



**Netcall plc**

Annual report and accounts 2007

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“Our main priority is to provide our big business customers with a service experience second to none. QueueBuster has helped us to do that. Now, by taking the technology a step further and integrating it into our platform, we can provide a broader and more attractive offering to our customers.”

## **Cable & Wireless**

### **Financial Highlights**

- Turnover up 31% to £4.11 million (2006: £3.13 million)
- Hosted services growth of 51% to £2.00 million (2006: £1.33 million)
- Operating profits before FRS 20 charges increases 121% to £0.81 million (2006: £0.37 million)
- Operating margin before FRS 20 charges of 20% (2006: 12%)
- Profit before tax increased by 115% to £0.77 million

### **Operational Highlights**

- New customers include Fortis Insurance, Birmingham City Council and McAfee
- Growing footprint within existing customer base including Lloyds TSB, Oracle and nPower
- Revenues from distribution channels grew by 65%, accounting for 46% of total revenues (2006: 37%)
- QueueBuster saved millions of callers from more than 400 years of telephone queuing

### **Ron Elder, Chairman of Netcall, commented:**

“Today’s results reflect a growing demand in the market for Netcall’s products and solutions. When combined with the effective working relationship we have established with our distribution partnerships, this allows Netcall to deliver recurring revenues and significant increases in profitability.”



## Chairman's Statement

### Results

I am very pleased to report that the financial results for the year ended 30th June 2007 were ahead of expectations and continue to confirm the acceptance by the market of Netcall's technology and equally the strategy pursued since 2004 which is delivering profit, cash and consistent growth.

The figures reported today show a 51% increase in service revenues and a 17% increase in product revenues resulting in total revenue for the year of £4.11 million, a 31% growth on the year to 30th June 2006. Gross margins were slightly ahead at 87% (2006: 86%); with operating profits before FRS 20 charges of £0.81 million (2006: £0.37 million) the business achieved an operating margin of 20%.

### Business focus

As detailed in the Chief Executive's Review, we continue to successfully pursue our strategy of increasing our market presence, principally through our flagship product QueueBuster, both as a hosted service provider and as a seller of licensed software. We have increased our channel partners during the year and will continue to deepen our relationship with them as we identify new opportunities to extend the use of our products.

Since my last report the Company has undertaken a capital restructuring which allows us to better utilise our distributable reserves and cash not required for planned business growth for the benefit of shareholders. This could take the form of a limited share buy-back programme, recently authorised by shareholders, or by way of a dividend. Following the announcement of these results the Board will determine the appropriate action.

During the year Brian Gowers resigned his directorship to pursue other interests and the Board would like to thank him for his contribution over his many years of service.

We continue to strengthen the management team at Netcall and advance the capabilities of the entire Company for the benefit of our existing and prospective customers. This year's performance is a testament to the execution of a clear strategy under the leadership of our Chief Executive Henrik Bang and I would like to thank him and the entire staff for their dedication and support in delivering these results.

**Ron Elder, Chairman**  
**26th September 2007**

“There is no doubt that QueueBuster has given our sales team the opportunity to talk to customers who might have gone elsewhere, helping us to build market share, particularly for our mortgage products.”

**Britannia**

## Chief Executive's Review

Netcall continued to make significant progress during the year. The Company accelerated its turnover growth and achieved another year with a significant increase in profitability. The main areas of the business improved with continued emphasis on hosted services growth and increasing revenues from distribution channels.

The overall long-term health of the Company continues to strengthen with improving profits which generate a growing cash position. This has been driven by the ongoing growth in both hosted services and revenues from distribution channels, underwritten by a significant increase in the Company's recurring revenue streams.

Netcall has continued to broaden its customer base and expand its footprint within existing customers, mainly due to increased market demand for its flagship product QueueBuster.

### Financial results

Operating profits before FRS 20 charges increased by 121% to £0.81 million (2006: £0.37 million) corresponding to a profit margin of 20% (2006: 12%). This result was achieved by a combination of revenue growth and improving margins through the close monitoring and control of costs.

Turnover increased by 31% to £4.11 million (2006: £3.13 million) with growth in both product and services revenues. Hosted services reported its seventh consecutive six-month period of growth and reached £2.00 million (2006: £1.33 million), contributing 49% (2006: 42%) towards total revenues. Product sales increased to £2.11 million (2006: £1.81 million), and both revenue streams contributed to a significant increase in the Company's recurring revenue.

The majority of Netcall's cost increases were directly linked to the improvement in revenues and profits, with only a low percentage uplift in its fixed cost base. The leveraging of its overheads, coupled with improved organisational capabilities, resulted in a substantially increased operating margin.

Operating cash flow was strong with a net inflow of £0.63 million (after early repayment of the balance of outstanding debt); the Company's net funds increased to £2.36 million as at 30th June 2007 (2006: £1.73 million), the majority of which is held on short-term treasury deposits. During the early part of the new financial year, the majority of trade debtors have been collected resulting in a further increase in the cash position.

## Chief Executive's Review continued

The balance sheet shows an increase in net assets to £2.68 million (2006: £1.80 million), reflecting Netcall's profitability. The changed composition of the capital and reserves has arisen through the implementation of a capital reduction scheme.

### Review of Operations

QueueBuster, Netcall's flagship product, gives customers waiting in call centre queues the option of receiving a return call when a call centre agent is available without losing their place in the queue. Our customers continue to report excellent performance from QueueBuster in both sales and customer support environments, confirming that the product delivers substantial productivity improvements as well as significantly improved customer and agent satisfaction. During the year QueueBuster saved millions of callers from more than 400 years of telephone queuing.

### Expanded QueueBuster customer base

The Company acquired several new customers including Fortis Insurance, Birmingham City Council, McAfee, Anglian Water and STA Travel. Netcall also expanded its footprint within the existing customer base including Lloyds TSB, Prudential, nPower and Oracle.

### Channel partnerships

Netcall continued to focus on expanding its market reach via distribution partners which grew revenues by 65% and accounted for 46% of turnover (2006: 37%). Netcall's key distribution partners include Affiniti, BT and Cable & Wireless Europe, Asia and US, with whom the Company in August this year announced a new partnership agreement which sees the integration of a QueueBuster hosted services platform into their existing infrastructure.

### Accounting Standards

In this financial year the Company adopted FRS 20 which deals with share based payments. The fair value of share options is spread over the period from the date of grant until the date it is anticipated the options will become exercisable. The prior year comparative figures have been restated in accordance with the new standard. The group's assets and cash flow statement were unaffected.

