TRANSFORMING CUSTOMER ENGAGEMENT

Netcall plc

Annual Report and Accounts
for the year ended 30 June 2016

Stock code: NET

WELCOME TO NETCALL

Netcall designs and develops smart, user-friendly and beautifully designed software solutions that support companies to improve the customer journey. Our solutions are proven to transform customer engagement for over 700 organisations. Using Netcall's integrated customer engagement platform, Liberty™, organisations seamlessly manage interactions, join up front and back systems to enhance and personalise customer experience every time, whilst enjoying lower operating costs.

HOW?

We create smart solutions which are easy to use, functional, smartly designed and live on our integrated customer engagement platform – Liberty.

WHAT?

Our Liberty platform provides a broad range of modular end-to-end customer engagement solutions with a focus on Customer Engagement Centre, Workforce Optimisation and Customer Experience Management.

WHO?

Liberty is primarily targeted at mid-market organisations.

CUSTOMER ENGAGEMENT CENTRE

www.

Voice | Chat | Email | Social
IVR | Virtual Agents | Web
Callback | QueueBuster
Agent Scripting | Call Recording
Outbound Notifications
Agent Desktop | PCI Payments

CUSTOMER EXPERIENCE MANAGEMENT

Workflow | BPM | Analytics
Mobile Worker
Knowledge Management
Web Self Service
Data Integration Hub
Records & Document Management

WORKFORCE OPTIMISATION

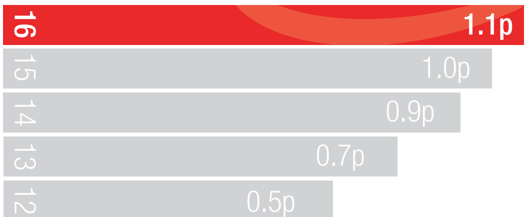
Workforce Management
Agent Adherence
Screen Recording
Agent Evaluation
Surveys

FINANCIAL AND OPERATIONAL HIGHLIGHTS

REVENUE

ADJUSTED EBITDA

ORDINARY DIVIDEND



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View more online: www.netcall.com

FINANCIAL HIGHLIGHTS

- Record order inflow in the year and trading in line with management expectations:
  - Significant double digit increase in total bookings
  - Growing share of sales mix from Software-as-a-Service (SaaS) contracts
  - Order book of contracted future minimum revenues increased by 22% to £15.0m (2015: £12.3m)
- Annualised recurring core revenues[(1)] increased by 9% to £10.9m (2015: £10.0m)
- Recognised revenue of £16.6m (2015: £17.2m) as a result of ongoing reduction in MovieLine business and the growing proportion of SaaS contracts
- Adjusted EBITDA[(2)] of £4.46m (2015: £5.16m) as a result of previously announced investments and MovieLine
- Profit before tax of £1.74m (2015: £2.35m)
- Diluted basic earnings per share of 1.32p (2015: 1.85p)
- Maintained strong cash conversion, with net cash generated from operations increased by 12% to £4.99m (2015: £4.44m)
- Total research and development expenditure increased by 23% to £2.20m (2015: £1.79m)
- Debt-free balance sheet with net cash funds of £14.1m (2015: £13.7m)
- Final ordinary dividend of 1.1p and enhanced dividend of 0.95p proposed, making the total dividend 3.0p for the year, up 36%

OPERATIONAL HIGHLIGHTS

- Strong trading period with record order inflow and increasing average order values
- Liberty platform gaining further traction, recent client wins include Danwood and five new public sector contracts awarded under the Crown Commercial Service Network Services agreement
- Awarded position on the Scotland Excel Framework for customer service platforms, enhancing ability to deliver cloud and premise-based solutions to the public sector
- Released a series of product upgrades with focus on deeper platform integration and new modules including mobile, web self-service, and workflow for the Customer Experience Manager solution
- Accelerated investment in cloud solutions with first version of multi-channel customer engagement platform available and in live use by customers

[(1)] annualised revenue from support and maintenance and hosted service contracts as at 30 June.
[(2)] profit before interest, taxation, depreciation, amortisation, acquisition and non-recurring transaction expenses and share-based payments.

CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW

"Netcall has enjoyed an excellent year of record sales order inflow. We are pleased to see that an increasing proportion of the new orders are multi-year SaaS-based contracts, which enhance the Group's visibility of revenues by adding recurring revenue in future periods.

We have started the current period in a better position than ever and trading in the first few months has been significantly ahead of last year. Netcall is a stronger, more resilient business, with higher levels of revenue visibility and an expanded product offering. As a profitable, highly cash generative business we will continue to invest in our Company to sustain our long-term financial performance. The Board is pleased with the development of the business and, with a strong sales pipeline, we believe Netcall is well positioned for the future."

HENRIK BANG
CEO of Netcall

INCREASE IN ANNUALISED RECURRING REVENUE

+9%

£10.9m
(2015: £10.0m)

INTRODUCTION

Netcall had a strong trading period with record sales order inflow. This was a result of significant interest in our Liberty platform, leading to growing demand from our customers. We are pleased to see that an increasing proportion of the new orders are multi-year SaaS-based contracts, which enhance the Group's financial visibility by adding recurring revenue in future periods.

The success of this ongoing transition can be seen in the growth of our annualised run rate of core recurring revenue, which increased from £10.0m at the start of the year under review to £10.9m as we enter the new financial year. Revenue of a recurring nature accounted for 64% of total revenue, which underpins the Group's cash generation and profitability and provides visibility for the new financial year. In addition, looking forward the order book of contracted future minimum revenues increased by 22% to £15.0m (2015: £12.3m).

A year ago the Board stated its intention to accelerate investment in the business, with a focus on enhancing the Company's cloud capabilities. The aim was to capitalise on the SaaS contact centre market opportunity, a key component of customer engagement solutions, which is rapidly gaining market share. This segment of the market is expected to grow at double digit rates in the coming years, doubling in size over the next three to five years, representing an estimated 20–25% of the UK contact centre market.

The cash position increased to £14.1m at the period end following payment during the year of the first enhanced dividend and ordinary dividend, comprising £3.05m in total, in line with the Board's dividend strategy. With a debt free balance sheet this provides an excellent opportunity to both invest in the market opportunity and also return cash to shareholders.

The Board is proposing a final ordinary dividend of 1.1p and enhanced dividend of 0.95p, making a total dividend of 3.0p for the year, up 36% year on year.

STRATEGY

Netcall's purpose is to help organisations transform their customer engagement activities, enabling them to improve customer experiences while also reducing costs. The Group achieves this by creating innovative solutions which are easy to use, functional, smartly designed and delivered on our integrated customer engagement platform, Liberty. The Liberty platform provides a broad range of modular end-to-end solutions with a focus on omni-channel Customer Engagement Centre, Workforce Optimisation and Customer Experience Management. The modular nature of the platform enables customers to choose one or many applications while also offering a roadmap to support their future customer engagement strategies. The Board believes that an integrated suite of these solutions delivers a compelling proposition to our target customers, who increasingly see improved customer experiences as a competitive parameter and differentiator.

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

The Group's key drivers for organic growth include taking advantage of the cloud opportunity while expanding the product suite. This enables the business to continue to unlock the huge potential from our large existing customer base with up- and cross-sales, which continues to account for the majority of new business, and growing by winning new customers.

BUSINESS REVIEW

MARKET

The key market driver for Netcall's solutions are the ongoing changes in consumer demand and expectations when interacting with organisations. Today's consumers, whether using private or public services, are increasingly well informed and expect organisations to provide intuitive interfaces, around-the-clock availability, personalised treatment, first contact resolution and real-time fulfilment using multiple channels. In return an organisation can reap significant benefits from digitising and automating their operation, including gaining a much better understanding of their customers, building important competitive advantages from providing 'best-in-class' customer experiences as well as improved efficiencies and reduced costs. As a result many businesses see the customer experience as a sustainable source of competitive differentiation.

The implementation of new technologies, such as mobile, social media and cloud computing, merged with changing business models creates substantial opportunities in assisting organisations to transform their customer engagement strategies. The Liberty platform delivers this comprehensive functionality. This provides a flexible entry point and upgrade path for organisations, thereby giving them the level and quality of customer interaction they need as well as additional competitive advantages such as lower costs, improved operational controls and risk management.

