



**Netcall plc**

Annual report and accounts 2008

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“We are so pleased that the success has been visible from the start. When you are dealing with people’s precious holiday time you want to give them the best service available, and QueueBuster allows us to do that.”

### **Virgin Holidays**

### **Financial Highlights**

- Revenue of £3.60 million (2007: £4.11 million)
- Gross profit margin increased to 89% (2007: 87%)
- Operating costs, excluding share-based charges, decreased to £2.64 million (2007: £2.77 million)
- Profit before share-based charges and tax £0.71 million (2007: £0.90 million)
- Cash position improved 24% to £2.92 million (2007: £2.36 million)
- Net assets increased by 47% to £3.95 million (2007: £2.68 million)

### **Operational Highlights**

- Continued expansion of customer base, including contracts with Interflora, Virgin Holidays and Lloyds TSB
- New strategic partnership with Cable & Wireless enhances Netcall’s market reach
- Proportion of revenues from distribution channels continued to grow, accounting for 52% of total revenues (2007: 47%)
- During the year QueueBuster saved the public more than 500 years of telephone queuing

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

“Netcall continues to occupy a leading position in a niche market, adding a wide range of new customers during the year and increasing our market reach through partnerships and distribution channels. Whilst lower activity levels among some of our customers has had a short-term impact on our top-line, our cash position continues to strengthen and we are pleased with the operational strength of the Group. We are confident that Netcall is well positioned to withstand the current economic climate. We have had an encouraging start to the new financial year and we shall continue to seek new opportunities to broaden our market reach, develop our products in anticipation of market demand and explore all avenues to deliver enhanced shareholder value.”

## Chairman's Statement

Netcall has made good operational progress this year and achieved this in a business environment which has been much more demanding than previously, and it is clear that while Netcall has been resilient, the Group has not been immune to the wider economic downturn. The second half of the financial year showed improvement and we continue to make solid progress, positioning us well to achieve growth in the future.

We have continued to sign new customers and our customer base is broader than ever covering the financial sector, communications, utilities, retail and the government sectors amongst others. With our strong cash position, we therefore believe we are well positioned to weather the current downturn and benefit from any changes in overall market conditions. The Group's cash position continues to strengthen and increased by 24% during the year to £2.92 million (2007 — £2.68 million)

The figures reported today for the year to 30th June 2008 resulted in revenues for the year of £3.6 million. Encouragingly revenues in the second half grew by 13% when compared to the first half and accordingly profit margins were restored.

Gross margins for the year grew to 89% (2007 — 87%) which combined with a reduction in operating costs by 4% to £2.6 million (2007 — £2.8 million) contributed to the Group achieving a solid profit margin and generating significant cash.

It is clear that the strategy implemented in 2005, to move towards the delivery of our products via a Software as a Service (SaaS) model, is providing a robust stream of recurring revenues, reducing our reliance on large licence deals, whilst at the same time increasing our market reach through channel partners. This is enhancing the business in today's tough market, and we believe will continue to do so.

We have had an encouraging start to the new financial year and we shall continue to seek new opportunities to broaden our market reach, develop our products in anticipation of market demand and explore all avenues to deliver enhanced shareholder value.

I would like to take this opportunity to thank the staff and our partners for their continued support and contribution. Netcall consists of many talented people, whose dedication to the Group and belief in the power of our products is fundamental to our robust success.

**Ron Elder, Chairman**  
**29th September 2008**

“After the outstanding success of QueueBuster in our Nottingham sales based call centre we are now expanding the use of QueueBuster to our customer care site based in Sleaford. We are so delighted with the success we have already had in such a short space of time.”

**Interflora**

## Chief Executive's Review

Netcall expanded its market footprint during the financial year by an ongoing acquisition of new customers at a rate similar to the previous year. This was achieved in a very different and more challenging market environment where a number of our customers and prospects experienced significant changes to their businesses which in some cases had an effect on Netcall.

Despite these challenges the Group's overall health improved. Margins increased which, combined with robust cost management, resulted in a healthy double-digit profit margin making it the second best year in the Group's history. As a result the business has continued to generate significant amounts of cash thereby improving the strength of the balance sheet.

While maintaining its core business strategies Netcall adapted its execution during the financial year as a response to the changing market conditions. As a result the Group delivered a significantly improved performance in the second half compared to the first six months of the financial year confirming the continued demand for Netcall's products.

### Financial results

Revenue for the financial year was £3.60 million (2007 — £4.11 million) and the share of revenue from distribution channels grew to 52% of total revenues (2007 — 46%). The revenue split between hosted services and product sales remained even with hosted revenues contributing 49% of total revenues at £1.78 million (2007 — £2.00 million), and product revenues accounting for the remaining 51% at £1.82 million (2007 — £2.11 million).

Robust cost management resulted in a 4% reduction in administrative expenses (excluding share based charges of £0.20 million) to £2.64 million (2007 — £2.77 million).

Adjusted profits (profit before share based charges and tax) for the year of £0.71 million (2007: £0.90 million) were healthy, with the second half showing a substantial improvement compared to the first 6 months achieving £0.43 million compared to £0.28 million and consequently the second half year margins returned to the level of the previous year.

Profit before tax was £0.51 million, (2007 — £0.77 million) including share option charges. Following the first time recognition of a deferred tax asset the results incorporate a one off tax credit of £0.56 million which has resulted in an increase in net profit for the year to £1.07 million (2007 — £0.77 million). Accordingly earnings per share have grown to 1.62p (2007 — 1.16p).

These results are the first reported fully adopting IFRS. Following this adoption there has been no significant change to previously reported results.

Cash generated from operations for the year was £0.43 million (2007 — £0.64 million) and the Group's net funds increased by 24% to £2.92 million as at 30th June 2008 (2007 — £2.36 million).

Net assets increased by 47% to £3.95 million (2007 — £2.68 million), reflecting the underlying strength and resilience of the Group and its strategy.

## Chief Executive's Review continued

### Review of Operations

#### Products

Netcall is the leading specialist in callback, auto-messaging and contact solutions for companies of all sizes. The Group designs, develops and supplies a range of innovative communication solutions to organisations focusing on enhancing client businesses by:

- Improving operational efficiency
- Improving customer experience and satisfaction
- Increasing sales
- Improving employee morale

All Netcall applications run on the Group's Intelligent Communications Platform (ICP), which has been built based on industry standards to ensure full cross-platform compliance. Netcall has integrated its solutions with all leading Automatic Call Dialing platforms, Carrier switches, Network Routing and Computer Telephony Integration Systems. During the financial year Netcall became a Gold member of the Avaya developer program and also received the Cisco Technology Development Program accreditation.

The Group's ICP runs both on hardware at a client's location or as a supported service, hosted remotely and delivered as a Software as a Service (SaaS) solution, enabling a rapid low-cost, low-risk and flexible set-up with no capital investment.

Netcall's flagship product, QueueBuster, eliminates the need for customers to be kept waiting on hold by contact centres by taking the callers place in the queue and providing them with an automatic call back when an agent is free. QueueBuster, delivering millions of call backs, continued to provide excellent results for our customers

during the year by improving efficiencies, helping to drive sales and improve customer service. During the year QueueBuster has saved the public over 500 years of queuing.

#### Market

There continues to be a solid and ongoing requirement for organisations and their contact centres to improve efficiencies and customer service. In parallel consumers repeatedly rate waiting in call centre queues as one of the biggest causes of customer dissatisfaction. These are key issues that QueueBuster addresses for the Group's customers.