For the year ending 30th June 2008 Netcall will adopt International Financial Reporting Standards (IFRS) in accordance with the AIM Rules.

“We want to make it as easy as possible for online visitors to make a booking. The CallMeBack solution fits perfectly with our customer service ethos. It works in the same way as QueueBuster callbacks, allowing our reservations staff to make a personalised call to our customers, at a time of the customer’s own choosing. Many of our guests have busy lifestyles so this is a very appealing service”

## **Apex Hotels**

### **Strategy**

Netcall’s ambition is to continue to increase the market acceptance of its products and to work with distribution partners to achieve this. The Company will continue its focus on business models which generate a high element of recurring revenue improving future visibility.

By working closer with partners while also strengthening the Company’s organisational capabilities, the aim is to improve and extend Netcall’s ability to execute.

With continued focus on executing Netcall’s key strategies the Board is confident that Netcall will continue to improve its financial performance resulting in increased shareholder value.

### **Current Trading**

Netcall has had a good start to the year and the directors believe that the outlook for the year is very positive.

I would like to take this opportunity to thank the staff and our partners for their continued support and contribution.



## Officers and professional advisers

### Chairman

Ron Elder\*^ (57) joined the Board in May 2003. He was previously chief executive officer of property-asset management and Nasdaq-listed business, Omega Worldwide. Ron has also held senior executive positions with Zurich Financial Services, Crawfords (a New York stock exchange listed company), The First Personal Bank (now G.E. Capital Bank) and Avis Europe.

### Chief Executive Officer

Henrik Bang (48) 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 A. P. Moller - Maersk Line.

### Non-Executive Director

Roger Allsop\*^ (64) joined the Board in 1987. He is commercial director of AIM-listed Tricorn Group PLC, chairman of Malvaire Properties Ltd and was also formerly managing director of Westwood Dawes PLC.

\* denotes membership of the Audit sub-committee of the Board

^ denotes membership of the Remuneration sub-committee of the Board

### Directors

R Allsop  
R Elder  
B Gowers (Resigned 16th October 2006)  
H P Bang

### Auditors

Deloitte & Touche LLP  
Chartered Accountants  
Cambridge

### Secretary

A K Pearson-Hurrell

### Bankers

National Westminster Bank PLC  
7 Cornhill  
Bury St Edmunds  
Suffolk  
IP33 1AX

### Registered office

10 Harding Way  
St Ives  
Cambridgeshire  
PE27 3WR

### Registrars and transfer office:

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

### Nominated advisers and brokers

Evolution Securities Ltd.  
100 Wood Street  
London, EC2V 7AN

## Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30th June 2007.

### Principal activity

Netcall plc is the parent company of a group of companies which design, develop and market advanced technologies that enable businesses to integrate and manage telephony efficiently.

### Business review

Details of the group's performance are given in the consolidated profit and loss account on page 14. The position of the group and the Company at the end of the year is set out in the balance sheets on pages 16 and 17. A review of the group's performance for the year ended 30th June 2007 and future developments is contained in the Chairman's Statement and the Chief Executive's Review. The Chief Executive's Review contains specific sections headed Financial Results and Review of Operations which comment on the key elements required to be covered in an enhanced business review.

### Future prospects

The Company anticipates future growth to derive from the growth in sales of its products and from the sale of services and other usage-based offerings, through increased activity from its key partners.

The Board believes that the hosted services and product support recurring revenue has created enhanced robustness in the group's revenue streams across a broader customer base. With the lower initial entry cost for its customers to its hosted services it provides a greater opportunity to expand its customer base; this, together with the continued development of sales channels, is expected to generate sustainable revenues and profitability.

### Dividends

The directors do not recommend the payment of a dividend (2006 — nil).

### Research and development

The group continues an active programme of research and development in its chief operating subsidiary company Netcall Telecom Limited. The costs in the year amounted to £202,600 (2006 — £307,300). It is group policy to write off all this expenditure as incurred.

### Supplier payment policy

The group undertakes to make payments to suppliers for goods and services supplied within the normal credit periods agreed with those suppliers; it does not follow a specific code, or apply a standard payment practice. The proportion of trade creditors at the year end to amounts supplied during the year gives an average payment term of 30 days (2006 — 48 days).

### Political and charitable contributions

There were no political or charitable contributions in the year (2006 — nil).

### Directors and their interests

The directors who held office at 30th June 2007 had the following beneficial interests in the Company's shares at 30th June 2007 and 1st July 2006:

## Directors' Report continued

	Ordinary shares of 5p each	
	At 30th June 2007	At 1st July 2006
	Number	Number
R Allsop	1,000,000	1,000,000
R Elder	80,000	80,000
H P Bang	255,000	100,000

In accordance with the Company's Articles of Association, H Bang retires by rotation and offers himself for re-election.

Directors who held office at 30th June 2007 had the following interests in share options over ordinary shares of 5p each:

	At 1st July 2006	Granted	Lapsed/ Cancelled	At 30th June 2007	Exercise price	Exercisable
R Allsop	100,000	—	—	100,000	20.0p	Before 15.02.12
	100,000	—	—	100,000	10.0p	Before 19.12.12 <sup>(1)</sup>
R Elder	250,000	—	—	250,000	24.0p	Before 24.05.14 <sup>(2)</sup>
H Bang	400,000	—	—	400,000	25.0p	Before 26.02.14
	300,000	—	—	300,000	5.0p	Before 05.03.16 <sup>(3)</sup>
	720,000	—	—	720,000	5.0p	Before 05.03.16 <sup>(4)</sup>
	350,000	—	—	350,000	5.0p	Before 05.03.16 <sup>(5)</sup>
	550,000	—	—	550,000	5.0p	Before 05.03.16 <sup>(6)</sup>
	250,000	—	—	250,000	5.0p	Before 05.03.16 <sup>(7)</sup>
	—	1,500,000	—	1,500,000	5.0p	Before 22.05.10 <sup>(8)</sup>

(1) Option shall not be exercisable until the earlier of the day immediately following the 10th consecutive trading day on which the mid-market closing price on the Alternative Investment Market of the London Stock Exchange of a fully paid ordinary share of 5 pence in the capital of the Company has reached 30 pence or a sale of the business.

(2) Option shall not be exercisable until the earlier of the day immediately following the 10th consecutive trading day on which the mid-market closing price on the Alternative Investment Market of the London Stock Exchange of a fully paid ordinary share of 5 pence in the capital of the Company has reached 35 pence or a sale of the business.

