are offered in a variety of ways to best suit each customer's business needs, including traditional software licensing or payment by subscription via software as a service.
ACQUISITIONS	
The Group may fail to execute its acquisition strategy successfully or retain key acquired personnel or encounter difficulties in integrating acquired operations.	Before an acquisition management commissions financial and legal due diligence reports to highlight potential risks and post-acquisition it implements an integration plan which is monitored.
INTELLECTUAL PROPERTY RIGHTS ('IPR')	
The Group is reliant on IPR surrounding its internally generated and licensed-in software. It may be possible for third parties to obtain and use the Group's IPR without its authorisation. Third parties may also challenge the validity and/or enforceability of the Group's IPR.	The Group relies upon IPR protections including patents, copyrights and contractual provisions.
There is a supply risk of losing key software partners. This would have an impact on the Group as it sought to identify and then train staff in alternative products.	The Group's product team monitors contracts and reviews and evaluates alternative suppliers.
PRODUCT DEVELOPMENT	
Competitors may develop similar products; the Group's technology may become obsolete or less effective; or consumers may 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.	The Group continues to monitor the marketplace for competitor development and maintains a significant investment in research and development.
LOSS OF KEY MANAGEMENT AND STAFF	
Could potentially lead to a lack of necessary expertise and continuity.	The Group places a significant emphasis on staff retention. Key management and staff 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. Regular testing of quality management processes is carried out. If issues arise on projects, senior management is involved to ensure timely resolution.
DATA SECURITY AND BUSINESS CONTINUITY	
The loss or failure of Netcall systems would impact both on the Group's operations and those of its hosted clients.	The Group maintains formal data security policies and procedures and a documented business continuity and disaster recovery plan, which are tested and regularly reviewed.

This Strategic Report was approved by the Board of Directors on 29 September 2015 and signed on its behalf by:

JAMES ORMONDROYD
Director
29 September 2015

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 2015.

RESULTS AND DIVIDENDS

The Group's profit for the year after tax was £2.66 million (2014: £2.21 million).

An ordinary dividend in respect of the year ended 30 June 2015 of 1.0 pence per share and an enhanced dividend of 1.2 pence per share, amounting to a total dividend of £3.01m, will be proposed at the Annual General Meeting to be held on 26 November 2015.

RESEARCH AND DEVELOPMENT

The Group continues an active programme of research and development into telecoms software and products. The total expenditure for research and development excluding amortisation was £1.79 million (2014: £1.76 million) comprising £1.09 million in the Consolidated income statement (2014: £1.10 million) and £0.70 million capitalised development expenditure (2014: £0.66 million).

POLITICAL DONATIONS AND POLITICAL EXPENDITURE

In accordance with the Board's policy, no political donations were made or expenditure incurred during the year (2014: £nil).

POST BALANCE SHEET EVENTS

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

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who held office during the year ended 30 June 2015 are as follows:

Henrik Bang	Chief Executive
James Ormondroyd	Group Finance Director
Michael Jackson	Chairman and Non-Executive Director
Michael Neville	Non-Executive Director

Biographical details of persons currently serving as Directors are set out on page 12.

The Directors' interests in the ordinary share capital of the Company are:

	30 June 2015	30 June 2014
Executive Directors		
Henrik Bang[(1)]	**4,713,889**	4,713,889
James Ormondroyd	**1,625,000**	1,625,000
Non-Executive Directors		
Michael Jackson[(2)]	**1,270,000**	1,270,000
Michael Neville	**482,548**	482,548

(1) Of which 645,000 shares are held by Henrik Bang in his self-invested personal pension.
(2) 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 2015 and 29 September 2015. Interests in share options are set out on page 9.

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 2015, performance against targets resulted in a bonus award of 51% and 38% of salary for Henrik Bang and James Ormondroyd, respectively (adjusting for salary sacrificed for additional personal pension contributions). Henrik Bang elected to receive £40,000 of bonus as an additional employer pension contribution to his personal pension plan.

In December 2013, the Company effected a Long Term Incentive Plan ('LTIP') designed to provide the senior management team with share options vesting upon the attainment of certain criteria, including the performance of the Company's ordinary share price up to £1.20 from the date of grant until 30 April 2019. 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	12 months
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**	**2015 Total £000**	2014 Total £000
Executive Directors					
Henrik Bang	**256**	**17**	**96**	**369**	461
James Ormondroyd	**156**	**16**	**68**	**240**	296
Non-Executive Directors					
Michael Jackson	**53**	**–**	**–**	**53**	51
Michael Neville	**31**	**–**	**–**	**31**	50
	496	**33**	**164**	**693**	858

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

	2015 £000	2014 £000
Executive Directors		
Henrik Bang	**59**	58
James Ormondroyd	**41**	30
	100	88

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 2014	Lapsed in year	**Number at 30 June 2015**
Henrik Bang						
02.06.09[(1)]	02.06.09	30.01.15	5.0	370,000	(370,000)	**–**
29.04.14[(2)]	30.04.17	30.04.21	5.0	7,000,000	–	**7,000,000**
				7,370,000	(370,000)	**7,000,000**
James Ormondroyd						
29.04.14[(2)]	30.04.17	30.04.21	5.0	4,100,000	–	**4,100,000**
Michael Jackson						
29.04.14[(2)]	30.04.17	30.04.21	5.0	1,000,000	–	**1,000,000**
				12,470,000	(370,000)	**12,100,000**

(1) Options are conditional on certain vesting criteria including: performance of the Company's ordinary share price up to 40.0 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: various share price hurdles based on the average share price over 40 business days up to a maximum share price of £1.20 from the date of grant until 30 April 2019; and the option holder being in employment at the date the option is exercised. Once vested, up to half may be exercised from 30 April 2017 to 30 April 2021 and the other half from 30 April 2019 to 30 April 2021.