Netcall's accelerated investment in the Liberty platform's cloud capabilities is aimed to take advantage of the growing SaaS contact centre market, a key component of our customer engagement solutions. This market is gaining share and is expected to grow at double digit rates in the coming years, doubling in size over the next three to five years representing an estimated 20–25% of the UK contact centre market.

CUSTOMER WINS

Our existing customer base continues to provide the Group with a highly valuable source of new business, with up- and cross-sales to existing customers accounting for the majority of new business in the period.

The average order size has continued to grow as customers prioritise investment in technology to engage, automate and integrate systems in order to improve their customer engagement activities. Examples of organisations investing in Netcall's Liberty platform and roadmap for the future include:

- A new five-year SaaS contract worth a minimum of £1.4 million to provide Liberty omni-channel contact centre and unified communication solutions to a leading services organisation.
- A three-year contract worth a minimum of £300,000 was signed with a second university to provide a highly scalable hosted contact solution.
- A new five-year contract with a local authority worth £400,000, delivering our Customer Experience Manager solution integrated with their existing Liberty contact centre solution.

Netcall continues to receive high ratings in our overall service and this combined with our ongoing product development means we enjoy a position as a trusted technology partner to our customers.

PRODUCT DEVELOPMENT

Netcall has in the period further increased its investment in its product development teams by more than 20%. A key focus has been on enhancing our cloud capabilities. These investments, which have been in people, software and infrastructure, have resulted in the launch of the first version of our Liberty Cloud Customer Engagement Platform, which includes omni-channel contact centre technology, customer and case management. In addition, the solution includes, for the first time, an offering for cloud telephony services that are tightly integrated into the platform.

CASE STUDY:
TMP WORLDWIDE GAINED ROI IN 11 MONTHS

tmp.worldwide

TMP's major challenge was how to effectively allocate work to their resource coordinators working to fill roles for their clients. As the business grew, using spreadsheets became more and more complex, requiring additional resource just to keep them up to date. The spreadsheets also limited time-slot allocations for candidate interviews resulting in exponential inefficiencies and there were concerns about the integrity of the data within them.

TMP chose Netcall's Workforce Management solution to automate their processes and plan interview resource requirements. They quickly saw far more efficiency in interview length, increasing productivity and a reduction in administration overheads.

- ROI of 11 months
- An effective FTE saving of 38%

STRATEGIC REPORT

CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW
CONTINUED

There has also been significant focus on further improving the user experience, through the roll-out of the Liberty responsive user interface, and deeper integration between the platform's various modules. New features include support for outbound campaign management, improved omni-channel forecasting capabilities for workforce management, switchboard handling as well as a new mobile app for remote workers and self-service web portal. These new capabilities have led to our first deployment of the integrated Contact Centre and Customer Experience Management solution.

FINANCIAL REVIEW

The Group reported revenue of £16.6m (2015: £17.2m) in line with management's expectations for the year. A record order inflow was contracted during the period, of which an increased proportion of contracts were for SaaS-based solutions with a recurring revenue stream. The revenue recognition profile for these new contracts is more weighted to future periods. As a result underlying growth of 1% in product, professional service, support and hosting revenues was recorded in the income statement which was offset by the ongoing reduction in the MovieLine service.

Revenue which is considered to be recurring in nature, derived from support and hosting contracts, increased 6% to £10.1m (2015: £9.57m), which equates to 63% (2015: 59%) of reported core revenues (excluding MovieLine). As at 30 June 2016, the annualised run rate of such revenues increased 9% to £10.9m (2015: £10.0m).

The aggregate value, at 30 June 2016, of contracted minimum income that is to be recognised as core revenue in future financial periods increased by 22% to £15.0m (2015: £12.3m).

Revenue from the non-core MovieLine service decreased to £0.44m (2015: £1.05m) in line with management's expectations and now accounts for approximately 3% of total revenue (2015: 6%), meaning its impact on the overall performance of the Group will from this point on be minimal.