(3) Option shall not be exercisable until the earlier of the day immediately following the day on which the

mid-market closing price on the Alternative Investment Market of the London Stock Exchange of a fully paid ordinary share of 5 pence in the capital of the Company has reached 30 pence or a sale of the business.

(4) Option shall not be exercisable until the earlier of the day immediately following the day on which the mid-market closing price on the Alternative Investment Market of the London Stock Exchange of a fully paid ordinary share of 5 pence in the capital of the Company has reached 35 pence or a sale of the business.

(5) Option shall not be exercisable until the earlier of the day immediately following the day on which the mid-market closing price on the Alternative Investment Market of the London Stock Exchange

of a fully paid ordinary share of 5 pence in the capital of the Company has reached 40 pence or a sale of the business.

- (6) Option shall not be exercisable until the earlier of the day immediately following the day on which the mid-market closing price on the Alternative Investment Market of the London Stock Exchange of a fully paid ordinary share of 5 pence in the capital of the Company has reached 45 pence or a sale of the business.
- (7) Option shall not be exercisable until the earlier of the day immediately following the day on which the mid-market closing price on the Alternative Investment Market of the London Stock Exchange of a fully paid ordinary share of 5 pence in the capital of the Company has reached 50 pence or a sale of the business.
- (8) Option shall not be exercisable until the earlier of the day immediately following the 20th consecutive trading day on which the mid-market closing price on the Alternative Investment Market of the London Stock Exchange of a fully paid ordinary share of 5 pence in the capital of the Company has reached 50 pence or a sale of the business.

The market price of the Company's shares at 30th June 2007 was 25.62p and the range during the year ended 30th June 2007 was 11.00p to 27.50p.

#### Substantial interests

At 11th September 2007 the following interests of 3% or more in the issued ordinary share capital, other than directors, had been notified to the Company:

	Number of shares	% of issued
Gartmore Investment Management	12,559,649	19.02%
Bluehone Investors LLP	6,140,242	9.30%
J Rubins	5,008,206	7.58%
J Patoff	4,249,411	6.43%
Portside Holdings	3,500,000	5.30%
Edenfield Investments Limited	2,841,362	4.30%

#### Directors' and officers' liability insurance

The Company maintains insurance cover for the directors and key personnel against liabilities which may be incurred by them while carrying out their duties.

#### Financial risk management objectives and policies

The main purpose of the group's financial instruments is to raise finance for its operations. It is not the group's policy to trade in financial instruments, although strategic acquisitions may be made where it is considered that they will further the group's objectives.

##### a) Liquidity and interest rate risk

The group finances its operations primarily through the issue of share capital. Funds from the issue of share capital are on deposit to maximise the interest obtained from them whilst providing sufficiently flexible access to the funds to meet the group's requirements. The deposits are on floating interest rates based on bank base rates.

##### b) Foreign currency risk

Expenditure of the group's US subsidiary Netcall Telecom Inc is denominated in US dollars. In the year ended 30th June 2007 expenditure accounted for nil % of the group's operating costs (2006 — nil %). The group financed its net investment of Netcall Telecom Inc by means of sterling funds.

Overseas sales to customers are priced in sterling but invoiced in the currencies of the customers involved. Any exchange gains or losses arising from the settlement of these transactions are dealt with in the profit and loss account.

## Directors' Report continued

### Acquisition of Company's own shares

On 11th September 2007 the shareholders gave authority to purchase in the market up to 6,605,000 shares up to a maximum price exclusive of expenses which does not exceed 105% of the average price of the shares in the five business days preceding the purchase. Such authority to expire at the date of the 2008 Annual General Meeting.

### 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the group and of the profit or loss of the 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 estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Corporate governance

The Company is listed on AIM and is therefore not required to comply with the provisions of the Financial Reporting Council July 2003 Combined Code. Nevertheless, the Board is committed to high standards of Corporate Governance incorporating best practice for a group of this size.

- The Board meets eleven times a year; it comprises one executive and two non-executives (one of whom is the chairman); it is responsible for setting and monitoring strategy, reviewing trading performance, ensuring adequate funding, formulating policy on key issues and reporting to shareholders. The Board has access to independent advice, the cost of which is borne by the Company.
- The Audit Committee meets at least twice a year, it consists of the Chairman and the one non-executive director, the executive director attends the meetings by invitation only; it meets the external auditors at least once a year. It reviews the half year and annual accounts prior to submission to the Board for consideration, monitors the Company's controls ensuring integrity of the financial information reported to shareholders.
- The Remuneration Committee consists of the Chairman and one non-executive director and meets at least twice annually. Its principal functions

are to determine the Company policy for executive remuneration and reward and the granting of share options to employees.

- Internal Control is maintained by a system of financial controls designed to meet the particular needs of a group of this size to provide appropriate assurance against misstatement or loss. The Board does not consider it appropriate to set up an Internal Audit function given the size and nature of the business at this time.
- International Financial Reporting Standards are required to be adopted by the group in the financial year commencing 1st July 2007; earlier adoption is not required as the group is AIM listed.

#### **Auditors**

In the case of each of the persons who are directors of the Company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of directors  
and signed on behalf of the Board

**H P Bang**  
**Director**

## Independent auditors' report to the members of Netcall plc

We have audited the group and the parent company financial statements (the 'financial statements') of Netcall plc for the year ended 30th June 2007 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the reconciliation of movements in consolidated shareholders' funds, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and the other information contained in the Annual Report for the above year as described in the contents section. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30th June 2007 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the directors' report is consistent with the financial statements.

**Deloitte & Touche LLP**

**Chartered Accountants and Registered Auditors**

**Cambridge**

**United Kingdom**

## Consolidated Profit and Loss Account

Year ended 30th June 2007

			(Restated — note 25)
	Note	2007 £'000	2006 £'000
<b>Turnover</b>	2	<b>4,112.3</b>	3,134.5
Cost of sales		<b>(535.2)</b>	(449.9)
<b>Gross profit</b>		<b>3,577.1</b>	2,684.6
Administrative expenses before share based charges		<b>(2,765.4)</b>	(2,317.0)
Share based charges	4	<b>(131.4)</b>	(65.5)
<b>Administrative expenses</b>		<b>(2,896.8)</b>	(2,382.5)
<b>Operating profit before share based charges</b>		<b>811.7</b>	367.6
Share based charges	4	<b>(131.4)</b>	(65.5)
<b>Operating profit</b>	2,4	<b>680.3</b>	302.1
Interest receivable	5	<b>92.0</b>	63.6
Interest payable and similar charges	6	<b>(5.3)</b>	(9.4)
<b>Profit on ordinary activities before taxation</b>		<b>767.0</b>	356.3
Tax on profit on ordinary activities	7	<b>—</b>	—
<b>Profit for the financial year</b>	18	<b>767.0</b>	356.3
<b>Earnings per share</b>			
Basic	9	<b>1.16p</b>	0.54p
Diluted	9	<b>1.12p</b>	0.54p

All activities derive from continuing operations.