The closing mid-market price of the Company's shares at 30 June 2015 was 55.5 pence. During the financial year the share price reached a high of 72.0 pence and a low of 48.0 pence.

DIRECTORS' REPORT

CONTINUED

DIRECTORS' INDEMNITY AND INSURANCE

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

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

CORPORATE GOVERNANCE

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

EMPLOYEES

The Group encourages employee involvement in the business at all levels, with the human capital of Netcall being the key to continuing success. All employees are remunerated according to results 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 representative 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 dependants, 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 12 days (2014: 25 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 13 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 137,032,812 issued and fully paid ordinary shares with a nominal value of 5 pence per share, quoted on AIM, together with 1,869,181 ordinary 5 pence 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 14 to the consolidated financial statements.

The Company was authorised at its last Annual General Meeting to make market purchases of up to 13,701,281 of its ordinary shares provided: that the minimum price per share that may be paid for any such shares is 5.0 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 110% 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 26 February 2016. During the year the Company purchased none of its ordinary shares.

AUDITOR

Grant Thornton UK LLP, who were reappointed on 27 November 2014, have expressed their willingness to continue in office as auditors and a resolution to appoint them and authorise the Directors to determine their remuneration for the ensuing year will be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at TaylorWessing LLP, 5 New Street Square, London, EC4A 3TW on 26 November 2015 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
29 September 2015

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.

DIRECTORS AND ADVISERS

MICHAEL JACKSON *^~ (65)
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 (57)
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 (43)
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 Fellow of the Institute of Chartered Accountants in England and Wales.

MICHAEL NEVILLE *^~ (61)
NON-EXECUTIVE DIRECTOR

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

* Denotes membership of the Audit subcommittee of the Board.
^ Denotes membership of the Remuneration subcommittee of the Board.
~ Denotes membership of the Nomination subcommittee of the Board.

COMPANY REGISTRATION NUMBER:
01812912

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

DIRECTORS:
M Jackson
H Bang
J Ormondroyd
M Neville

SECRETARY:
M Greensmith

BANKERS:
Lloyds Bank plc
Black Horse House
Progression Centre
42 Mark Road
Hemel Hempstead
HP2 7DW

NOMINATED ADVISERS:
finnCap Limited
60 New Broad Street
London
EC2M 1JJ

REGISTRARS:
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
B63 3DA

SOLICITORS:
TaylorWessing
5 New Street Square
London
EC4A 3TW

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

AUDITOR:
Grant Thornton UK LLP
Chartered Accountants and
Registered Auditor
101 Cambridge Science Park
Milton Road
Cambridge
CB4 0FY

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

As the Company is quoted on AIM it is not required and does not comply with the UK Corporate Governance Code (the 'Code'). However, we have reported on our corporate governance arrangements by drawing upon best practice available, including those aspects of the Code we consider to be relevant to the Company. 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.

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 12.

The Chairman and Chief Executive have clearly defined and distinct roles. The Chairman is responsible for corporate governance 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 ten 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 table below shows the number of monthly meetings individual Directors could have attended during the year (taking account of eligibility, appointment and retirement dates) and their actual attendance.

	Number of meetings	Number of meetings attended
Henrik Bang	12	12
James Ormondroyd	12	12
Michael Jackson	12	12
Michael Neville	12	12

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.

Financial management: An annual operating budget is prepared by management and 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.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

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 and ISO27001 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 members 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 function is to review the performance of the Executive Directors, recommend the setting of their remuneration and bonus payments and for considering 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 12. The table below shows the number of meetings individual members 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	3	3
Michael Neville	3	3

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 2015, 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 cash flow statement, 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 11, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2015 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 Strategic Report and 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.

ALISON SEEKINGS
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
29 September 2015

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	**2015 £000**	2014 £000
Revenue	5	**17,151**	16,866
Cost of sales	19	**(1,564)**	(1,513)
Gross profit		**15,587**	15,353
Administrative expenses	19	**(13,349)**	(13,541)
Other gains/(losses) – net	18	**4**	–
Adjusted EBITDA		**5,161**	4,928
Acquisition credit	19	**–**	50
Non-recurring transaction costs	19	**(290)**	–
Share-based payments	21	**(1,127)**	(1,689)
Depreciation	6	**(147)**	(127)
Amortisation of acquired intangible assets	7	**(918)**	(1,054)
Amortisation of other intangible assets	7	**(437)**	(296)
Operating profit		**2,242**	1,812
Finance income	23	**114**	85
Finance costs	23	**(5)**	(11)
Finance income – net		**109**	74
Profit before tax		**2,351**	1,886
Tax	24	**304**	327
Profit for the year		**2,655**	2,213
Earnings per share – pence			
Basic	25	**1.94**	1.76
Diluted	25	**1.85**	1.72

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 2015

	2015 £000	2014 £000
Profit for the year	**2,655**	2,213
Total comprehensive income for the year	**2,655**	2,213