The Group's gross profit margin was maintained at 91.2% (2015: 90.9%).

Administrative expenses, before depreciation, amortisation, non-recurring transaction costs and share-based charges, increased to £10.7m (2015: £10.4m), as a result of the planned investment in development and delivery capabilities.

Consequently, the Group recorded adjusted EBITDA of £4.46m (2015: £5.16m), a margin of 27% of revenue (2015: 30%). This movement comprises a reduction in MovieLine contribution of £0.40m to £0.07m (2015: £0.47m) and a core EBITDA contribution of £0.29m to £4.40m (2015: £4.69m). Profit before tax for the year was £1.74m (2015: £2.35m).

The Group reported a tax credit for the year of £0.15m (2015: £0.30m) principally as a result of tax relief available for research and development. The underlying effective rate excluding these adjustments is 11% (2015: 2%).

Reported diluted earnings per share was 1.32 pence (2015: 1.85 pence). Adjusted diluted earnings per share was 2.13 pence (2015: 2.59 pence). The movement comprises a reduction in the contribution from MovieLine of 0.28 pence to 0.03 pence per share (2015: 0.31 pence per share) and a reduction in core earnings per share of 0.18 pence to 2.10 pence per share (2015: 2.28 pence per share).

Cash generated from operations before payment of non-recurring transaction costs increased by 17% to £5.10m (2015: £4.37m), representing 114% of adjusted EBITDA (2015: 85%) as a result of working capital timing differences.

Expenditure on research and development including capitalised expenditure increased by 23% to £2.20m (2015: £1.79m); capitalised software development expenditure was 65% higher at £1.16m (2015: £0.70m) due to investment in new product development in the year.

CASE STUDY:
AN AGEING CONTACT CENTRE GOES DIGITAL

Blackburn with Darwin Borough Council faced the common challenge of an ageing contact centre that no longer met business requirements. Not only was the system costly; it was also unable to seamlessly handle the multichannel demands of their customer contact via email, phone, social media and web chat. Like many councils, Blackburn was looking to improve their service levels whilst reducing costs.

Blackburn turned to Netcall's Multichannel Contact Centre to meet the digital demands of their customers. By doing so they were able to automate 65% of calls, make savings of over £60,000 per year and meet 100% of service delivery measures:

- Delivered a 75% time saving
- Reduced call abandonment rates from 20% to just under 5%
- Decreased average waiting time by more than half.

Total capital expenditure was £1.74m (2015: £0.88m); the balance after capitalised development being £0.58m (2015: £0.18m) relating primarily to investment in the Group's cloud computer hardware and software platform.

As a result of these factors, cash increased to £14.1m at 30 June 2016 (30 June 2015: £13.7m). The Group continues to maintain a debt-free balance sheet.

DIVIDEND

The Directors continue to evaluate acquisition opportunities and believe that the Group should retain sufficient cash on its balance sheet to maintain its credibility as a buyer and also to be able to acquire businesses in an expedient manner. The Board believes it can achieve this objective whilst also being able to institute a partial return of cash to shareholders through the enhanced dividend policy, as previously announced. At 30 June 2016 the Group had cash balances of £14.1m and generated net cash flow before financing activities of £3.37m during the year.

It is the intention of the Directors that for this, and the next year, an enhanced dividend will be paid half yearly such that by 2018 the retained cash balance is approximately £10m. Payment of the enhanced dividend will remain subject to the Group's ongoing cash generation, it not having found an appropriate acquisition opportunity and not having returned cash through another manner, including on market share buy-backs.

In addition to recommending the payment of a final dividend of 1.1p per share (2015: 1.0p per share), which represents an increase of 10% on the prior year, the Directors are recommending the payment of a final enhanced dividend of 0.95p per share for the year ended 30 June 2016 which brings the total enhanced dividend for the year to 1.9p (2015: 1.2p). This will give a total dividend for the year of 3.0p per share.