## Consolidated Statement of Total Recognised Gains and Losses

Year ended 30th June 2007

		(Restated — note 25)
	2007	2006
	£'000	£'000
Profit for the financial year	767.0	356.3
Currency translation differences on foreign currency net investments	—	0.1
Total recognised gains and losses for the year	767.0	356.4
Prior year adjustment	(94.0)	—
Total recognised gains and losses since last annual report	673.0	356.4

In the year ended 30th June 2007 the Company was obliged to make a prior year adjustment (as explained in note 1) amounting to £94,000 against the reserves for the year ended 30th June 2006 as a consequence of a change in accounting policy on the implementation of FRS 20 'Share based payments'.

## Reconciliation of Movements in Consolidated Shareholders' Funds

Year ended 30th June 2007

		(Restated — note 25)
	2007	2006
	£'000	£'000
Profit for the financial year	767.0	356.3
Currency translation differences on foreign currency net investments	—	0.1
New shares issued net of issue costs	(18.4)	16.8
FRS 20 share based charges	131.4	65.5
Net addition to shareholders' funds	880.0	438.7
Opening shareholders' funds	1,797.9	1,359.2
Closing shareholders' funds	2,677.9	1,797.9

## Consolidated Balance Sheet

30th June 2007

	Note	2007 £'000	(Restated — note 25) 2006 £'000
<b>Fixed assets</b>			
Tangible assets	10	158.5	154.3
Investments	11	—	—
		<b>158.5</b>	154.3
<b>Current assets</b>			
Stocks	12	38.1	62.2
Debtors	13	1,622.8	1,052.5
Cash at bank and in hand		2,360.5	1,819.5
		<b>4,021.4</b>	2,934.2
<b>Creditors: amounts falling due within one year</b>	14	<b>(1,502.0)</b>	(1,233.1)
<b>Net current assets</b>		<b>2,519.4</b>	1,701.1
<b>Total assets less current liabilities</b>		<b>2,677.9</b>	1,855.4
<b>Creditors: amounts falling due after more than one year</b>	15	<b>—</b>	(57.5)
<b>Net assets</b>		<b>2,677.9</b>	1,797.9
<b>Capital and reserves</b>			
Called up share capital	17	3,302.5	3,297.1
Share premium account	18	2.4	15,125.2
Special and capital reserves	18	—	245.1
Employee share schemes reserve	18	290.9	159.5
Profit and loss account	18	(917.9)	(17,029.0)
<b>Shareholders' funds</b>		<b>2,677.9</b>	1,797.9

These financial statements were approved by the Board of directors and authorised for issue on 26th September 2007.

They were signed on its behalf by:

**R Elder**  
Director

**H P Bang**  
Director

## Company Balance Sheet

30th June 2007

	Note	2007 £'000	(Restated — note 25) 2006 £'000
<b>Fixed assets</b>			
Tangible assets	10	0.6	9.4
Investments	11	10,953.7	633.9
		<b>10,954.3</b>	643.3
<b>Current assets</b>			
Debtors	13	30.0	9,303.3
Cash at bank and in hand		2,282.6	1,711.0
		<b>2,312.6</b>	11,014.3
<b>Creditors:</b> amounts falling due within one year	14	<b>(1,105.7)</b>	(274.1)
<b>Net current assets</b>		<b>1,206.9</b>	10,740.2
<b>Total assets less current liabilities being net assets</b>		<b>12,161.2</b>	11,383.5
<b>Capital and reserves</b>			
Called up share capital	17	3,302.5	3,297.1
Share premium account	18	2.4	15,125.2
Special and capital reserves	18	—	496.4
Merger reserve	18	403.3	403.3
Employee share schemes reserve	18	260.5	159.5
Profit and loss account	18	8,192.5	(8,098.0)
<b>Shareholders' funds</b>		<b>12,161.2</b>	11,383.5

These financial statements were approved by the Board of directors and authorised for issue on 26th September 2007.

They were signed on its behalf by:

**R Elder**  
Director

**H P Bang**  
Director

## Consolidated Cash Flow Statement

Year ended 30th June 2007

	Note	2007 £'000	2006 £'000
<b>Net cash inflow from operating activities</b>	19	<b>642.3</b>	468.7
Returns on investments and servicing of finance	20	<b>86.7</b>	54.2
Capital expenditure and financial investment	20	<b>(82.1)</b>	(83.6)
<b>Net cash inflow before management of liquid resources and financing</b>		<b>646.9</b>	439.3
Management of liquid resources		<b>(2,000.0)</b>	—
Financing	20	<b>(105.9)</b>	(13.2)
<b>(Decrease)/increase in cash</b>	21	<b>(1,459.0)</b>	426.1

## Reconciliation of net cash flow to movement in net funds

Year ended 30th June 2007

	2007 £'000	2006 £'000
(Decrease)/increase in cash in the year	<b>(1,459.0)</b>	426.1
Decrease in bank loans	<b>87.5</b>	30.0
Increase in short-term treasury deposits held at bank	<b>2,000.0</b>	—
<b>Movement in net funds in the year</b>	<b>628.5</b>	456.1
Net funds at 1st July 2006	<b>1,732.0</b>	1,275.9
<b>Net funds at 30th June 2007</b>	<b>2,360.5</b>	1,732.0

## Notes to the Financial Statements

Year ended 30th June 2007

### 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. The Company has adopted in the year FRS 20 — Share based payment — restatement of the comparatives was required.

#### Accounting convention

The financial statements are prepared under the historical cost convention.

#### Basis of consolidation

The group financial statements consolidate the financial statements of the Company and all its subsidiaries. Where subsidiary companies are acquired during the year, the profit or loss attributable to shareholders includes the profits or losses from the date of acquisition. Where subsidiary companies are disposed of during the year, the profit or loss attributable to shareholders includes the profits or losses to the date of disposal.

#### Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life. Provision is made for any impairment.

Goodwill arising on acquisitions in the year ended 31st December 1997 and earlier periods was written off to the reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard, the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

The cumulative amount of goodwill charged directly to reserves as a matter of accounting policy prior to the implementation of Financial Reporting Standard 10 is £1,006,512.