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

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2015

	Notes	2015 £000	2014 £000
Assets			
Non-current assets			
Property, plant and equipment	6	**323**	307
Intangible assets	7	**11,164**	11,804
Investments	8	**288**	188
Deferred income tax asset	16	**919**	867
Total non-current assets		**12,694**	13,166
Current assets			
Inventories	10	**229**	168
Trade and other receivables	11	**6,043**	5,237
Current income tax asset		**267**	66
Cash and cash equivalents	12	**13,726**	11,377
Total current assets		**20,265**	16,848
Total assets		**32,959**	30,014
Equity and liabilities			
Equity attributable to owners of the Parent			
Share capital	13	**6,945**	6,940
Share premium	13	**3,015**	3,015
Merger reserve		**2,509**	2,509
Capital reserve		**188**	188
Treasury shares		**(419)**	(419)
Employee share schemes reserve		**1,420**	394
Retained earnings		**9,024**	7,560
Total equity		**22,682**	20,187
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	16	**520**	594
Other payables		**–**	24
Provisions	17	**100**	84
Total non-current liabilities		**620**	702
Current liabilities			
Trade and other payables	15	**3,443**	3,353
Current income tax liabilities		**84**	–
Deferred income		**6,130**	5,772
Total current liabilities		**9,657**	9,125
Total liabilities		**10,277**	9,827
Total equity and liabilities		**32,959**	30,014

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 29 September 2015 and were signed on its behalf by:

JAMES ORMONDROYD
Director

Netcall plc
Registered no. 01812912

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	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 2013	6,117	3,015	2,509	188	(419)	872	4,603	16,885
Increase in equity reserve in relation to options issued	–	–	–	–	–	989	–	989
Reclassification following exercise or lapse of options	–	–	–	–	–	141	–	141
Purchase of Treasury shares	–	–	–	–	–	(1,608)	1,608	–
Proceeds from shares issued	823	–	–	–	–	–	–	823
Dividends to equity holders of the Company	–	–	–	–	–	–	(864)	(864)
Transactions with owners	823	–	–	–	–	(478)	744	1,089
Profit and total comprehensive income for the year	–	–	–	–	–	–	2,213	2,213
Balance at 30 June 2014	6,940	3,015	2,509	188	(419)	394	7,560	20,187
Increase in equity reserve in relation to options issued	–	–	–	–	–	1,052	–	1,052
Tax credit relating to share options	–	–	–	–	–	16	–	16
Reclassification following exercise or lapse of options	–	–	–	–	–	(42)	42	–
Proceeds from share issue	5	–	–	–	–	–	–	5
Dividends to equity holders of the Company	–	–	–	–	–	–	(1,233)	(1,233)
Transactions with owners	5	–	–	–	–	1,026	(1,191)	(160)
Profit and total comprehensive income for the year	–	–	–	–	–	–	2,655	2,655
Balance at 30 June 2015	**6,945**	**3,015**	**2,509**	**188**	**(419)**	**1,420**	**9,024**	**22,682**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	2015 £000	2014 £000
Cash flows from operating activities		
Profit before income tax	**2,351**	1,886
Adjustments for:		
Depreciation	**147**	127
Amortisation	**1,355**	1,350
Share-based payments	**1,127**	989
Net finance income	**(109)**	(74)
Changes in working capital (excluding the effects of acquisitions):		
Inventories	**(61)**	110
Trade and other receivables	**(806)**	(724)
Trade and other payables	**366**	(264)
Cash generated from operations	**4,370**	3,400
Analysed as:		
Cash generated from operations before national insurance on share option payments	**4,370**	4,341
National insurance on share options paid	**–**	(941)
Interest paid	**(5)**	(11)
Income tax received/(paid)	**76**	(160)
Net cash generated from operating activities	**4,441**	3,229
Cash flows from investing activities		
Investment in Macranet Ltd	**(100)**	(188)
Purchase of property, plant and equipment	**(163)**	(168)
Proceeds from disposal of property, plant and equipment	**–**	7
Development expenditure capitalised	**(697)**	(657)
Purchase of other intangible assets	**(18)**	(69)
Interest received	**114**	77
Net cash used in investing activities	**(864)**	(998)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**5**	823
Dividends paid to Company shareholders	**(1,233)**	(864)
Net cash used in financing activities	**(1,228)**	(41)
Net increase in cash and cash equivalents	**2,349**	2,190
Cash and cash equivalents at beginning of period	**11,377**	9,187
Cash and cash equivalents at end of period	**13,726**	11,377

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 the level of cash generated from operating activities, the Group has improved its liquidity position and remains debt-free as shown on the consolidated balance sheet.

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

The Group adopted IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interests in other entities' and IAS 27, 'Separate financial statements' on 1 July 2014. This resulted in the Group changing its accounting policy for the basis of consolidation and definition of control but has had no further impact on the 2015 financial statements.

New standards and interpretations currently in issue but not effective, based on EU mandatory effective dates, for accounting periods commencing on 1 July 2014 are:

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018) ^^
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017) ^^
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (IASB effective date 1 January 2016) ^^
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016) ^^
- Annual Improvements to IFRSs 2010–2012 Cycle (EU effective date 1 February 2015)
- Annual Improvements to IFRSs 2011–2013 Cycle (EU effective date 1 January 2015)
- Annual Improvements to IFRSs 2012–2014 Cycle (effective 1 January 2016) ^^
- Amendments to IAS 27 Equity Method in Separate Financial Statements (effective 1 January 2016) ^^
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016) ^^

^^ Not adopted by the EU (as at 1 September 2015).

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. The Group does not intend to apply these pronouncements early.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(D) CONSOLIDATION

Subsidiaries are all entities over which the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns though its power over the investee. This is when the Group can direct decisions through the voting rights granted by ordinary shares that significantly impact its returns. 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 applies merger relief, under section 612 of the Companies Act 2006, 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 IFRS 3, '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 IFRS 3, '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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Gain and 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.

Internally generated software development costs recognised as assets are carried at cost less amortisation, and 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, and intangibles not yet ready for use 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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 are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. They arise principally through the provision of services to customers (trade receivables), but also incorporate other types of contractual monetary asset such as 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.