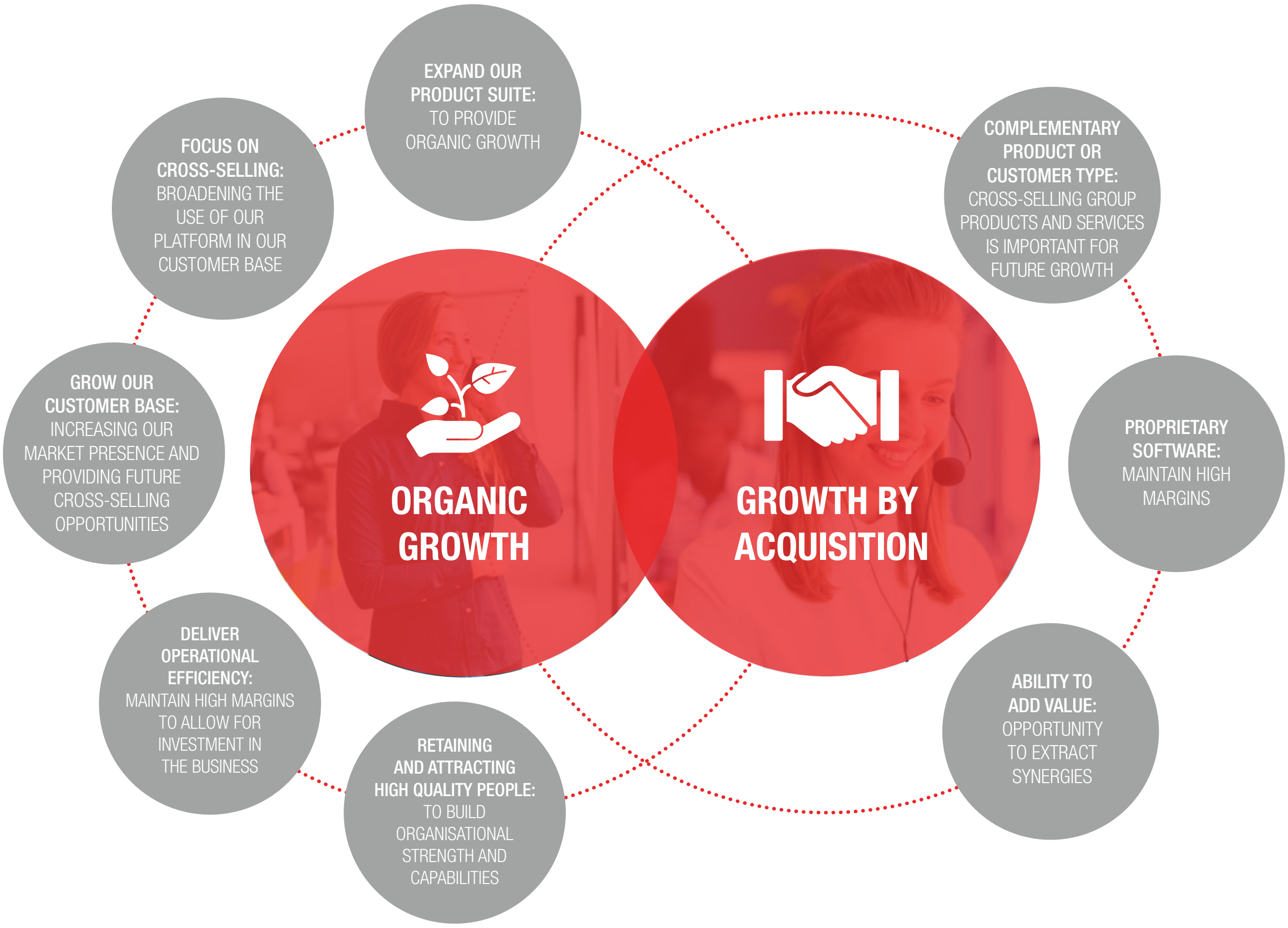
OUTLOOK

Netcall has enjoyed an excellent year of record sales order inflow. We are pleased to see that an increasing proportion of the new orders are multi-year SaaS-based contracts which enhance the Group's visibility of revenues by adding recurring revenue in future periods.