#### Turnover

Turnover is the amount receivable by the group for goods and services supplied, excluding VAT.

#### Product

Product revenue is recognised upon delivery and acceptance by the customer.

#### Support and maintenance

Support and maintenance revenues are spread over the period of the supply agreement.

#### Service

Service revenues are recognised over the periods defined in the service agreement and where appropriate at time of delivery.

#### Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation is provided on cost in equal annual amounts over the estimated useful lives of the assets. The rates of depreciation are as follows:

Fixtures, fittings and equipment	20–33% per annum
Domain names	20% per annum

#### Investments

Investments are stated at cost less provision for any impairment.

## Notes to the Financial Statements continued

Year ended 30th June 2007

### Stocks

Stocks are stated at the lower of cost and net realisable value.

### Leased assets

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful economic lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

Rentals payable under operating leases are charged to the profit and loss account in equal annual amounts over the lease term.

### Taxation

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 provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account.

The financial statements of foreign subsidiaries are translated into sterling at the closing rates of exchange and the difference arising from the translation of the opening net investment in subsidiaries at the closing and opening rates is taken direct to reserves.

### Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

### Financial instruments

The group does not enter into derivative contracts for hedging or speculative purposes.

Transactions denominated in foreign currencies are recorded at the rates ruling on the date of the transaction. At the balance sheet date unhedged monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date.

### Share-based compensation

From 1st July 2006 the Company adopted FRS 20.

The Company issues share options to certain employees. The fair value of such options granted is calculated using the Black-Scholes option pricing model. The expense is spread over the period from the date of grant to the date the options vest and are exercisable, based on the best estimate of the number of shares that will eventually vest. The prior year comparative figures have been restated — see note 25. The effect of FRS 20 was to increase administrative expenses for the year ended 30th June 2006 by £35,600. The group net assets and the cash flow were unaffected. Additionally, the group is obliged to make a prior year adjustment totalling £94,000 as a result of this.

## 2. Segmental analysis

Analysis of turnover, operating profit and net assets is stated below:

	2007	2006
	£'000	£'000
<b>i) Turnover</b>		
<b>Class of business</b>		
Products	2,107.3	1,807.7
Services	2,005.0	1,326.8
	<b>4,112.3</b>	<b>3,134.5</b>
<b>Geographical analysis by destination</b>		
United Kingdom	3,751.9	2,961.5
Rest of Europe	161.2	142.5
North America	21.2	23.3
Rest of the World	178.0	7.2
	<b>4,112.3</b>	<b>3,134.5</b>
<b>Geographical analysis by origin</b>		
United Kingdom	4,112.3	3,134.5
		(Restated — note 25)
	2007	2006
<b>ii) Operating profit</b>	£'000	£'000
<b>Geographical analysis by origin</b>		
United Kingdom	680.3	302.2
North America	—	(0.1)
	<b>680.3</b>	<b>302.1</b>
	2007	2006
<b>iii) Net assets</b>	£'000	£'000
<b>Geographical location</b>		
United Kingdom	2,728.8	1,848.8
North America	(50.9)	(50.9)
	<b>2,677.9</b>	<b>1,797.9</b>

A split of operating profit and net assets for each business class has not been given as the directors believe this would be seriously prejudicial to the interests of the group.

## Notes to the Financial Statements continued

Year ended 30th June 2007

### 3. Information regarding directors and employees

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Directors' remuneration		
Emoluments	<b>326.1</b>	253.8

Included in the above directors' emoluments are fees paid to a third party which comprise £nil (2006 — £10,000) paid to R J Associates Limited under an agreement to provide the group with the services of Mr R Elder (as director).

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Highest paid director		
Emoluments	<b>257.0</b>	193.8

No director was a member of a pension scheme to which the group contributes in either the current or prior year.

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>No.</b>	No.	<b>No.</b>	No.
Average number of employees, including directors:				
Sales and marketing	<b>9</b>	7	—	—
Customer services and development	<b>10</b>	10	—	—
Administration	<b>6</b>	5	<b>2</b>	2.5
	<b>25</b>	22	<b>2</b>	2.5
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Staff costs incurred during the year:				
Wages and salaries	<b>1,777.3</b>	1,350.6	<b>314.8</b>	252.4
Social security costs	<b>150.7</b>	148.7	<b>29.5</b>	26.9
	<b>1,928.0</b>	1,499.3	<b>344.3</b>	279.3

#### 4. Operating profit

	2007	(Restated — note 25) 2006
	£'000	£'000
<b>Operating profit is after charging:</b>		
Research and development costs	202.6	307.3
Rentals under operating leases		
Other operating leases	35.0	35.0
Plant and machinery	9.5	11.8
Depreciation of tangible fixed assets		
Owned assets	77.9	85.6
Share based payment charges (see note 26)	131.4	65.5
Auditors' professional fees		
Group	42.5	30.3

#### Analysis of auditors' fees:

Audit of the Company's annual accounts	26.5	24.0
Other services pursuant to legislation		
Tax services	10.0	6.3
Corporate finance services	6.0	—
Total non-audit fees	16.0	6.3

Fees payable to Deloitte & Touche LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

#### 5. Interest receivable

	2007	2006
	£'000	£'000
Bank interest	92.0	63.6

#### 6. Interest payable and similar charges

	2007	2006
	£'000	£'000
Bank loans and overdrafts	5.3	9.4

## Notes to the Financial Statements continued

Year ended 30th June 2007

### 7. Tax on profit on ordinary activities

	2006 £'000	2005 £'000
United Kingdom corporation tax at 30% (2006 — 30%) based on the result for the year	—	—
Tax on profit on ordinary activities	—	—

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2006 — 30%). The actual tax charge for the current and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2007 £'000	(Restated — note 25) 2006 £'000
Profit on ordinary activities before tax	767.0	356.3
Tax on profit on ordinary activities at standard rate	230.1	106.9
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	40.7	6.6
Capital allowances in deficit of depreciation	0.4	25.1
Utilisation of tax losses	(273.5)	(138.9)
Movement in short-term timing differences	2.3	0.3
Group current tax charge for year	—	—

#### Group

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses as there is insufficient evidence that the asset will be fully recovered. The amount of the asset not recognised at 30th June 2007 is £2,652,700 (2006 — £3,026,400). The asset would be recovered if the group makes suitable taxable profits in the future. The tax rate used is 28%.

The group also has an unprovided deferred tax asset of £1,871,800 (2006 — £2,012,300) in respect of capital losses. This asset can be recovered against suitable capital gains in the future.