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 includes 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 represent 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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).

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 can be 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 and 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, when 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 — consist 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
- hosted services — 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 hosted services 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

3 FINANCIAL RISK MANAGEMENT CONTINUED

FOREIGN EXCHANGE RISK

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

	Swiss franc £000	US dollar £000	Euro £000	Total £000
At 30 June 2015				
Trade and other receivables (excluding prepayments)	**–**	**9**	**3**	**12**
Cash and cash equivalents	**–**	**76**	**5**	**81**
Trade and other payables (excluding statutory liabilities)	**–**	**15**	**28**	**43**
	–	**100**	**36**	**136**
At 30 June 2014				
Trade and other receivables (excluding prepayments)	37	21	8	66
Cash and cash equivalents	–	10	8	18
Trade and other payables (excluding statutory liabilities)	–	8	74	82
	37	39	90	166

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 0.8% (2014: 0.8%). A 1% movement in interest rates would impact upon equity and net profit by approximately £97,000 (2014: £79,000).

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 to 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 9. 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 11 for more information of financial assets that are past due.

LIQUIDITY RISK

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The 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.

3 FINANCIAL RISK MANAGEMENT CONTINUED

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 2015				
Trade and other payables (excluding statutory liabilities)	**2,732**	**–**	**–**	**2,732**
	2,732	**–**	**–**	**2,732**
At 30 June 2014				
Trade and other payables (excluding statutory liabilities)	2,839	24	–	2,863
	2,839	24	–	2,863

(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:

	2015 £000	2014 £000
Cash and cash equivalents	**13,726**	11,377
Equity attributable to owners of the Parent	**22,662**	20,187
Net capital	**8,936**	8,810

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 compared to the 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

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 Monte Carlo valuation model as at the date of grant and using certain assumptions. These assumptions are disclosed in note 14.

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 £6.19 million (2014: £10.1 million). The Group has recognised a deferred tax asset of £0.67 million (2014: £0.67 million), which is 54% of the total loss as management considers 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 considers 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 non-recurring expenses and share-based payments as set out in the consolidated income statement.

A breakdown of revenue by category is as follows:

	2015 £000	2014 £000
Product and professional services	**6,523**	6,123
Support contracts	**8,166**	7,520
Hosted services	**2,453**	3,218
Other services	**9**	5
	17,151	16,866

The business is domiciled in the UK. The result of its revenue from external customers in the UK is £16.8 million (2014: £16.5 million), and the total from external customers from other countries is £0.32 million (2014: £0.37 million).

All non-current assets are located in the UK.

No single customer accounted for more than 10% of the Group's revenue in the year.

6 PROPERTY, PLANT AND EQUIPMENT

	Furniture, fittings and equipment £000	Computer equipment £000	Total £000
Cost			
At 30 June 2013	309	476	785
Additions	7	161	168
Disposals	(20)	(23)	(43)
At 30 June 2014	296	614	910
Additions	1	162	163
Disposals	–	–	–
At 30 June 2015	**297**	**776**	**1,073**
Accumulated depreciation			
At 30 June 2013	172	341	513
Depreciation charge	40	87	127
Disposals	(20)	(17)	(37)
At 30 June 2014	192	411	603
Depreciation charge	34	113	147
Disposals	–	–	–
At 30 June 2015	**226**	**524**	**750**
Net book amount			
At 30 June 2013	137	135	272
At 30 June 2014	104	203	307
At 30 June 2015	**71**	**252**	**323**

Depreciation expense of £147,000 (2014: £127,000) has been charged in ‘administrative expenses’.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

7 INTANGIBLE ASSETS

	Customer contracts and relationships £000	Brand £000	Acquired software £000	Goodwill £000	Internally generated software development costs £000	Trademarks and licences £000	Total £000
Cost							
At 30 June 2013	4,136	60	3,278	7,160	920	505	16,059
Additions	–	–	–	–	657	69	726
Disposals	–	–	–	–	–	(13)	(13)
At 30 June 2014	4,136	60	3,278	7,160	1,577	561	16,772
Additions	–	–	–	–	697	18	715
Disposals	–	–	–	–	–	–	–
At 30 June 2015	**4,136**	**60**	**3,278**	**7,160**	**2,274**	**579**	**17,487**
Accumulated amortisation							
At 30 June 2013	1,845	55	1,134	–	177	420	3,631
Amortisation charge	656	5	393	–	262	34	1,350
Disposals	–	–	–	–	–	(13)	(13)
At 30 June 2014	2,501	60	1,527	–	439	441	4,968
Amortisation charge	656	–	262	–	394	43	1,355
Disposals	–	–	–	–	–	–	–
At 30 June 2015	**3,157**	**60**	**1,789**	**–**	**833**	**484**	**6,323**
Net book amount							
At 30 June 2013	2,291	5	2,144	7,160	743	85	12,428
At 30 June 2014	1,635	–	1,751	7,160	1,138	120	11,804
At 30 June 2015	**979**	**–**	**1,489**	**7,160**	**1,441**	**95**	**11,164**

Amortisation of £1.36 million (2014: £1.35 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 2015 following IAS 36 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 2016 together with the most recent forecast for the year ending 30 June 2017 and extrapolates cash flows for three more years with a 3% growth assumption (2014: 3%). The forecast and growth assumption for each CGU is based on management's experience and understanding of the marketplace for its software. Terminal values were calculated, based on the perpetuity of cash generated with no long-term growth rate applied. Forecasts and terminal values for both cash-generating units were discounted at a pre-tax adjusted discount rate of 10% (2014: 10%). The pre-tax discount rates are based on the Group's weighted average cost of capital.