We have started the current period in a better position than ever and trading in the first few months has been significantly ahead of last year. Netcall is a stronger, more resilient business, with higher levels of revenue visibility and an expanded product offering. As a profitable, highly cash generative business we will continue to invest in our Company to sustain our long-term financial performance. The Board is pleased with the development of the business and, with a strong sales pipeline, we believe Netcall is well positioned for the future. The Group's strategy is to build a strong business organically by developing end-to-end customer engagement solutions to meet customers' needs, and by growing through acquisition where opportunities for consolidation or growth are identified.

BUSINESS MODEL

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



KEY PERFORMANCE INDICATORS

The Directors monitor a wide range of financial and operating measures to track the Group's progress. There are six core key performance indicators ("KPIs") which are set out below. A review of these KPIs is provided in the Chairman's and Chief Executive's review:

	2016	2015	Change
Core revenue (£m)	**16.2**	16.1	1%
Core revenue recurring in nature (£m)	**10.1**	9.6	5%
Gross profit margin (%)	**91%**	91%	–
Adjusted EBITDA (£m)	**4.46**	5.16	-14%
Cash generated from operations before payment of non-recurring transaction costs (£m)	**5.10**	4.37	17%
Total equity (£m)	**21.3**	22.7	-6%

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

This Strategic Report was approved by the Board of Directors on 26 September 2016 and signed on its behalf by:

JAMES ORMONDROYD
Director
26 September 2016

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of Netcall plc (the 'Company' or 'Netcall') and its subsidiaries (together the "Group") for the year ended 30 June 2016.

RESULTS AND DIVIDENDS

The Group's profit for the year after tax was £1.89m (2015: £2.66m).

The Company announced, on 23 February 2016, an interim enhanced dividend of 0.95 pence per share, amounting to a total of £1.32m, (2015: nil) which was subsequently paid on 27 July 2016 to shareholders whose names appeared on the register at the close of business on 15 July 2016.

Subject to shareholder approval at the Annual General Meeting to be held on 24 November 2016, the Board proposes paying a final ordinary dividend of 1.1 pence per share (2015: 1.0 pence per share) and an enhanced dividend of 0.95 pence per share (2015: 1.2 pence per share), amounting to a total dividend of £2.84m (2015: £2.66m). This would make a total ordinary dividend of 1.1 pence per share (2015: 1.0 pence per share) and an enhanced dividend of 1.9 pence per share (2015: 1.2 pence per share) for the year.

RESEARCH AND DEVELOPMENT

The Group continues an active programme of research and development into telecoms software and products. The total expenditure for research and development excluding amortisation was £2.20m (2015: £1.79m) comprising £1.14m in the consolidated income statement (2015: £1.09m) and £1.16m capitalised development expenditure (2015: £0.70m).

POLITICAL DONATIONS AND POLITICAL EXPENDITURE

In accordance with the Board's policy no political donations were made or expenditure incurred during the year (2015: £nil).

POST BALANCE SHEET EVENTS

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

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who held office during the year ended 30 June 2016 are as follows:

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

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

DIRECTORS' REMUNERATION

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

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

The main components of Executive Directors' remuneration comprise:

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

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

The Executive Directors participate in a bonus plan linked to the achievement of financial and individual performance targets set by the Remuneration Committee. The bonus plan is structured so as to pay 100% of salary for Henrik Bang and James Ormondroyd, respectively, on achieving targets. Bonuses payable are subject to the discretion of the Remuneration Committee after taking into account an overall view of the Group's performance and its assessment of financial and personal performance. In the year ended 30 June 2016, performance against targets resulted in a bonus award of 59% of salary for Henrik Bang and James Ormondroyd.

In December 2013 the Company effected a Long Term Incentive Plan ("LTIP") designed to provide the senior management team with share options vesting upon the attainment of certain criteria including the performance of the Company's ordinary share price up to £1.20 from the date of grant until 30 April 2019. Further details are set out below.