Whilst the broader economic climate had an impact on a number of customers and prospects, the core benefits that Netcall's solutions provide remain in demand resulting in the ongoing acquisition of new customers.

#### Expanded customer base

Netcall acquired a number of new customers directly or via channel partners during the year including Interflora and Virgin Holidays and also expanded its footprint within its existing customer base, for example, at Lloyds TSB. As a result the number of new customer acquisitions remained stable compared to the previous year. However the business was affected by reduced activity levels at some of our customers which in turn impacted the recurring revenue stream and delayed some purchase decisions.

“We looked at a number of different solutions and the QueueBuster on-demand solution was the one that really stood out in terms of the benefits offered, and perfectly fitted our company requirements.”

### **Bournemouth & West Hampshire Water**

#### **Channel partnerships**

The Group's continued focus on expanding its market reach via distribution partners has seen the proportion of total revenues received from channel partnerships continue to grow to 52% (2007 — 46%). A significant development was the announcement of a new partnership agreement with Cable & Wireless Europe, Asia and US to integrate a hosted platform into its existing infrastructure to deliver Netcall's flagship product QueueBuster as part of its product and service portfolio. This agreement started showing initial rewards during the second half of the year with a number of new customers signing up as a result of this relationship.

#### **Strategy**

Netcall's ambition remains to increase the market acceptance of its products and to work with distribution partners to achieve broader market reach. The Group will continue its focus on business models which generate a high element of recurring revenue thereby improving future revenue visibility.

By pursuing this business model, Netcall has transformed over the past few years from a volatile license business model to one which focuses on a high element of recurring and visible revenue which continues to be converted into profit and cash.

By staying focused on the long term strategy for growth, the Board is confident that Netcall will achieve long term success and the Group continues to explore all avenues to generate significant value for our shareholders in the process.

#### **Current Trading**

The uptake of Netcall's products is continuing to expand within our existing customer base, and we are also seeing sign up with additional blue chip organisations. I am pleased to report that the first quarter is ahead of the same period last year, and this combined with our continued cash generation, healthy balance sheet and ongoing customer wins is encouraging for the future.

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

## Officers and Professional Advisers

### Chairman

Ron Elder\*† (58) 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 (49) 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.

### Non-executive Director

Roger Allsop\*† (65) joined the Board in 1987.

He is commercial Director of AIM-listed Tricorn Group PLC, chairman of Malvair 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

### Company registration number

1812912

### Registered office

10 Harding Way  
St Ives  
Cambridgeshire  
PE27 3WR

### Directors

R Allsop  
R Elder  
H Bang

### Secretary

A Pearson-Hurrell

### Bankers

National Westminster Bank PLC  
Cambridge

### Nominated advisers

Evolution Securities Limited  
100 Wood Street  
London  
EC2V 7AN

### Registrars

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

### Solicitors

Taylor Vinters  
Cambridge

### Auditor

Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants  
Cambridge

## Report of the Directors

The Directors present their report and the financial statements of the Group for the year ended 30th June 2008.

### 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 income statement on page 12. The position of the Group and the Company at the end of the year is set out in the balance sheets on pages 13 and 33. A review of the Group's performance for the year ended 30th June 2008 and future developments is contained in the Chairman's Statement and the Chief Executive's Review.

The Directors monitor the progress against the overall Group strategy using the following key performance indicators which are measured against budget and forecasts by reference to certain financial key performance indicators.

	2008	2007	2006
Revenues from services (1)	49%	49%	42%
Revenues from channels (2)	51%	46%	37%
Recurring revenues (3)	78%	73%	73%
Gross profit margin (%) (4)	89%	87%	86%
Operating costs before share charges £'000 (5)	2,643	2,765	2,317
Adjusted operating profits (6)	20%	22%	13%
Operating cash flow £'000 (7)	573	729	523
Total equity £'000 (8)	3,947	2,678	1,798

(1) Revenues from services as % of total revenues

(2) Revenues from channels as % of total revenues.

(3) Revenues from services and product support and maintenance as a % of total revenues.

(4) Gross profit as % of revenues.

(5) Operating expenses before share option charges.

(6) Operating profits after interest before share-based charges and taxation as % of revenue.

(7) Cash flow and interest generated by operations.

(8) Share capital and reserves.

### Future prospects

The Group anticipates future growth to derive from the growth in sales of its products and services through increased activity from its key partners.

The Board believes that hosted services and product support recurring revenue continues to enhance the robustness in the Group's revenue streams across a broader customer base. This, coupled with its tight control of costs and healthy cash balance, underpins the Group's strength in current market conditions.

### Dividends

The Directors do not recommend the payment of a dividend (2007 — nil).

### Research and development

The Group continues an active programme of research and development to continually enhance its product offerings.

### 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 33 days (2007 — 30 days).

### Political and charitable contributions

There were no political or charitable donations in the year (2007 — nil).

### Directors and their interests

The Directors who held office at 30th June 2008 had the following beneficial interests in the Company's shares at 30th June 2008 and 1st July 2007:

	Ordinary shares of 5p each	
	At 30th June 2008	At 1st July 2007
	Number	Number
R Allsop	1,100,000	1,000,000
R Elder	130,000	80,000
H Bang	330,000	255,000

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

## Report of the Directors continued

Directors who held office at 30th June 2008 had the following interests in share options over ordinary shares of 5p each:

	At 1st July 2007	Granted	Lapsed/ cancelled	At 30th June 2008	Exercise price	Exercisable
R Allsop	100,000	—	—	<b>100,000</b>	20p	Before 15.02.12
	100,000	—	—	<b>100,000</b>	10p	Before 19.12.12 <sup>(1)</sup>
R Elder	250,000	—	—	<b>250,000</b>	24p	Before 26.02.14 <sup>(2)</sup>
H Bang	400,000	—	—	<b>400,000</b>	25p	Before 26.02.14
	300,000	—	—	<b>300,000</b>	5p	Before 05.03.16 <sup>(3)</sup>
	720,000	—	—	<b>720,000</b>	5p	Before 05.03.16 <sup>(4)</sup>
	350,000	—	—	<b>350,000</b>	5p	Before 05.03.16 <sup>(5)</sup>
	550,000	—	—	<b>550,000</b>	5p	Before 05.03.16 <sup>(6)</sup>
	250,000	—	—	<b>250,000</b>	5p	Before 05.03.16 <sup>(7)</sup>
	1,500,000	—	—	<b>1,500,000</b>	5p	Before 23.05.10 <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 2008 was 9p and the range during the year ended 30th June 2008 was 9p to 30.6p.

### Substantial interests

At 19th September 2008 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	15,069,882	22.82%
Bluehone Investors LLP	5,940,242	8.99%
J Patoff	4,249,411	6.43%
Portside Holdings	3,500,000	5.30%
J Rubins	2,970,000	4.50%
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

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' responsibilities for the financial statements

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 consolidated financial statements in accordance with International Financial Reporting Standards and the parent Company accounts in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group for that year. 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 International Financial Reporting Standards for the Group and UK Accounting Standards for the Parent Company have been followed, subject to any material departures disclosed and explained in the financial statements.
- 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 proper accounting records that 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 1985. 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.

## Report of the Directors continued

### Corporate governance

The Company is listed on AIM and is therefore not required to comply with the provisions of the Financial Reporting Council 2006 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 a minimum of eleven times a year; it comprises one Executive Director and two Non-Executives Directors (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 one Non-Executive Director; the Executive Director attends the meetings by invitation only; it meets the external Auditor 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.