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 £000
Netcall	5,041	2,196	7,237	31,947	24,710	342%
Serengeti	2,119	272	2,391	2,941	550	23%

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. The key assumption impacting the value in use of Serengeti is the revenue forecast.

8 INVESTMENTS

	2015 £000	2014 £000
Investment in Macranet Ltd	**288**	188

On 24 December 2014 the Company invested an additional £0.10 million in privately owned Macranet Ltd (trading as 'Sentiment'), a provider of enterprise-class social media engagement solutions. The investment represents an equity interest in Macranet Ltd together with a convertible unsecured loan note. The investment is carried at fair value and the fair value measurement is classified as level 3 in the hierarchy as there is no quoted market for the shares. The valuation is based on the expected recoverable amount. The investment in Macranet Ltd includes an equity interest. Due to the fact that the company is unlisted, with limited trading history, the fair value of this investment cannot be reliably measured and is stated at cost.

9 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per balance sheet:

	2015 £000	2014 £000
Financial assets (carried at fair value through profit or loss)		
Investment in Macranet Ltd	**288**	188
Loans and receivables (carried at amortised cost)		
Trade and other receivables excluding prepayments	**5,666**	4,830
Cash and cash equivalents	**13,726**	11,377
Total	**19,680**	16,395

Financial liabilities per balance sheet:

	2015 £000	2014 £000
Financial liabilities at amortised cost		
Trade and other payables (excluding statutory liabilities and deferred income)	**2,732**	2,863
Total	**2,732**	2,863

10 INVENTORIES

	2015 £000	2014 £000
Finished goods and goods for resale	**229**	168

11 TRADE AND OTHER RECEIVABLES

	2015 £000	2014 £000
Trade receivables	**4,551**	3,454
Less: provision for impairment of trade receivables	**(42)**	(87)
Trade receivables — net	**4,509**	3,367
Other receivables	**51**	50
Prepayments	**377**	407
Accrued income	**1,106**	1,413
	6,043	5,237

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

11 TRADE AND OTHER RECEIVABLES CONTINUED

As at 30 June 2015, trade receivables of £3.31 million (2014: £2.36 million) were within credit terms and £1.16 million (2014: £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:

	2015 £000	2014 £000
Not more than 1 month	188	286
More than 1 month but not more than 3 months	728	334
More than 3 months	241	331
	1,157	951

As at 30 June 2015, trade receivables of £86,000 (2014: £0.14 million) were impaired, against which a provision of £42,000 (2014: £87,000) has been recorded. The provision was determined after taking into account the customers' payment histories. The ageing of these receivables is as follows:

	2015 £000	2014 £000
Current	–	–
Not more than 1 month	–	–
More than 1 month but not more than 3 months	–	–
More than 3 months	86	138
	86	138

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

	2015 £000	2014 £000
At 1 July	87	100
Provisions for receivables impairment	25	41
Receivables written off during the year as uncollectible	(49)	(12)
Unused amounts reversed	(21)	(42)
	42	87

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 plus credit risk on cash and cash equivalents. 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:

	2015 £000	2014 £000
UK pound	6,031	5,178
Swiss francs	–	37
Euros	3	14
US dollar	9	8
	6,043	5,237

12 CASH AND CASH EQUIVALENTS

	2015 £000	2014 £000
Cash at bank and on hand	**13,726**	11,377
Cash and cash equivalents	**13,726**	11,377

13 SHARE CAPITAL AND PREMIUM

	Number of shares thousands	Ordinary shares £000	Share premium £000	Total £000
At 30 June 2013	122,348	6,117	3,015	9,132
Proceeds from share issue	16,454	823	–	823
At 30 June 2014	138,802	6,940	3,015	9,955
Proceeds from share issue	100	5	–	5
At 30 June 2015	**138,902**	**6,945**	**3,015**	**9,960**

All issued shares each having a par value of 5.0 pence are fully paid.

The Company purchased none of its own shares during the year (2014: nil). The total number of ordinary shares held in Treasury at the end of the year was 1,869,181 (2014: 1,869,181).

14 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 5.0 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 60.0 pence in the five years from the date of grant; and the option holder being in employment at the date the option is exercised.

A Long Term Incentive Plan ('LTIP1') was introduced in June 2011. The options are granted at an exercise price of 5.0 pence. Options are conditional on certain vesting criteria including: achievement of the Company's ordinary share price up to 55.0 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.

In December 2013 the Company effected a further Long Term Incentive Plan ('LTIP2'). The options are granted at an exercise price of 5.0 pence. Options are conditional on certain vesting criteria including: achievement of the Company's ordinary share price up to 95.0 pence in the period from the date of grant until 1 January 2019; 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.

In April 2014 the Company effected a further Long Term Incentive Plan ('LTIP3'). The options are granted at an exercise price of 5.0 pence. Options are conditional on certain vesting criteria including: achievement of the Company's ordinary share price up to £1.20 in the period from the date of grant until 30 April 2019; and the option holder being in employment at the date the option is exercised. The options have a contractual option term of seven years; and once vested up to half of the options awarded may be exercised from 30 April 2017 to 30 April 2021 and the other half from 30 April 2019 to 30 April 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

14 SHARE-BASED PAYMENT CONTINUED

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

	2015 Weighted average exercise price in pence per share	2015 Options (thousand)	2014 Weighted average exercise price in pence per share	2014 Options (thousand)
At 1 July	5.0	18,757	5.0	19,601
Granted	5.0	415	5.0	15,611
Exercised	5.0	(100)	5.0	(16,455)
Forfeited	5.0	(502)	–	–
At 30 June	**5.0**	**18,570**	5.0	18,757

Out of the 18,570,077 outstanding options (2014: 18,756,839 options), 968,575 options (2014: 438,757) were exercisable. The weighted average exercise price for options exercisable at the year end was 5.0 pence (2014: 5.0 pence).