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

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

	Date of appointment	Notice period
Executive Directors		
Henrik Bang	13 February 2004	12 months
James Ormondroyd	30 July 2010	12 months
Non-Executive Directors		
Michael Jackson	23 March 2009	12 months
Michael Neville	30 July 2010	12 months

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

	Salary and fees £000	Benefits in kind £000	Bonus £000	2016 Total £000	2015 Total £000
Executive Directors					
Henrik Bang	**265**	**18**	**156**	**439**	369
James Ormondroyd	**176**	**16**	**108**	**300**	240
Non-Executive Directors					
Michael Jackson	**54**	**–**	**–**	**54**	53
Michael Neville	**31**	**–**	**–**	**31**	31
	526	**34**	**264**	**824**	693

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

	2016 £000	2015 £000
Executive Directors		
Henrik Bang	**20**	59
James Ormondroyd	**26**	41
	46	100

The table below sets out share options granted to Directors:

Date of grant	Earliest exercise date	Expiry date	Exercise price (pence)	Number at 1 July 2015 and 30 June 2016
Henrik Bang				
29.04.14(1)	30.04.17	30.04.21	5.0	**7,000,000**
				7,000,000
James Ormondroyd				
29.04.14(1)	30.04.17	30.04.21	5.0	**4,100,000**
Michael Jackson				
29.04.14(1)	30.04.17	30.04.21	5.0	**1,000,000**
				12,100,000

(1) LTIP options are conditional on certain vesting criteria including: various share price hurdles based on the average share price over 40 business days up to a share price of £1.20 from the date of grant until 30 April 2019; and the option holder being in employment during the vesting period. Once vested up to half may be exercised from 30 April 2017 to 30 April 2021 and the other half from 30 April 2019 to 30 April 2021.

The closing mid-market price of the Company's shares at 30 June 2016 was 49.5 pence. During the financial year the share price reached a high of 57.0 pence and a low of 45.0 pence.

GOVERNANCE

DIRECTORS' REPORT
CONTINUED

DIRECTORS' INDEMNITY AND INSURANCE

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

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

CORPORATE GOVERNANCE

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

EMPLOYEES

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

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

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

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Group recognises the importance of good relationships with its suppliers and subcontractors. Although the Group does not follow any particular code or standard on payment practice, its established payment policy is to agree payment terms in advance of any commitment being entered into and to seek to abide by these agreed terms provided that the supplier has also complied with them. Trade creditor days for the Company for the year were 42 days (2015: 12 days) this measure is variable due to the Parent Company making a limited number of purchases in the period.

FINANCIAL INSTRUMENTS

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

SHARE CAPITAL

Details of the issued share capital, together with details of the movement in the Company's issued share capital during the year, are shown in note 13 to the consolidated financial statements.

The Company has one class of ordinary shares, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. At the date of this report the share capital of the Company consisted of 138,667,486 issued and fully paid ordinary shares with a nominal value of 5p per share, quoted on AIM, together with 1,869,181 ordinary 5p shares held in Treasury.

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

Details of employee share schemes are set out in note 14 to the consolidated financial statements.

The Company was authorised at its last annual general meeting to make market purchases of up to 13,701,281 of its ordinary shares provided: that the minimum price per share that may be paid for any such shares is £0.05; and, the maximum price that may be paid for any such shares is not more than the higher of (i) an amount equal to 110% of the average market value for an ordinary share, as derived from the London Stock Exchange Business List, for the five business days prior to the day on which the purchase is made; or (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. This authority expires at the earlier of the close of the next Annual General Meeting or 25 February 2017. During the year the Company purchased none of its ordinary shares.

AUDITOR

Grant Thornton UK LLP, who were reappointed on 26 November 2015, have expressed their willingness to continue in office as auditor and a resolution to appoint them and authorise the Directors to determine their remuneration for the ensuing year will be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at TaylorWessing LLP, 5 New Street Square, London, EC4A 3TW on 24 November 2016 at 10.30am. Details and an explanation of the resolutions to be proposed are contained in the Notice of Annual General Meeting and explanatory notes either sent to shareholders with the annual report or available on the Company`s website, www.netcall.com.

By order of the Board

JAMES ORMONDROYD
Director
26 September 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

DIRECTORS AND ADVISERS

CHAIRMAN

Michael Jackson*^~(66) joined the Board in March 2009. He founded Elderstreet Investments Limited in 1990 and is its Executive Chairman. For the past 25 years, he has specialised in raising finance and investing in the smaller companies quoted and unquoted sector. Michael has been Chairman of two FTSE 100 companies and from 1997 until August 2006 was Chairman of The Sage Group plc.