### Auditor

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 Auditor is 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 Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

Grant Thornton UK LLP have expressed their willingness to continue in office as Auditor 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 Bang**  
**Director**

## Report of the Independent Auditor to the Members of Netcall plc

We have audited the Group and Parent Company financial statements of Netcall plc for the year ended 30th June 2008 which comprise the consolidated income statement, the consolidated and Parent Company balance sheets, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement, notes 1 to 30 for the Group and notes 1 to 13 for the Parent Company. 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 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 Auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the Parent Company financial statements in accordance with United Kingdom law and 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement and the Chief Executive's Review that is cross referred from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial

statements. The other information comprises only the Report of the Directors, the Chairman's Statement and the Chief Executive's Review. 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 other information.

### 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 judgments 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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union and of the state of the Group's affairs as at 30th June 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 30th June 2008
- the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of Directors is consistent with the financial statements.

### Grant Thornton UK LLP

#### Registered Auditor

Chartered Accountants  
Cambridge



## Consolidated Income Statement

Year ended 30th June 2008

	Note	2008 £'000	2007 £'000
<b>Revenue</b>	5	<b>3,600.5</b>	4,112.3
Cost of sales		<b>(386.6)</b>	(535.2)
<b>Gross profit</b>		<b>3,213.9</b>	3,577.1
Administrative charges before share-based charges		<b>(2,643.1)</b>	(2,765.4)
Share-based charges		<b>(200.0)</b>	(131.4)
<b>Total administrative expenses</b>		<b>(2,843.1)</b>	(2,896.8)
<b>Profit before share-based charges</b>		<b>570.8</b>	811.7
Share-based charges	7	<b>(200.0)</b>	(131.4)
<b>Profit before interest and tax</b>	6	<b>370.8</b>	680.3
Finance income receivable	8	<b>138.6</b>	92.0
Finance costs payable	8	<b>—</b>	(5.3)
<b>Profit for the year before taxation</b>		<b>509.4</b>	767.0
Taxation	9	<b>560.0</b>	—
<b>Net profit for the year</b>		<b>1,069.4</b>	767.0
Attributable to Shareholders of Netcall plc		<b>1,069.4</b>	767.0
<b>Earnings per share</b>			
Basic	11	<b>1.62p</b>	1.16p
Diluted	11	<b>1.61p</b>	1.12p

All of the activities of the Group in the current year are classed as continuing.

The accompanying accounting policies and notes form part of these financial statements.

## Consolidated Balance Sheet

As at 30th June 2008

	Note	2008 £'000	2007 £'000
<b>Assets</b>			
<i>Non-current assets</i>			
Intangible assets	13	37.9	50.9
Property, plant and equipment	14	69.7	115.0
Deferred tax asset	19	560.0	—
		<b>667.6</b>	165.9
<i>Current assets</i>			
Inventories	15	77.6	38.1
Trade and other receivables	16	1,534.1	1,615.4
Cash and cash equivalents	17	2,915.3	2,360.5
		<b>4,527.0</b>	4,014.0
<b>Total assets</b>		<b>5,194.6</b>	4,179.9
<i>Equity</i>			
Share capital	20	3,302.5	3,302.5
Share premium account		2.4	2.4
Employee share schemes reserve		441.0	290.9
Profit and loss account		201.4	(917.9)
<b>Total equity</b>		<b>3,947.3</b>	2,677.9
<i>Current liabilities</i>			
Trade and other payables	18	1,247.3	1,502.0
<b>Total equity and liabilities</b>		<b>5,194.6</b>	4,179.9

These financial statements were approved by the Board of Directors and authorised for issue on 29th September 2008.

They were signed on its behalf by:

**R Elder**  
**Director**

**H Bang**  
**Director**

The accompanying accounting policies and notes form part of these financial statements.

## Consolidated Statement of Changes in Equity

As at 30th June 2008

### Equity attributable to shareholders of Netcall plc:

	Share capital £'000	Share premium account £'000	Special and capital reserve £'000	Employee share schemes reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1st July 2006	3,297.1	15,125.2	245.1	159.5	(17,029.0)	1,797.9
Profit for the year and total recognised income and expenditure for the year	—	—	—	—	767.0	767.0
Allotment of shares	5.4	2.4	—	—	(26.2)	(18.4)
Increase in equity reserve in relation to options issued	—	—	—	131.4	—	131.4
Share premium cancellation	—	(15,125.2)	—	—	15,125.2	—
Reclassification of reserves	—	—	(245.1)	—	245.1	—
Balance at 30th June 2007	3,302.5	2.4	—	290.9	(917.9)	2,677.9
Profit for the year and total recognised income and expenditure for the year	—	—	—	—	1,069.4	1,069.4
Increase in equity reserve in relation to options issued	—	—	—	200.0	—	200.0
Reclassification following lapse of options	—	—	—	(49.9)	49.9	—
<b>Balance at 30th June 2008</b>	<b>3,302.5</b>	<b>2.4</b>	<b>—</b>	<b>441.0</b>	<b>201.4</b>	<b>3,947.3</b>

The accompanying accounting policies and notes form part of these financial statements.

## Consolidated Cash Flow Statement

As at 30th June 2008

	Note	2008 £'000	2007 £'000
<b>Cash generated from operations</b>	22	<b>434.7</b>	642.5
Interest paid		—	(5.3)
Net cash generated from operations		<b>434.7</b>	637.2
<b>Investing activities</b>			
Additions to property, plant and equipment		<b>(6.2)</b>	(48.5)
Purchase of intangible assets		<b>(12.3)</b>	(33.8)
Interest received		<b>138.6</b>	92.0
<b>Cash inflow from investing activities</b>		<b>120.1</b>	9.7
<b>Financing activities</b>			
Proceeds from share issues		—	(18.4)
Repayment of long-term borrowings		—	(87.5)
<b>Cash inflow from financing activities</b>		—	(105.9)
Net changes in cash and cash equivalents		<b>554.8</b>	541.0
Cash and cash equivalents, beginning of year		<b>2,360.5</b>	1,819.5
<b>Cash and cash equivalents, end of year</b>		<b>2,915.3</b>	2,360.5

The accompanying accounting policies and notes form part of these financial statements.

## Notes to the Financial Statements

Year ended 30th June 2008

### 1 Nature of operations and general information

Netcall plc and its subsidiaries are a Group of companies which design, develop and market advanced technologies that enable businesses to integrate and manage telephony efficiently.

Netcall plc, a limited liability company, is the Group's ultimate Parent Company. It is registered in England and Wales. The address of Netcall plc's registered office is also its principal place of business.

The financial statements for the year ended 30th June 2008 (including the reclassified comparatives for the year ended 30th June 2007) were approved by the Board of Directors on 29th September 2008.

Netcall plc's shares are listed on the London Stock Exchange's Alternative Investment Market (AIM). Netcall plc's consolidated full year financial statements are presented in British pounds (£), which is also the functional currency of the ultimate Parent Company.

### 2 Transition to IFRS

#### Overall considerations

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its financial statements. The Group established its IFRS accounting policies on its transition date, 1st July 2006, and applied these to the IFRS opening balance sheet at its date of transition, 1st July 2006.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below. The transition to IFRS has not resulted in any remeasurement adjustments and a reconciliation of profit is therefore not included. The transition to IFRS has also not resulted in any change to equity and so a reconciliation of equity is not included.