Options exercised in the year resulted in 100,000 shares (2014: 16,454,167) being issued at a weighted average price of 5.0 pence each (2014: 5.0 pence). The related average weighted share price at the time of exercise was 62.0 pence per share (2014: 55.0 pence per share).

The weighted average fair value of the LTIP3 options granted during the period determined using the Monte Carlo valuation model was 25.3 pence per option. The significant inputs into the model were mid-market share price of 60.0 pence at the grant date; exercise price shown above; volatility of 26%; dividend yield of 1.4%; an expected option life of four years; an illiquid share discount of 7.5%; and an annual risk-free interest rate of 1.9%. 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 21 for the total expense recognised in the income statement for share options granted to Directors and employees (including associated National Insurance).

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

Expiry date		Exercise price in pence per share	Options (thousands) 2015	2014
January 2017	2007 EMI	5.0	25	25
September 2014	2009 Unapproved	5.0	–	370
July 2021	LTIP1	5.0	2,651	2,751
April 2021	LTIP3	5.0	13,244	12,961
December 2024	LTIP2	5.0	2,650	2,650
			18,570	18,757

15 TRADE AND OTHER PAYABLES

	2015 £000	2014 £000
Trade payables	806	495
Social security and other taxes	711	514
Other liabilities	222	214
Accrued expenses	1,704	2,130
	3,443	3,353

16 DEFERRED INCOME TAX

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

	2015 £000	2014 £000
At 1 July	**273**	(192)
Income statement (debit)/credit (note 24)	**110**	324
Tax charged directly to equity	**16**	141
At 30 June	**399**	273

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 2013	34	548	263	845
(Credited)/charged to the income statement	(30)	(219)	(2)	(251)
At 30 June 2014	4	329	261	594
(Credited)/charged to the income statement	18	(133)	41	(74)
At 30 June 2015	**22**	**196**	**302**	**520**

Deferred tax assets	**Tax losses £000**	**Accelerated tax depreciation £000**	**Share-based payments £000**	**Other temporary differences £000**	**Total £000**
At 30 June 2013	653	–	–	–	653
Credited/(charged) to the income statement	15	–	27	31	73
Credited/(charged) to equity	–	–	141	–	141
At 30 June 2014	668	–	168	31	867
Credited/(charged) to the income statement	–	–	42	(6)	36
Credited/(charged) to equity	–	–	16	–	16
At 30 June 2015	**668**	**–**	**226**	**25**	**919**

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 £0.57 million (2014: £1.07 million) in respect of losses amounting to £2.85 million (2014: £5.37 million) that can be carried forward against future taxable income; or £1.34 million (2014: £1.34 million) in respect of losses that are capital in nature amounting to £6.68 million (2014: £6.68 million).

A deferred tax asset of £80,000 (2014: £46,000) in relation to temporary differences due to share-based payment charges of £0.40 million (2014: £0.23 million) has not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

17 PROVISIONS

	Dilapidations £000
At 30 June 2013	68
Charged to the income statement	16
At 30 June 2014	84
Charged to the income statement	16
At 30 June 2015	**100**

Analysis of total provisions:

	2015 £000	2014 £000
Non-current	**82**	84
Current	**18**	–
	100	84

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.

18 OTHER GAINS/(LOSSES) — NET

	2015 £000	2014 £000
Net foreign exchange gains/(losses)	**4**	–

19 EXPENSES BY NATURE

	2015 £000	2014 £000
Inventory recognised as an expense	**637**	560
Employee benefit expense (note 21)	**9,293**	10,194
Depreciation and amortisation (notes 6 and 7)	**1,502**	1,477
Operating lease payments (note 27)	**191**	164
Other expenses	**3,290**	2,659
Total cost of sales and administrative expenses	**14,913**	15,054

Research and development costs of £1.09 million have been expensed during the year (2014: £1.10 million).

On 25 June 2015 the Company announced that it was in advanced discussions regarding its possible recommended acquisition, which subsequently did not proceed. The Company incurred professional adviser fees of £0.29 million (2014: £nil) in connection with these discussions, which are included within 'other expenses'.

In 2014 the Company credited £50,000 of unused provision for contingent consideration in connection with its acquisition of Serengeti Systems Ltd in September 2012 (included within 'other expenses').

20 SERVICES PROVIDED BY THE COMPANY'S AUDITOR AND ITS ASSOCIATES

	2015 £000	2014 £000
Fees payable to Company's auditor for the audit of Parent and consolidated financial statements	**16**	19
Fees payable to the Company's auditor for other services:		
— the audit of the Company's subsidiaries pursuant to legislation	**31**	33
— review interim report	**7**	7
— corporate finance services	**140**	2
	194	61

21 EMPLOYEE BENEFIT EXPENSE

	2015 £000	2014 £000
Wages and salaries	**7,569**	7,802
Less: internal development costs capitalised in the year	**(578)**	(471)
Social security costs	**885**	898
Share options granted to Directors and employees (see note 14)	**1,127**	1,689
Pension costs — defined contribution plans	**290**	276
	9,293	10,194

22 AVERAGE NUMBER OF PEOPLE EMPLOYED

	2015 £000	2014 £000
Average number of people (including Executive Directors) employed:		
Sales and marketing	**56**	57
Development and operations	**71**	65
Management and administration	**21**	19
Total average headcount	**148**	141