#### Company

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses and share option charges as there is insufficient evidence that the asset will be fully recovered. The amount of the asset not recognised at 30th June 2007 is £906,100 (2006 — £824,700). The asset would be recovered if the Company makes taxable income in the future. The Company also has an unprovided deferred tax asset of £1,871,800 (2006 — £2,012,300) in respect of capital losses. This asset can be recovered against suitable capital gains in the future.

## 8. Parent company results

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £668,900 (2006 — loss of £169,100).

## 9. Earnings per share

Earnings per share has been calculated in accordance with Financial Reporting Standard 22 (FRS 22). The calculation of earnings per share is based on the profit attributable to equity shareholders of £767,000 (2006 (restated — note 25) — £356,300) and 66,014,672 (2006 — 65,813,224) shares being the weighted average of the number of shares in issue during that period.

The diluted earnings per share take into account the potentially dilutive effect of share options; this is based on a diluted weighted average of 68,500,526 (2006 — 66,166,558) shares.

## 10. Tangible fixed assets

<b>Group</b>	<b>Domain names £'000</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1st July 2006	64.1	300.2	364.3
Additions	—	82.1	82.1
Disposals	—	(26.9)	(26.9)
At 30th June 2007	64.1	355.4	419.5
<b>Accumulated depreciation</b>			
At 1st July 2006	54.7	155.3	210.0
Charge for the year	8.8	69.1	77.9
Disposals	—	(26.9)	(26.9)
At 30th June 2007	63.5	197.5	261.0
<b>Net book value</b>			
At 30th June 2007	0.6	157.9	158.5
At 30th June 2006	9.4	144.9	154.3
			<b>Domain names £'000</b>
<b>Company</b>			
<b>Cost</b>			
At 1st July 2006 and at 30th June 2007			64.1
<b>Accumulated depreciation</b>			
At 1st July 2006			54.7
Charge for the year			8.8
At 30th June 2007			63.5
<b>Net book value</b>			
At 30th June 2007			0.6
At 30th June 2006			9.4

## Notes to the Financial Statements continued

Year ended 30th June 2007

### 11. Investments held as fixed assets

Group	Subsidiary undertakings £'000	Other £'000	Total £'000
<b>Cost</b>			
At 1st July 2006 and at 30th June 2007	—	350.0	350.0
<b>Provision</b>			
At 1st July 2006 and at 30th June 2007	—	350.0	350.0
<b>Net book value</b>			
At 30th June 2006 and at 30th June 2007	—	—	—
<b>Company</b>			
<b>Cost</b>			
At 1st July 2006	669.9	350.0	1,019.9
Additions	10,319.8	—	10,319.8
At 30th June 2007	10,989.7	350.0	11,339.7
<b>Provision</b>			
At 1st July 2006 and at 30th June 2007	36.0	350.0	386.0
<b>Net book value</b>			
At 30th June 2007	10,953.7	—	10,953.7
At 30th June 2006	633.9	—	633.9

Additions by the Company were an increase in the investment in its main operating subsidiary Netcall Telecom Limited.

The parent company has investments in the following subsidiary undertakings which principally affect the results and financial position of the group.

	<b>Main activity</b>
Netcall Telecom Limited	Development and marketing of commercial applications derived from the group's technology.
Netcall Telecom Inc	Marketing the group's solutions in the USA.

All subsidiary undertakings are wholly owned and registered in England except Netcall Telecom Inc., which is incorporated in the USA.

To avoid a statement of excessive length, details of the non-trading subsidiaries have been omitted.

## 12. Stocks

	Group	
	2007	2006
	£'000	£'000
Finished goods and goods for resale	38.1	62.2

## 13. Debtors

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Trade debtors	1,483.0	832.5	—	—
Amounts owed by subsidiary undertakings	—	—	—	9,253.9
VAT	—	0.9	2.9	0.9
Other debtors	26.4	24.6	—	20.3
Prepayments and accrued income	113.4	194.5	27.1	28.2
	1,622.8	1,052.5	30.0	9,303.3

All debtors fall due within one year of the balance sheet date.

## 14. Creditors: amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Bank loan (see note 15)	—	30.0	—	—
Amounts owed to subsidiary undertakings	—	—	971.3	217.4
Trade creditors	266.8	306.1	5.3	—
Taxation and social security	223.6	130.6	10.4	9.4
Accruals and deferred income	1,011.6	766.4	118.7	47.3
	1,502.0	1,233.1	1,105.7	274.1

## 15. Creditors: amounts falling due after more than one year

	Group	
	2007	2006
	£'000	£'000
Bank loan	—	57.5

The bank loan is guaranteed by the Department of Trade and Industry as part of the Small Firms Loan Guarantee Scheme. As part of this scheme the bank holds a floating charge over the assets of Netcall Telecom Limited. The bank loan was repaid during the year and the charges over the company assets were extinguished.

## Notes to the Financial Statements continued

Year ended 30th June 2007

### 16. Financial instruments

The group's policies regarding derivatives and financial instruments are set out in the Directors' Report and the accounting policies as set out in note 1.

Short-term debtors and creditors have been omitted from all disclosures other than the currency profile.

#### a) Maturity profile of financial liabilities

At 30th June 2007, the group borrowings comprised a bank loan of £nil (2006 — £87,500).

The maturity profile of financial liabilities is dealt with in note 15.

#### b) Interest rate profile

The group's financial liabilities as disclosed in notes 14 and 15 are all denominated in sterling.

The group's financial assets comprise cash at bank and in hand, fixed asset investments and trade debtors as shown in the consolidated balance sheet. Other than cash at bank and in hand, all financial assets are non-interest bearing. The fixed asset investments are in unlisted companies and are not therefore readily convertible into cash.

Funds are placed on deposit to maximise the interest obtained from them whilst providing sufficiently flexible access to the funds to meet the group's requirements. The deposits are on floating interest rates based on bank base rates.

#### c) Fair values of financial assets and liabilities

For all financial assets and liabilities book values are considered to approximate fair values.

There is not a ready market with regard to the group's unlisted fixed asset investments. All minority shareholdings in unquoted companies are valued at £nil (2006 — £nil) at the year end.

#### d) Hedging

It is not the group's policy to hedge interest rate and foreign currency risk.

#### e) Currency profile

The main functional currency of the group is sterling. The following analysis of net foreign currency monetary liabilities shows the group's currency exposures. The amounts shown represent the transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the group that are not denominated in the operating (or "functional") currency of the operating unit involved, namely sterling.