#### Reclassification of intangible assets

Under UK GAAP domain names and software costs were recognised within tangible fixed assets and patent costs in prepayments. There is no tangible fixed assets category under IFRS and instead there is a category of property, plant and equipment. These costs have therefore been reclassified in these IFRS financial statements and recognised within intangible assets.

	UK GAAP £'000	Reclassification £'000	IFRS £'000
<b>At 1st July 2006</b>			
<b>Non-current assets</b>			
Intangible assets	—	47.6	47.6
Property, plant and equipment	154.3	(33.6)	120.7
Trade and other receivables	1,052.5	(14.0)	1,038.5
<b>At 30th June 2007</b>			
<b>Non-current assets</b>			
Intangible assets	—	50.9	50.9
Property, plant and equipment	158.5	(43.5)	115.0
Trade and other receivables	1,622.8	(7.4)	1,615.4

#### Explanation of adjustments to the cash flow statement

The definition of cash is narrower under UK GAAP than under IAS 7 "Cash Flow Statements". Under IFRS highly liquid investments, readily convertible to a known amount of cash and with an insignificant risk of changes in value, are regarded as cash equivalents. The cash flow statement in the last UK GAAP financial statements reported movements in cash. The cash flow statement in these IFRS consolidated financial statements reports movements in cash and cash equivalents.

Cash and cash equivalents under IFRS include some investments that were recorded as liquid investments under UK GAAP. Cash and cash equivalents includes £2,000,000 at 30th June 2007 which was accounted for as liquid resources under UK GAAP.

### Presentation of financial reports

The overall presentation of the financial statements has been changed further to comply with IAS 1 “Presentation of Financial Statements” and IAS 7 “Cash Flow Statements”.

### IFRS exemptions

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These financial statements have been prepared on the basis of taking the following exemptions:

- Business combinations prior to 1st July 2006, the Group’s date of transition to IFRS, have not been restated to comply with IFRS 3 Business Combinations;
- Cumulative translation differences on foreign operations are deemed to be nil at 1st July 2006, any gains and losses recognised in the consolidated income statement on subsequent disposal of foreign operations will exclude translation differences arising prior to the transition date; and
- IFRS 2 Share-based payment has only been applied to all grants of equity instruments after 7th November 2002 that were unvested as of 1st July 2006.

### Standards and interpretations currently in issue but not yet effective

The following new Standards and Interpretations, which are yet to become mandatory, have not been applied in the consolidated financial statements.

<b>Standard or Interpretation</b>	<b>Effective for reporting periods starting on or after</b>
IFRIC 14, IAS 19 <i>The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1st January 2008
IFRIC 12, <i>Service Concession Arrangements</i>	1st January 2008
IFRIC 13, <i>Customer Loyalty Programmes</i>	1st July 2008
IFRIC 16, <i>Hedges of a Net Investment in a Foreign Operation</i>	1st October 2008
IAS 1, <i>Presentation of Financial Statements (revised 2007)</i>	1st January 2009
Improvements to IFRSs	1st January 2009 other than certain amendments effective 1st July 2009
IAS 23, <i>Borrowing Costs (revised 2007)</i>	1st January 2009
Amendment to IAS 32 <i>Financial Instruments: presentation and IAS 1 Presentation of Financial statements — Puttable Financial Instruments and obligations arising on Liquidation</i>	1st January 2009
Amendment to IFRS 2 <i>Share-based payment — Vesting Conditions and Cancellations</i>	1st January 2009
IFRS 8 <i>Operating Segments</i>	1st January 2009
Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements — Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1st January 2009
IFRIC 15 <i>Agreements for the Construction of Real Estate</i>	1st January 2009
IFRS 3 <i>Business Combinations (Revised 2008)</i>	1st July 2009
Amendment to IAS 39 <i>Financial Instruments: Recognition and Measurement — Eligible Hedged Items</i>	1st July 2009
IAS 27 <i>Consolidated and Separate Financial Statements (Revised 2008)</i>	1st July 2009

Based on the Group’s current business model and accounting policies, management does not expect material impacts on the consolidated financial statements when the Standards and Interpretations become effective, except the amendment to IAS 1 and IFRS 8 that will impact on the presentation of the financial statements. The Group does not intend to apply any of these pronouncements early.

## Notes to the Financial Statements continued

Year ended 30th June 2008

### 3 Principal accounting policies

#### Basis of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (EU).

These financial statements have been prepared under the historical cost convention.

Netcall plc’s consolidated financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 30th June 2007. The date of transition to IFRS was 1st July 2006. The comparative figures have been restated as a result of adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules, presented and explained in note 2.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these financial statements. The principal accounting policies for the Group are set out below:

#### Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings using the purchase method of accounting. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights. 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.

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### Business combinations completed prior to date of transition to IFRS

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to date of transition.

Accordingly the classification of the combination remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition, 1st 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. All acquisitions prior to the date of transition have been accounted for using the acquisition method except for the acquisition of Netcall Technologies Limited.

When Netcall plc acquired Netcall Technologies 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. The merger reserve has remained unchanged on transition to IFRS.

#### 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 carried at cost less accumulated impairment losses.

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.

#### Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT. Revenue is recognised upon the performance of services or transfer of risk to the customer.

#### Product

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

#### Support and maintenance

Support and maintenance revenues are recognised on a straight-line basis over the support and maintenance period.

### 3 Principal accounting policies continued

#### Service

Service revenues are recognised on a straight-line basis over the periods defined in the service agreements and where appropriate at time of delivery.

#### Interest

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### Intangible assets

Domain names, trade marks, patents and software are measured initially at cost and are amortised on a straight-line basis over their estimated useful life. Carrying amounts are reduced by provisions for impairment where necessary.

Amortisation is provided on a straight-line basis at rates of 20% to 33% per annum, in order to write off the cost, less estimated residual value, of each asset, over its expected useful economic life.

#### Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

#### Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Depreciation

Depreciation is calculated to write down the cost less estimated residual value of property, plant and equipment by equal annual instalments over their estimated useful economic lives. The rates generally applicable are 20–33% per annum for the fixtures and fittings and equipment.

Material residual value estimates are updated as required, but at least annually.

#### Research and development

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period to which it is incurred.

Development is only recognised as an intangible asset if each of the following conditions have been met:

- It is reasonably expected that the asset is likely to generate net future economic benefit;
- Development costs in relation to the asset can be reliably measured;
- Completion of the intangible asset is technically feasible;
- The Group intends to complete the intangible asset and use or sell it;
- The Group has the ability to use the asset or sell it; and
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

#### Impairment testing of intangible assets and property, plant and equipment

The carrying values of intangibles and property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that their carrying value may not be recoverable. Any impairment in the value of intangibles and property, plant and equipment is charged to the income statement.

#### Leased assets

All leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned using the first in, first out basis.

## Notes to the Financial Statements continued

Year ended 30th June 2008

### 3 Principal accounting policies continued

#### 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 at the balance sheet date.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets and are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax liabilities are provided in full, with no discounting.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement.

#### Financial assets

Trade receivables and other debtors are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at fair value, at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in equity, through the statement of changes in equity. Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired. In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement.

An assessment for impairment is undertaken at least at each balance sheet date.

#### Financial liabilities

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

Financial liabilities are recorded initially at fair value and subsequently at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement.

A financial liability is derecognised only when the obligation is extinguished.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and available on demand deposits.

#### Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares;
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- "Special and capital reserves" represents amounts set aside following a capital reduction scheme;
- "Employee share schemes reserve" represents equity-settled share-based employee remuneration until such share options are exercised; and
- "Profit and loss reserve" represents retained profits.

### **3 Principal accounting policies continued**

#### **Foreign currencies**

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise.

The Parent Company's functional currency is sterling.

The Group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS.

#### **Employee benefits**

##### **Share based payments**

The Group operates a number of employee share schemes under which it makes equity-settled share-based payments to certain employees. In accordance with the exemptions available under IFRS 1, IFRS 2 has been applied to all grants of equity instruments after 7th November 2002 that were unvested as of 1st July 2006.

Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is assessed at the grant date, using the Black-Scholes method, and excludes the impact of non-market vesting conditions. The market vesting conditions are reviewed using the Binomial model. The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

### **4 Critical accounting judgements and key sources of estimation and uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### **Valuation of share-based payments**

In order to determine the valuation of share-based payments, management are required to make an estimation of the effects of non-transferability, exercise restrictions and behavioural considerations. The expected volatility is determined by calculating the historical volatility of the Company's share price over the previous three years. The list of inputs used in the Black-Scholes model to calculate the fair values are provided in note 21. Where share options have a market condition a Binomial model is used to calculate the fair values.

#### **Recognition of deferred tax**

Management have recognised a deferred tax asset based on the considered future economic benefit of the Group's past trading losses. Following three years of profitable trading and based on expected profitability, a tax asset of £560,000 has been recognised at 30th June 2008 (2007: £nil).

## Notes to the Financial Statements continued

Year ended 30th June 2008

### 5 Segmental analysis

Management consider that there is one primary business segment being the management of telephony efficiency. Analysis of turnover in its primary business is summarised below:

<b>Geographical analysis by destination</b>	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
United Kingdom	3,329.1	3,751.9
Rest of Europe	242.2	161.2
North America	21.8	21.2
Rest of the World	7.4	178.0
	<b>3,600.5</b>	<b>4,112.3</b>

### 6 Profit before taxation

The profit before taxation for the Group is stated after charging:

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Rentals under operating leases		
— Other operating leases	40.0	35.0
— Plant and machinery	3.1	9.5
Depreciation and amortisation		
— Intangible assets	25.3	30.5
— Plant and equipment, owned	51.5	54.2
Share-based payments expense (see note 7)	200.0	131.4
Auditor's professional fees		
— Group	39.0	42.5
<b>Analysis of Auditor's fees</b>		
Audit of the Company's annual accounts	10.0	13.5
Audit of the Company's subsidiaries	10.0	13.0
	<b>20.0</b>	<b>26.5</b>
Non-audit services		
— Tax services	3.0	10.0
— Other services	16.0	6.0
Total non-audit fees	<b>19.0</b>	<b>16.0</b>

## 7 Directors and employees

The Group staff costs, including Directors, during the year were as follows:

	2008 £'000	2007 £'000
Wages and salaries	1,601.1	1,777.3
Social security costs	185.8	150.7
	<b>1,786.9</b>	<b>1,928.0</b>

The average number of employees in the Group, including all Directors, during the year was as follows:

	2008 Number	2007 Number
Sales and marketing	10	9
Customer services and development	10	10
Administration	6	6
	<b>26</b>	<b>25</b>

### Remuneration in respect of Directors

	2008 £'000	2007 £'000
Emoluments	255.0	326.1
Highest paid Director		
Emoluments	195.0	257.0

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

### Share-based charges

The number of ordinary shares for which Group employees hold options and the period for which the options are exercised are as follows:

Date of grant	Scheme type	Period when exercisable	Price in pence	2008 Number
19.12.02	EMI	19.12.03–19.12.12	7.25	81,667
19.12.02	EMI	19.12.04–19.12.12	7.25	81,667
19.12.02	EMI	19.12.05–19.12.12	7.25	81,667
26.02.04	EMI	26.02.04–26.02.14	25.0	400,000
23.05.07	EMI	23.05.07–23.05.10	5.0	350,000
08.01.07	EMI	08.01.07–08.01.17	5.0	625,000
15.02.02	Unapproved	15.02.04–15.02.12	20.0	100,000
27.01.03	Unapproved	27.01.03–19.12.12	10.0	100,000
24.05.04	Unapproved	24.05.04–24.05.14	24.0	250,000
06.03.06	Unapproved	06.03.06–05.03.16	5.0	2,170,000
08.01.07	Unapproved	08.01.07–08.01.17	5.0	500,000
23.05.07	Unapproved	23.05.07–23.05.10	5.0	1,500,000

The share-based charges recognised in the consolidated income statement is £200,000 (2007 — £131,400) which includes £164,000 (2007 — £105,000) in respect of Directors

### Key management

Key management of the Group is considered to be the Directors of the Company.

Details of their remuneration are set out above in this note 7 and details of their interest in shares of the Company are set out in the Directors' Report.

## Notes to the Financial Statements continued

Year ended 30th June 2008

### 8 Finance income and costs

	2008 £'000	2007 £'000
Finance income — bank deposits	138.6	92.0
Finance costs — bank loans and overdrafts	—	(5.3)
	<b>138.6</b>	<b>86.7</b>

### 9 Taxation

#### Analysis of taxation credit in the year

	2008 £'000	2007 £'000
Current tax:		
UK corporation tax based on the results for the year at 29.5% (2007 — 30%)	—	—
Deferred tax:		
Origination and reversal of temporary differences (note 19)	<b>(560.0)</b>	—

The relationship between the expected tax expense based on the effective tax rate of the Group at 29.5% (2007 — 30%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2008 £'000	2007 £'000
Result for the year before taxation	509.4	767.0
Tax rate	29.5%	30%
Expected tax expense	150.3	230.1
Expenses not deductible for tax purposes	61.5	40.7
Differences between capital allowances and depreciation	4.5	0.4
Utilisation of tax losses	<b>(243.6)</b>	(273.5)
Other short-term temporary differences	0.3	—
Unrecognised tax losses	27.0	2.3
Provision in respect of tax losses	<b>(560.0)</b>	—
Actual tax (credit)/expense, net	<b>(560.0)</b>	—
Comprising		
Current tax expense	—	—
Origination and reversal of temporary differences	<b>(560.0)</b>	—
Total	<b>(560.0)</b>	—

### 10 Dividends

The dividends proposed after the year end: £nil (2007 — £nil).

## 11 Earnings per share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Netcall plc divided by the weighted average number of shares in issue during the year. All earnings per share calculations relate to continuing operations of the Group.

	Profits attributable to shareholders £'000	Weighted average number of shares	Basic profit per share amount in pence
Year ended 30th June 2008	1,069.4	66,050,937	1.62
Year ended 30th June 2007	767.0	66,014,672	1.16

The calculation of the diluted earnings per share is based on the profits attributable to the shareholders of Netcall plc divided by the weighted average number of shares in issue during the year, as adjusted for dilutive share options. All earnings per share calculations relate to continuing operations of the Group.