23 FINANCE INCOME AND COSTS

	2015 £000	2014 £000
Interest expense:		
— bank charges	**5**	11
Finance costs	**5**	11
Finance income:		
— interest on short-term bank deposits	**92**	77
— interest income on investment in Macranet Ltd	**22**	8
Finance income	**114**	85
Net finance income	**109**	74

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

24 TAX EXPENSE

	2015 £000	2014 £000
Current tax:		
Current tax on profits for the year	85	–
Adjustments in respect of prior years	(277)	(3)
Total current tax	(194)	(3)
Deferred tax (note 16):		
Origination and reversal of temporary differences	(110)	(299)
Impact of change in UK corporation tax rate	–	(25)
Total deferred tax	(110)	(324)
Tax credit	(304)	(327)

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:

	2015 £000	2014 £000
Profit before tax	2,351	1,886
Tax expense calculated at 20.75% (2014: 22.5%)	489	424
Tax effects of:		
— expenses not deductible for tax purposes	295	181
— additional deductions for R&D expenditure	(261)	(218)
— utilisation of previously unrecognised tax losses	(534)	–
— relief for employee share schemes	(16)	(1,727)
— tax losses for which no deferred tax asset was recognised	–	1,041
-measurement of deferred tax — change in UK corporation tax rate	–	(25)
Adjustment in respect of prior years	(277)	(3)
Tax credit	(304)	(327)

25 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.

	2015	2014
Net earnings attributable to ordinary shareholders (£000)	2,655	2,213
Weighted average number of ordinary shares in issue (thousands)	137,006	126,076
Basic earnings per share (pence)	1.94	1.76

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.

	2015	2014
Weighted average number of ordinary shares in issue (thousands)	137,006	126,076
Adjustments for share options	6,615	2,835
Weighted average number of potential ordinary shares in issue (thousands)	143,621	128,911
Diluted earnings per share (pence)	1.85	1.72

25 EARNINGS PER SHARE CONTINUED

(B) ADJUSTED BASIC AND DILUTED

Adjusted earnings per share have been calculated to exclude the effect of non-recurring transaction 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:

	2015 £000	2014 £000
Profit used for calculation of basic and diluted earnings per share	**2,655**	2,213
Acquisition costs	**–**	(50)
Non-recurring transaction costs	**290**	–
Share-based payments	**1,127**	1,689
Amortisation of acquired intangible assets	**918**	1,054
Tax adjustment	**(1,276)**	(1,357)
Profit used for calculation of adjusted basic and diluted earnings per share	**3,714**	3,549

	2015 pence	2014 pence
Adjusted basic earnings per share	**2.71**	2.81
Adjusted diluted earnings per share	**2.59**	2.75

26 DIVIDENDS PER SHARE

The ordinary dividends paid in the year ended 30 June 2015 and 30 June 2014 were £1.23 million (0.9 pence per share) and £0.86 million (0.7 pence per share) respectively.

An ordinary dividend in respect of the year ended 30 June 2015 of 1.0 pence per share and an enhanced dividend of 1.2 pence per share, amounting to a total of £3.01 million, is to be proposed at the Annual General Meeting on 26 November 2015. These financial statements do not reflect this dividend payable.

27 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:

	2015 £000	2014 £000
No later than one year	**200**	165
Later than one year and no later than five years	**405**	281
Later than five years	**–**	–
Total	**605**	446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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:

	2015 £000	2014 £000
Salaries and other short-term employee benefits	**788**	972
Company contributions to money purchase pension schemes	**100**	88
Share-based payments	**909**	1,588
Total	**1,797**	2,648

(C) DIRECTORS

	2015 £000	2014 £000
Aggregate emoluments	**693**	858
Company contributions to money purchase pension schemes	**100**	88
Total	**793**	946

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

The highest paid Director was paid £369,000 (2014: £461,000). Personal pension contributions paid to the highest paid Director were £59,000 (2014: £58,000).

The Directors received dividend payments as follows:

	2015 £000	2014 £000
Executive Directors		
Henrik Bang	**42**	14
James Ormondroyd	**15**	–
Non-Executive Directors		
Michael Jackson[(1)]	**11**	6
Michael Neville	**4**	2

(1) Of which £1,800 of dividend was 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 (2014: £1,400).

29 PRINCIPAL SUBSIDIARIES

	Country of incorporation	Nature of business	Proportion of ordinary shares held by the 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

An ordinary dividend in respect of the year ended 30 June 2015 of 1.0 pence per share and an enhanced dividend of 1.2 pence per share, amounting to a total dividend of £3.01 million, is proposed at the Annual General Meeting on 26 November 2015.

COMPANY BALANCE SHEET

AS AT 30 JUNE 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Intangible assets	E	**1,372**	1,522
Investments	F	**21,787**	21,334
		23,159	22,856
Current assets			
Debtors	G	**817**	817
Cash at bank and in hand		**9,775**	7,332
		10,592	8,149
Creditors: amounts falling due within one year	H	**(866)**	(773)
Net current assets		**9,726**	7,376
Total assets less current liabilities		**32,885**	30,232
Creditors: amounts falling due after more than one year		**–**	–
Net assets		**32,885**	30,232
Capital and reserves			
Called up share capital	J	**6,945**	6,940
Share premium	K	**3,015**	3,015
Capital reserve	K	**188**	188
Merger reserve	K	**520**	520
Treasury shares	K	**(419)**	(419)
Employee share schemes reserve	K	**1,404**	253
Profit and loss account	K	**21,232**	19,735
Shareholders' funds		**32,885**	30,232

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 29 September 2015 and were signed on its behalf by:

JAMES ORMONDROYD
Director

Netcall plc
Registered no. 01812912

NOTES TO THE COMPANY FINANCIAL STATEMENTS

A PRINCIPAL ACCOUNTING POLICIES

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

(A) BASIS OF PREPARATION

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

The UK Generally Accepted Accounting principles were withdrawn on 1 January 2015. Accordingly, for its financial year ending 30 June 2016 the Company intends to transition to reporting under FRS 101, as published by the Financial Reporting Council, in its Parent Company financial statements. The Board considers that it is in the best interests of the Company to adopt FRS 101, 'Reduced Disclosure Framework'. No disclosures in the current UK GAAP financial statements would be omitted following transition to FRS 101.