	2007	2006
	£'000	£'000
US Dollar	(5.7)	(44.6)
Euro	129.8	31.2

## 17. Called up share capital

	2007 £'000	2006 £'000
<b>Authorised</b>		
80,000,000 ordinary shares of 5p each	4,000.0	4,000.0
<b>Called up, allotted and fully paid</b>		
66,050,937 (2006 — 65,942,603) ordinary shares of 5p each	3,302.5	3,297.1

During the year as a result of share option exercises, 108,334 ordinary shares of 5p each were issued for proceeds of £7,854, resulting in a premium of £2,438.

Share options outstanding at 30 June 2007 were:

Number of shares under option	Exercise price	Exercise period
<i>EMI share option scheme</i>		
81,667	7.25p	19.12.03 – 19.12.12
81,667	7.25p	19.12.04 – 19.12.12
81,666	7.25p	19.12.05 – 19.12.12
400,000	25.00p	26.02.04 – 26.02.14
350,000	5.00p	23.05.07 – 23.05.10
625,000	5.00p	08.01.07 – 08.01.17
<i>Unapproved share option scheme</i>		
25,001	25.00p	19.12.02 – 19.02.08
24,999	25.00p	19.12.03 – 19.02.08
25,000	25.00p	19.12.04 – 19.02.08
1,500,000	5.00p	23.05.07 – 23.05.10
100,000	10.00p	Before 19.12.12
100,000	20.00p	15.02.04 – 15.02.12
250,000	24.00p	Before 24.05.14
2,170,000	5.00p	Before 05.03.16
500,000	5.00p	08.01.07 – 08.01.17
<u>6,315,000</u>		

## Notes to the Financial Statements continued

Year ended 30th June 2007

### 18. Reserves

<b>Group</b>	<b>Share premium account £'000</b>	<b>Special and capital reserves £'000</b>	<b>Merger reserve £'000</b>	<b>Employee share schemes reserve £'000</b>	<b>Profit and loss account £'000</b>
At 1st July 2006 as previously stated	15,125.2	245.1	—	29.9	(16,899.4)
Prior year adjustment	—	—	—	129.6	(129.6)
At 1st July 2006 — restated — note 25	15,125.2	245.1	—	159.5	(17,029.0)
Profit for the year	—	—	—	—	767.0
FRS 20 Employee Share Schemes	—	—	—	131.4	—
Issue of shares (net)	2.4	—	—	—	(26.2)
Share premium cancellation	(15,125.2)	—	—	—	15,125.2
Reclassification of reserves	—	(245.1)	—	—	245.1
At 30th June 2007	2.4	—	—	290.9	(917.9)

  

<b>Company</b>	<b>Share premium account £'000</b>	<b>Special and capital reserves £'000</b>	<b>Merger reserve £'000</b>	<b>Employee share schemes reserve £'000</b>	<b>Profit and loss account £'000</b>
At 1st July 2006 as previously stated	15,125.2	496.4	403.3	29.9	(7,968.4)
Prior year adjustment	—	—	—	129.6	(129.6)
At 1st July 2006 — restated — note 25	15,125.2	496.4	403.3	159.5	(8,098.0)
Profit for the year	—	—	—	—	668.9
FRS 20 Employee Share Schemes	—	—	—	101.0	—
Issue of shares	2.4	—	—	—	—
Share premium cancellation	(15,125.2)	—	—	—	15,125.2
Reclassification of reserves	—	(496.4)	—	—	496.4
At 30th June 2007	2.4	—	403.3	260.5	8,192.5

During the year, following a confirmatory order from the High Court, the Company cancelled its share premium account and transferred the consequent reserve arising to its profit and loss account.

Capital reserves were transferred to profit and loss account as the period of 10 years required by the High Court to set aside the reserves had expired.

## 19. Reconciliation of operating profit to net cash inflow from operating activities

		(Restated — note 25)
	2007	2006
	£'000	£'000
Operating profit	680.3	302.1
Depreciation charge	77.9	85.6
FRS 20 Share based payment charge	131.4	65.5
Loss on sale of fixed assets	—	8.2
Loss on transfer of fixed assets to stock	—	7.9
Decrease/(increase) in stocks	24.1	(42.7)
(Increase)/decrease in debtors	(570.3)	26.8
Increase in creditors	298.9	15.3
Net cash inflow from operating activities	642.3	468.7

## 20. Analysis of cash flows

	2007	2006
	£'000	£'000
<b>Returns on investments and servicing of finance</b>		
Interest received	92.0	63.6
Interest paid	(5.3)	(9.4)
Net cash inflow	86.7	54.2
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(82.1)	(83.6)
Net cash outflow	(82.1)	(83.6)
<b>Financing</b>		
Repayment of bank loan	(87.5)	(30.0)
Issue of new shares (net of issue costs)	(18.4)	16.8
Net cash outflow	(105.9)	(13.2)

## 21. Analysis of changes in net funds

	At 1st July 2006 £'000	Cash flows £'000	At 30th June 2007 £'000
Cash at bank and in hand	1,819.5	(1,459.0)	360.5
Cash on treasury deposit	—	2,000.0	2,000.0
Movement in liquid resources	1,819.5	541.0	2,360.5
Debt due after one year — bank loan	(57.5)	57.5	—
Debt due within one year — bank loan	(30.0)	30.0	—
Net funds	1,732.0	628.5	2,360.5

## Notes to the Financial Statements continued

Year ended 30th June 2007

### 22. Operating lease commitments

At 30th June 2007 the group was committed to making the following annual payments in respect of operating leases:

	Land and buildings		Other	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Leases which expire:				
Within two to five years	40.0	—	1.8	—
After five years	—	35.0	—	—
	40.0	35.0	1.8	—

At 30th June 2007 the Company had no operating lease commitments (2006 — nil).

### 23. Capital commitments

At 30th June 2007 neither the Company nor the group had any capital commitments contracted but not provided for.

### 24. Contingent liabilities

The Company had no contingent liability.