	Dilutive options	Anti-dilutive options	Diluted profit per share amount in pence
Year ended 30th June 2008	413,000	5,827,000	1.61
Year ended 30th June 2007	5,830,000	600,000	1.12

The reconciliation of average number of ordinary shares used for basic and diluted earnings per share is as below:

	2008 £'000	2007 £'000
Weighted average number of ordinary shares used for basic earnings per share	66,050,937	66,014,672
Weighted average number of ordinary shares under option	412,985	2,485,854
Weighted average number of ordinary shares used for diluted earnings per share	66,463,922	68,500,526

## 12 Long-term financial assets

The amounts recognised in the balance sheet relate to the following investment types:

	Long-term available-for-sale financial assets	
	2008 £'000	2007 £'000
<b>Cost:</b>		
At 1st July 2007 and 30th June 2008	350.0	350.0
<b>Provision:</b>		
At 1st July 2007 and 30th June 2008	350.0	350.0
<b>Net book value:</b>		
At 30th June 2007 and 30th June 2008	—	—

There is no known value in the long-term financial asset (an investment in a company); accordingly, it has been recorded at cost and fully provided for.

The Parent Company has investments in a number of subsidiary undertakings; those which principally affect the results and financial position of the Group are tabled below:

	Nature of business
Netcall Telecom Limited	Development and marketing of commercial applications derived from the Group's technology.

To avoid a statement of excessive length, details of the subsidiaries which do not significantly affect the results and financial position of the Group have been omitted. All subsidiary undertakings are wholly owned and registered in England, except Netcall Telecom Inc., which is incorporated in the USA.

## Notes to the Financial Statements continued

Year ended 30th June 2008

### 13 Intangible assets

Domain names, patents, trade marks and software

	2008 £'000	2007 £'000
<b>Cost:</b>		
At 1st July	168.5	134.7
Additions	12.3	33.8
At 30th June	180.8	168.5
<b>Depreciation:</b>		
At 1st July	117.6	87.1
Provided in the year	25.3	30.5
At 30th June	142.9	117.6
<b>Net book amount:</b>		
at 30th June	37.9	50.9

### 14 Property, plant and equipment

Fixtures, fittings and equipment

	2008 £'000	2007 £'000
<b>Cost:</b>		
At 1st July	271.8	250.2
Additions	6.2	48.5
Disposals	(9.2)	(26.9)
At 30th June	268.8	271.8
<b>Depreciation:</b>		
At 1st July	156.8	129.5
Provided in the year	51.5	54.2
Eliminated on disposals	(9.2)	(26.9)
At 30th June	199.1	156.8
<b>Net book amount:</b>		
at 30th June	69.7	115.0

### 15 Inventories

	2008 £'000	2007 £'000
Finished goods and goods for resale	77.6	38.1

In 2008 a total of £101,600 (2007 — £111,600) inventories was included in the income statement as an expense. This includes an amount of £nil (2007 — £nil) resulting from the write-down of inventories.

No reversal of previous write-downs was recognised as a reduction expense in 2008 or 2007. None of the inventories are pledged as securities for liabilities.

## 16 Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	1,405.5	1,483.0
Other receivables	11.3	26.4
Prepayments and accrued income	117.3	106.0
	<b>1,534.1</b>	<b>1,615.4</b>

All amounts are short-term. The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of £9,300 (2007 — £ 9,200) has been recorded accordingly in the financial statements.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of trade receivables past due but not impaired is as follows:

	2008 £'000	2007 £'000
Not more than 1 month	378.3	279.7
More than one month but not more than 3 months	44.0	101.5
More than 3 months	—	—
	<b>422.3</b>	<b>381.2</b>

## 17 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2008 £'000	2007 £'000
Cash at bank and in hand	2,915.3	2,360.5

## 18 Trade and other payables

	2008 £'000	2007 £'000
Trade payables	135.1	266.8
Social security and other taxes	255.7	223.6
Accruals and deferred income	856.5	1,011.6
	<b>1,247.3</b>	<b>1,502.0</b>

## 19 Deferred tax

Deferred taxes arising from temporary differences and unused tax losses for the Group for 2008 and 2007 have been calculated at a rate of 28% and are summarised as follows:

	2008		2007	
	Deferred tax assets £'000	Deferred tax liabilities £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
Unused tax losses	560.0	—	—	—

At 30th June 2008 the Group had unused tax losses of £8.4 million (2007 — £9.1 million).

No temporary differences resulting from investments in subsidiaries qualified for recognition as deferred tax assets or liabilities.

## Notes to the Financial Statements continued

Year ended 30th June 2008

### 20 Equity

The share capital of Netcall plc consists only of ordinary shares with a nominal value of 5p. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Netcall plc.

#### Share capital

	2008 Number	2007 Number	2008 £'000	2007 £'000
Shares allotted, called up and fully paid				
Beginning of the year	66,050,937	65,942,603	3,302.5	3,297.1
Issued during the year	—	108,334	—	5.4
Shares issued and fully paid	66,050,937	66,050,937	3,302.5	3,302.5
Authorised				
80,000,000 ordinary shares of 5p each			4,000.0	4,000.0

During 2007, 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 also transferred to profit and loss account as the period of 10 years required by the High Court to set aside the reserves had expired.

### 21 Share-based payments

The Company has share option schemes for certain employees. 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 Company before the options vest.

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

	2008		2007	
	Weighted average exercise price per share in pence	Options number	Weighted average exercise price per share in pence	Options number
Outstanding at 1st July	7.7	6,315,000	15.5	5,748,334
Granted	—	—	5.0	2,975,000
Forfeited or cancelled	—	—	11.3	(2,300,000)
Lapsed	15.0	(75,000)	—	—
Exercised	—	—	7.3	(108,334)
Outstanding at 30th June	7.5	6,240,000	7.7	6,315,000
Exercisable at 30th June	19.9	1,295,001	20.2	1,070,001

## 21 Share-based payments continued

At 30th June Netcall plc had the following outstanding options and exercise prices:

	2008			2007		
	Average exercise price per share in pence	Options number	Weighted average remaining contractual life in months	Average exercise price per share in pence	Options number	Weighted average remaining contractual life in months
2008	—	—	—	25.00	75,000	7.7
2009	—	—	—	—	—	—
2010	5.00	1,850,000	22.7	5.00	1,850,000	34.7
2011	—	—	—	—	—	—
2012	7.25	245,000	53.6	7.25	245,000	65.6
2012	10.00	100,000	53.6	10.00	100,000	65.6
2012	20.00	100,000	53.5	20.00	100,000	65.5
2013	—	—	—	—	—	—
2014	24.00	250,000	70.8	24.00	250,000	82.8
2014	25.00	400,000	67.9	25.00	400,000	79.9
2015	—	—	—	—	—	—
2016	5.00	2,170,000	92.2	5.00	2,170,000	104.2
2017	5.00	1,125,000	102.3	5.00	1,125,000	114.3
At 30th June	7.5	6,240,000	68.8	7.7	6,315,000	79.2

The options outstanding at 30th June 2008 had a weighted average exercise price of 7.5 pence, and a weighted average remaining contractual life of 5.7 years. In 2008, no options were granted. In 2007, options were granted on 8th January and 23rd May.

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

	2008	2007
Weighted average share price	19.3p	18.5p
Weighted average exercise price	7.45p	7.7p
Expected volatility	40%	40%
Expected life	3–10 years	3–10 years
Risk-free rate	4.08%–5.38%	4.08%–5.38%
Expected dividends	—	—

Expected volatility is based on the historical volatility of the Group's share price over the previous three 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 £200,000 (2007 — £131,400) relating to equity-settled share-based payment transactions.