(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 2015 is disclosed in note D.

(C) TURNOVER

Turnover is royalties received for licence 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 licences — 5 years
- Acquired software — 15 years

(F) INVESTMENTS

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 PRINCIPAL 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 (2014: 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 20 of the consolidated financial statements.

D PROFIT FOR THE FINANCIAL YEAR

The Company made a profit for the financial year of £2.69 million (2014: £2.06 million).

E INTANGIBLE ASSETS

	Acquired software £000	Trademarks and licences £000	Total £000
Cost			
At 30 June 2013	2,223	113	2,336
Additions	–	8	8
At 30 June 2014	2,223	121	2,344
Additions	–	–	–
At 30 June 2015	**2,223**	**121**	**2,344**
Accumulated amortisation			
At 30 June 2013	556	109	665
Amortisation charge	148	9	157
At 30 June 2014	704	118	822
Amortisation charge	148	2	150
At 30 June 2015	**852**	**120**	**972**
Net book amount			
At 30 June 2013	1,667	4	1,671
At 30 June 2014	1,519	3	1,522
At 30 June 2015	**1,371**	**1**	**1,372**

F FIXED ASSET INVESTMENTS

	Subsidiary undertakings £000	Investments £000	Total £000
Cost & Net book amount			
At 30 June 2013	21,013	–	21,013
Additions — investment in Macranet Ltd	–	188	188
Additions — share incentive charges to subsidiaries	133	–	133
At 30 June 2014	21,146	188	21,334
Additions — investment in Macranet Ltd	–	100	100
Additions — share incentive charges to subsidiaries	353	–	353
At 30 June 2015	**21,499**	**288**	**21,787**

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

On 24 December 2014 the Company invested an additional £0.10 million in privately owned Macranet Ltd (trading as 'Sentiment'), a provider of enterprise-class social media engagement solutions. The total investment represents an equity interest in Macranet Ltd together with a convertible unsecured loan note.

G DEBTORS

	2015 £000	2014 £000
Amounts due within one year		
Amounts owed from Group undertakings	**245**	303
Other debtors	**40**	–
Prepayments and accrued income	**39**	21
	324	324
Amounts due after more than one year		
Deferred tax asset	**493**	493
	493	493
Total debtors	**817**	817

H CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £000	2014 £000
Amounts owed to Group undertakings	**48**	5
Trade payables	**223**	29
Other creditors	**116**	45
Social security and other taxes	**23**	22
Accruals and deferred income	**456**	672
	866	773

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

I DEFERRED TAXATION

	2015 £000	2014 £000
Deferred tax assets comprise:		
Losses	**493**	493
Opening balance	**493**	206
Movement in the year	**–**	287
Closing balance	**493**	493

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: £0.22 million (2014: £0.35 million) in respect of losses amounting to £1.12 million (2014: £1.73 million) that can be carried forward against future taxable income; or £1.34 million (2014: £1.34 million) in respect of losses that are capital in nature amounting to £6.68 million (2014: £6.68 million).

A deferred tax asset of £80,000 (2014: £46,000) in relation to timing differences due to share-based payment charges of £0.40 million (2014: £0.23 million) has not been recognised.

J CALLED UP SHARE CAPITAL

	2015 thousands	2015 £000	2014 thousands	2014 £000
Allocated, called up and fully paid				
Ordinary shares of 5 pence each	**138,902**	**6,945**	138,802	6,940

Details of the Company's issued share capital and share options are detailed in notes 13 and 14 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 2014	6,940	3,015	188	520	(419)	253	19,735	30,232
Profit for the year	–	–	–	–	–	–	2,695	2,695
Dividends paid	–	–	–	–	–	–	(1,233)	(1,233)
Proceeds from issue of shares	5	–	–	–	–	–	–	5
Share-based payment:								
— credit	–	–	–	–	–	1,186	–	1,186
— reclassification	–	–	–	–	–	(35)	35	–
At 30 June 2015	**6,945**	**3,015**	**188**	**520**	**(419)**	**1,404**	**21,232**	**32,885**

During the year the Company paid a dividend of £1.23 million (2014: £0.86 million).

The Company purchased none of its own shares during the year (2014: nil). The total number of ordinary shares held in Treasury at the end of the year was 1,869,181 (2014: 1,869,181).

L RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption granted under FRS 8 not to disclose transactions with the Parent and wholly-owned subsidiaries. There were no other related party transactions during either 2015 or 2014.

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

M POST BALANCE SHEET EVENTS

An ordinary dividend in respect of the year ended 30 June 2015 of 1.0 pence per share and an enhanced dividend of 1.2 pence per share, amounting to a total dividend of £3.01 million, is proposed at the Annual General Meeting on 26 November 2015.

SHAREHOLDER NOTES

A SELECTION OF OUR CUSTOMERS

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