### 25. Restatement of comparatives

#### Profit and loss account

		Share based charges £'000	administrative expenses £'000	Total
<b>Administrative expenses</b>				
As previously reported at 30th June 2006		29.9	2,346.9	
Additional charge arising from adoption of FRS 20		35.6	35.6	
At 30th June 2006 restated		65.5	2,382.5	
<b>Profit and earnings per share</b>	<b>Operating profit £'000</b>	<b>Profit for financial year £'000</b>	<b>Earnings per share pence</b>	
As previously reported at 30th June 2006	337.7	391.9	0.59	
Additional charge arising from adoption of FRS 20	(35.6)	(35.6)	(0.05)	
At 30th June 2006 restated	302.1	356.3	0.54	
<b>Shareholders' funds</b>		<b>Employee share schemes reserve £'000</b>	<b>Profit and loss account £'000</b>	
As previously reported at 30th June 2006		29.9	(16,899.4)	
Additional charge arising from adoption of FRS 20		35.6	(35.6)	
Prior year adjustment arising from adoption of FRS 20		94.0	(94.0)	
At 30th June 2006 restated		159.5	(17,029.0)	

The restatement has no net impact on net assets or shareholders' funds. The restatement establishes a new employee share scheme reserve with a corresponding reduction in the profit and loss account reserve.

## 26. Share based payments

### Equity-settled share option scheme

The group has share option schemes for certain employees of the group. Options are exercisable at prices determined at the date of grant. The vesting periods are between one and 120 months. If the options remain unexercised after the vesting period, the options expire. Options are forfeited if the employee leaves the group before the options vest.

Details of the share options outstanding during the year are as follows

	2007		2006	
	Number of share options	Weighted average exercise price (in pence)	Number of share options	Weighted average exercise price (in pence)
At 1st July	5,748,334	15.5	6,430,001	21.4
Granted	2,975,000	5.0	2,170,000	5.0
Forfeited or cancelled	(2,300,000)	11.3	(2,600,000)	22.7
Exercised	(108,334)	7.3	(251,667)	8.7
Expired	—	—	—	—
At 30th June	6,315,000	7.7	5,748,334	15.5
Exercisable at 30th June	1,070,001	20.2	720,001	19.0

The options outstanding at 30th June 2007 had a weighted average exercise price of 7.7 pence, and a weighted average remaining contractual life of 6.6 years. In 2007, options were granted on 8th January and 23rd May. The aggregate of the estimated fair values of the options granted on those dates is £0.59 million. In 2006, options were granted on 6th March. The aggregate of the estimated fair values of the options granted on those dates is £0.26 million.

The inputs into the Black-Scholes option pricing model are as follows:

	2007	2006
Weighted average share price	18.5p	15.8p
Weighted average exercise price	7.7p	15.5p
Expected volatility	40%	40%
Expected life	3–10 years	7–10 years
Risk-free rate	4.08%–5.30%	4.47%–5.07%
Expected dividends	—	—

Expected volatility is based on the historical volatility of the group's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The group recognised total expenses of £131,400 and £65,500 related to equity-settled share-based payment transactions in 2007 and 2006 respectively.



## Notice of Annual General Meeting

Notice is hereby given that the 2007 Annual General Meeting of Netcall plc will be held at 11 a.m. on 15th November 2007 at 10 Harding Way, St Ives, Cambridgeshire, PE27 3WR for the purpose of considering and, if thought fit, passing the following resolutions:

### Ordinary business

**Resolution 1:** To receive audited accounts for the year ended 30th June 2007 together with the reports of the directors and auditors thereon.

**Resolution 2:** To reappoint Deloitte & Touche LLP as auditors and to authorise the directors to determine their remuneration.

**Resolution 3:** To re-elect Henrik Bang as a director who retires by rotation in accordance with the Articles of Association.

### Special business

**Resolution 4:** To consider and, if thought fit, pass the following as an ordinary resolution:

“THAT the Board be and is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal value of £200,000, provided that this authority shall expire one year after the passing of this resolution save that the Company may before such an expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.”

**Resolution 5:** To consider and, if thought fit, pass the following as a special resolution:

“THAT, subject to the passing of the previous Resolution 4, the Board be and is hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the Companies Act 1985) up to an aggregate nominal amount of £200,000 pursuant to the authority conferred by the previous resolution as if subsection (1) of section 89 of the Companies Act 1985 did not apply to such allotment.”

By order of the Board

**A K Pearson-Hurrell**  
**Secretary**

10 Harding Way  
St Ives  
Cambridgeshire  
PE27 3WR  
29th September 2007

### Notes:

- 1 A member of the Company entitled to attend and vote at this meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member.
- 2 To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determination by the Company of the number of votes they may cast), members must be entered on the Company's Register of Members by 11 a.m. on 15th November 2007.
- 3 Completion and return of a proxy does not preclude a member from attending and voting at the meeting.
- 4 You will find attached a form of proxy for use by members which, to be valid, must be completed and signed, together with any power of attorney or other authority under which it is signed or a notarially certified or office copy thereof, and received by the Company's registrars not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

## Netcall plc Proxy

For use at the Annual General Meeting to be held on 15th November 2007

I (Block letters please) .....

.....

of .....

.....

.....

being a member of Netcall plc hereby appoint the Chairman of the meeting, or failing him\*

.....

as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held on 15th November at 11 a.m. at 10 Harding Way, St Ives, Cambridgeshire, PE27 3WR and any adjournment thereof.

\* If it is desired to appoint as proxy any other person, delete the Chairman of the meeting, or failing him and insert the name of your proxy; the alteration must be initialled.

<b>Ordinary Resolutions</b>	<b>For</b>	<b>Against</b>
1 To receive the audited accounts for the year ended 30th June 2007 together with the reports of the directors and auditors thereon.		
2 To reappoint Deloitte & Touche LLP as auditors and to authorise the directors to determine their remuneration.		
3 To re-elect Henrik Bang as a director who retires by rotation in accordance with the Articles of Association.		
<b>Special Resolutions</b>		
4 To authorise the directors to allot relevant securities.		
5 To authorise the directors to allot equity security for cash for certain purposes.		

### Notes:

- 1 To be valid the form of proxy must be completed and deposited with the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3BR, not later than 48 hours before the time fixed for holding the Meeting or adjourned Meeting.
- 2 If the appointer is a corporation this form of proxy should be executed under common seal or under the hand of an officer duly authorised in writing.
- 3 In the case of joint holders the signature of any one holder will be sufficient but the names of all joint holders should be stated.
- 4 A member may appoint his or her own proxy in the space provided and such proxy need not be a member of the Company.
- 5 If the proxy is not mandated as to how to vote, he or she may vote at his or her discretion.

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**THE REGISTRAR  
NEVILLE REGISTRARS LIMITED  
NEVILLE HOUSE  
18 LAUREL LANE  
HALESOWEN  
WEST MIDLANDS  
B63 3BR**

First fold

Third fold  
and tuck in flap opposite



**Netcall plc**

10 Harding Way

St Ives

Cambridgeshire

PE27 3WR

t. 0800 3766955

**[www.netcall.com](http://www.netcall.com)**