## Notes to the Financial Statements continued

Year ended 30th June 2008

### 22 Notes to the cash flow statement

#### Cash flows from operating activities

	2008 £'000	2007 £'000
Profit after taxation	1,069.4	767.0
Adjustments for:		
Deferred tax	(560.0)	—
Depreciation	76.8	84.7
Share-based payment charge	200.0	131.4
Interest received	(138.6)	(92.0)
Interest paid	—	5.3
Decrease/(increase) in trade and other receivables	81.3	(576.9)
(Increase)/decrease in inventories	(39.5)	24.1
(Decrease)/increase in trade and other payables	(254.7)	298.9
Cash generated from operating activities	434.7	642.5

### 23 Leases

The Group's minimum operating lease payments are as follows:

	Within 1 year £'000	Between 1 and 5 years £'000	After more than 5 years £'000	Total £'000
30th June 2008	41.7	113.3	—	155.0
30th June 2007	41.7	155.2	—	196.9

Lease payments recognised as an expense during the year amount to £43,100 (2007 — £44,500).

The Group leases its offices, the lease expires on 1st April 2012, the annual rent through to expiry is £40,000.

Operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding further leasing.

### 24 Related party transactions and controlling related party

The Group's related parties comprise its Board of Directors. There are no transactions that incorporate special terms and conditions in 2008 or 2007.

The Directors are the Group's controlling and ultimate controlling related parties by virtue of their shareholding and Directorships in Netcall plc.

### 25 Contingent liabilities

There are no material contingent liabilities subsisting at 30th June 2008 or 30th June 2007.

### 26 Capital commitments

The Group had no capital commitments at 30th June 2008 or 30th June 2007.

## 27 Risk management objectives and policies

### Financial instruments

The Group uses various financial instruments; these include cash and bank deposits, trade debtors and trade creditors 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 the Group's financial instruments are interest rate risk, liquidity risk, credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group's exposure to market risk for the changes in interest rates relates primarily to the Group's bank deposits. The exposure to interest rate fluctuations on its deposits is managed by placing these at fixed rates of interest with varying maturity dates.

The aggregate amount of cash deposits on fixed interest terms as at 30th June 2008 was £2,750,000. The weighted average fixed interest rate on the cash deposits was 4.80% (2007 — 5.2%) and the weighted average period for which the rate is fixed is 1 month (2007 — 1 month). The aggregate amount of cash deposits on variable interest terms as at 30th June 2008 was £ 85,000 (2007 — £34,000). For cash deposits held with the Group's clearing bankers, the variable rate is indexed to National Westminster Bank PLC's base rate.

A fluctuation in the interest rates of +1% and -1% through the year would not materially impact on the Group's results.

### Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

As at 30th June, the Group's financial liabilities have contractual maturities as summarised below:

	<b>Current</b>	
	<b>Within 6</b>	<b>Between</b>
	<b>months</b>	<b>6 and 12</b>
	<b>£'000</b>	<b>months</b>
		<b>£'000</b>
<b>2008</b>		
Trade and other payables	270.6	28.8
<b>2007</b>		
Trade and other payables	532.2	43.5

### Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Cash and cash equivalents	2,915.3	2,360.5
Trade and other receivables	1,416.8	1,509.4
	<b>4,332.1</b>	3,869.9

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 16 for fuller information of financial assets that are past due.

The Group's principal financial assets are cash deposits and trade receivables. Risks associated with cash deposits are limited as the banks used have high credit ratings assigned by international credit rating agencies.

The principal credit risk lies with trade receivables. In order to manage credit risk, the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

## Notes to the Financial Statements continued

Year ended 30th June 2008

### 27 Risk management objectives and policies continued

#### Currency risk

The Group is exposed to transaction foreign exchange risk. Transaction exposures, including those associated with forecast transactions, are managed through the use of bank accounts held in foreign currencies as summarised below:

	Total £'000	US dollar £'000	Euros £'000
Trade and other receivables	12.3	9.8	2.5
Cash and cash equivalents	41.8	10.9	30.9
	54.1	20.7	33.4

A +/- 5% change of the pound sterling to US dollar exchange rate and a +/- 5% change of the pound sterling to euro exchange rate would not have a material impact on the Group's results in financial years 2008 or 2007.

### 28 Summary of financial assets and liabilities by category

The carrying amounts of the financial assets and liabilities as recognised at the balance sheet date of the years under review may also be categorised as follows:

	2008 £'000	2007 £'000
Loans and receivables		
Trade and other receivables	1,416.8	1,509.4
Cash at bank	2,915.3	2,360.5
	4,332.1	3,869.9
Financial liabilities		
Trade payables	135.1	266.8
Accruals	164.3	308.9
	299.4	575.7
Net short-term liquidity	4,032.7	3,294.2

### 29 Capital management and objectives

The Group's capital management objectives are to ensure that the Group has sufficient liquidity to meet its foreseeable requirements and to invest its cash with mainstream banks. The Directors regularly review forecasts prepared which take into consideration current performance and the potential effect of future market trends.

### 30 Authorisation of financial statements

No adjusting or significant non-adjusting events have occurred between the balance sheet date and the date of authorisation on 29th September 2008 by the Board.

## Company Balance Sheet

As at 30th June 2008

	Note	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Tangible assets	5	12.4	8.0
Investments	6	10,953.7	10,953.7
		<b>10,966.1</b>	10,961.7
<b>Current assets</b>			
Debtors	7	25.7	22.6
Cash at bank and in hand		2,765.3	2,282.6
		<b>2,791.0</b>	2,305.2
<b>Creditors:</b> amount falling due within one year	8	<b>(685.4)</b>	(1,105.7)
<b>Net current assets</b>		<b>2,105.6</b>	1,199.5
<b>Total assets less current liabilities being net assets</b>		<b>13,071.7</b>	12,161.2
<b>Capital and reserves</b>			
Called up share capital	9	3,302.5	3,302.5
Share premium account	10	2.4	2.4
Merger reserve	10	403.3	403.3
Employee share schemes reserve	10	344.2	260.5
Profit and loss account	10	9,019.3	8,192.5
<b>Shareholders' funds</b>		<b>13,071.7</b>	12,161.2

## Notes to the Company Financial Statements

Year ended 30th June 2008

### 1 Principal accounting policies

#### Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

The financial statements are prepared under the historical cost convention.

#### Turnover

Turnover is commission received by the Company. It is recognised on a receivables basis.

#### 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:

Domain names, patents and trade marks — 20% per annum.

#### Investments

Investments are stated at cost less provision for any impairment.

#### Leased assets

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.

#### Financial instruments

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

#### Share-based compensation

The Company issues share options to certain employees, including employees of its subsidiary undertakings. The fair value of such options granted is calculated using the Black–Scholes option pricing model and excludes the impact of non-market vesting conditions. The vesting conditions are reviewed using the Binomial 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.

### 2 Employee remuneration

The Directors are the only employees of the Company. Directors' remuneration has been disclosed within note 7 of the Group financial statements.

### 3 Auditor's remuneration

Auditor's remuneration attributable to the Company is as follows:

	2008 £'000	2007 £'000
Audit fees — statutory audit	10.0	13.5
Tax services	1.0	3.0
Other services	16.0	6.0

### 4 Profit for the financial year

The Parent Company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements and is reporting under UK GAAP. The profit for the financial year was £746,300 (2007 — £668,900).

### 5 Tangible assets

#### Domain names, patents and trade marks

	2008 £'000	2007 £'000
<b>Cost:</b>		
At 1st July	84.9	84.9
Additions	13.5	—
At 30th June	98.4	84.9
<b>Depreciation:</b>		
At 1st July	76.9	61.4
Provided in the year	9.1	15.5
At 30th June	86.0	76.9
Net book amount: at 30th June	12.4	8.0

Patents have been reclassified as tangible assets previously reported as a prepayment in debtors.

## Notes to the Company Financial Statements continued

Year ended 30th June 2008

### 6 Investments

The amounts recognised in the Company's balance sheet relate to the following:

	Subsidiary undertakings £,000	Other £'000	Total £'000
<b>Cost:</b>			
At 1st July 2007 and at 30th June 2008	10,989.7	350.0	11,339.7
<b>Provision:</b>			
At 1st July 2007 and at 30th June 2008	36.0	350.0	386.0
<b>Net book amount:</b>			
at 30th June 2008 and at 30th June 2007	<b>10,953.7</b>	—	<b>10,953.7</b>

Subsidiary	Country of registration	Class of share capital held	Proportion held by the Company	Nature of business
Netcall Telecom Limited	England	Ordinary shares	100%	Development and marketing of commercial applications derived from the Group's technology

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

### 7 Debtors

	2008 £'000	2007 £'000
Other debtors	3.0	2.9
Prepayments and accrued income	22.7	19.7
	<b>25.7</b>	<b>22.6</b>

All debtors fall due within one year of the balance sheet date. The 2007 prepayment and accrued income has been amended to reflect reclassification of patents as tangible assets.

### 8 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Amounts owed to subsidiary undertakings	621.7	971.3
Trade creditors	1.5	5.3
Social security and other taxes	10.8	10.4
Accruals and deferred income	51.4	118.7
	<b>685.4</b>	<b>1,105.7</b>

### 9 Called up share capital

	2008 £'000	2007 £'000
Authorised		
80,000,000 ordinary shares of 5p each	4,000.0	4,000.0
Allotted, called up and fully paid		
66,050,937 (2007 — 66,050,937) ordinary shares of 5p each	3,302.5	3,302.5

Share options outstanding at 30th June 2008 were as reported for the Group in note 21 to the Group accounts.

## 10 Reconciliation of movements in shareholders' funds

	Share premium account £'000	Special and capital reserves £'000	Merger reserve £'000	Employee share schemes reserve £'000	Profit and loss account £'000
At 1st July 2006	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
At 1st July 2007	2.4	—	403.3	260.5	8,192.5
Profit for the year	—	—	—	—	746.3
FRS 20 Employee Share Schemes	—	—	—	164.2	—
Reclassification	—	—	—	(80.5)	80.5
<b>At 30th June 2008</b>	<b>2.4</b>	<b>—</b>	<b>403.3</b>	<b>344.2</b>	<b>9,019.3</b>

During 2007, following a confirmatory order from the High Court, the Company cancelled its share premium account and transferred the consequent reserve to its profit and loss account.

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

## 11 Related party transactions

The Company has taken advantage of the exemption granted by paragraph 3c of FRS 8 not to disclose transactions with other Group companies.

## 12 Contingent liabilities

There are no material contingent liabilities subsisting at 30th June 2008 or 30th June 2007.

## 13 Financial commitments

The Company had no financial commitments at 30th June 2008 or 30th June 2007.

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Netcall plc will be held at 10 Harding Way, St Ives, Cambridgeshire, PE27 3WR on 19th November 2008 at 11 a.m. for the following purposes:

### Ordinary Business:

- 1 To receive and consider the Annual Report and audited financial statements for the year ended 30th June 2008, the Report of the Directors and the Auditors' Report on those financial statements.
- 2 To reappoint as Director R Allsop who retires by rotation in accordance with the Articles of Association.
- 3 To reappoint as Auditor Grant Thornton UK LLP to hold office from the conclusion of this Annual General Meeting until the conclusion of the next general meeting of the Company at which financial statements are laid and to authorise the Directors to determine their remuneration.
- 4 To approve that the principal terms (as defined in section 536(4) Companies Act 2006) of a liability limitation agreement (as defined in section 534 Companies Act 2006) for the financial period ended 30th June 2008 proposed to be entered into by the Company and Grant Thornton UK LLP.

### Special Business:

- 5 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."
- 6 To consider and, if thought fit, pass the following as a special resolution:  
"THAT, subject to the passing of the previous Resolution 5, 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."
- 7 To consider and, if thought fit, pass the following as a special resolution:  
"THAT, the Company be and is hereby generally and unconditionally authorised, pursuant to Section 166 of the Companies Act 1985 (the "Act") to make market purchases (as defined in Section 163 of the Act) of its own ordinary shares of 5 pence each ("ordinary shares") on such terms and in such manner as the directors of the Company shall determine;  
The general authority conferred by this resolution shall:
  - 7.1 Be limited to a maximum number of 6,635,000 ordinary shares (representing 10% of the issued share capital of the Company as at the date of this notice);
  - 7.2 Not permit payment of a price per ordinary share, exclusive of expenses of less than 5 pence or more than 105% of the average price at which business was done in the ordinary shares of the Company in the five business days preceding the purchase;
  - 7.3 Expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 save that the Company may before the expiry of the power hereby conferred contract to purchase its own ordinary shares which contract requires or might require the purchase of such ordinary shares wholly or partly after such expiry."

By order of the Board

### A Pearson-Hurrell Company Secretary

10 Harding Way  
St Ives  
Cambridgeshire  
PE27 3WR

### Notes:

- 1 A shareholder entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. The proxy need not be a shareholder of the Company.
- 2 To be effective, the instrument appointing a proxy and any authority under which it is executed must be deposited at the offices of Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3BR not less than 48 hours before the time for holding the meeting. Completion and return of the Form of Proxy will not preclude shareholders from attending and voting at the Annual General Meeting.
- 3 For the purposes of determining who is entitled to attend or vote (whether on a poll or otherwise) at the AGM a person must be entered on the register of members by 11 a.m. on 19th November 2008 and shall be entitled to vote only those shares registered in that person's name at that time.
- 4 The register of interests of the Directors and their families in the issued share capital of the Company and copies of the Directors' service contracts will be available for inspection at the registered office of the Company during usual business hours (Saturdays, Sundays and public holidays excepted) from the date of this Notice until the conclusion of the Annual General Meeting.

## Netcall plc Form of Proxy

For use at the Annual General Meeting to be held on 19th November 2008.

I/We (Name in full) .....

.....

of .....

.....

.....

being (a) member(s) of Netcall plc hereby appoint the Chairman of the Annual General Meeting, or

.....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10 Harding Way, St Ives, Cambridgeshire, PE27 3WR on 19th November 2008.

Please indicate with an "X" in the space below how you wish your vote to be cast. In the absence of any specific direction, and on any other resolution or motion put to the Annual General Meeting, the proxy will, on a poll, vote or abstain as the proxy thinks fit.

Ordinary Resolutions	For	Against	Vote withheld
1 To receive the Annual Report and audited financial statements for the year ended 30 June 2008.			
2 To reappoint R Allsop as a Director.			
3 To reappoint Grant Thornton UK LLP as Auditor.			
4 To approve the principal terms of a limited liability agreement to be entered into with Grant Thornton UK LLP.			
5 To authorise the Directors to allot relevant securities.			
<b>Special Resolutions</b>			
6 To authorise the Directors to allot equity security for cash for certain purposes.			
7 To authorise market purchases of shares.			

Signature(s) ..... Date .....2008

.....

### 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.

Second fold

BUSINESS REPLY SERVICE  
Licence No. BM3865

2



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

First fold

Third fold  
and tuck in flap opposite



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