CHIEF EXECUTIVE OFFICER

Henrik Bang (58) joined Netcall in January 2004. Previously he was Vice President of GN Netcom 1999–2004, part of the Danish OMX listed GN Great Nordic Group. Before that he held a number of international management positions in IBM and AP Moller-Maersk Line.

GROUP FINANCE DIRECTOR

James Ormondroyd (44) was appointed to the Netcall Board on the acquisition of Telephonetics plc on 30 July 2010, where he served as the Finance Director and Company Secretary for five years, previously he was the Finance Director and Company Secretary at World Television Group plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

NON-EXECUTIVE DIRECTOR

Michael Neville*^~ (62) was appointed to the Netcall Board on 30 July 2010 following the acquisition of Telephonetics plc where he served as Non-Executive Chairman from July 2005. He has extensive experience in capital markets and serves as a Non-Executive Director for a number of AIM quoted companies. His background is in the telecommunications and technology and media arena.

* denotes membership of the Audit subcommittee of the Board
^ denotes membership of the Remuneration subcommittee of the Board
~ denotes membership of the Nomination subcommittee of the Board

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COMPANY REGISTRATION NUMBER:

01812912

REGISTERED OFFICE:

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

DIRECTORS:

M Jackson
H Bang
J Ormondroyd
M Neville

SECRETARY:

M Greensmith

BANKERS:

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

NOMINATED ADVISERS:

finnCap Ltd
60 New Broad Street
London
EC2M 1JJ

REGISTRARS:

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

SOLICITORS:

TaylorWessing LLP
5 New Street Square
London
EC4A 3TW

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

AUDITORS:

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

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

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

- the Directors forming the Remuneration and Audit Committees are not independent, as defined by the Code, because Michael Neville became a director of the Company following the acquisition of Telephonetics plc, of which company he was a Director, and Michael Jackson was appointed a Director and Chairman without the intervention of a Nomination Committee. Each of these Directors holds shares in the Company and Michael Neville is a director of other companies in the Group.
- the Board does not undertake a formal evaluation of its performance, as this is constantly under review given its size.

BOARD RESPONSIBILITIES

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

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

BOARD COMPOSITION AND BALANCE

The Board, chaired by Michael Jackson, comprises two Executive Directors and two Non-Executive Directors. Collectively, the Directors have a wide range of relevant business and financial experience and knowledge which is vital to the success of the Group. Biographical details of the Directors are on page 12.

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

BOARD PROCESS

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

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

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

	Number of meetings	Number of meetings attended
Henrik Bang	10	10
James Ormondroyd	10	9
Michael Jackson	10	10
Michael Neville	10	10

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

Financial management: An annual operating budget is prepared by management and reviewed and approved by the Board. Monthly accounts comparing current year performance with budget together with key performance metrics are received and discussed by the Board. The Group has in place documented authority levels for approving purchase orders, invoices and all bank transactions.

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

Internal audit: The Directors do not currently believe that an additional, separate internal audit function is appropriate for the size and complexity of the Group but will continue to periodically review the position.
The Group is ISO9001 and ISO27001 accredited, which has been independently audited.

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT
CONTINUED

ELECTION AND RE-ELECTION OF DIRECTORS
Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. The Company's Articles require that one third of the current Directors must retire as Directors by rotation.

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

AUDIT COMMITTEE
The Audit Committee assists the Board to discharge its responsibilities for ensuring the integrity of the financial information reported to shareholders, meeting with and recommending the appointment and resignation of the Company's auditor and ensuring that non-audit services do not impact on the objectivity and independence of the Company's auditor. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Audit Committee. The Audit Committee is chaired by Michael Neville and meets on at least two occasions each year. The Group's auditor has direct access to the Audit Committee at any time to raise any matters of concern or for discussion. The table below shows the number of meetings individual members could have attended during the year (taking account of eligibility, appointment and retirement dates) and their actual attendance.

	Number of meetings	Number of meetings attended
Michael Jackson	3	3
Michael Neville	3	3

REMUNERATION COMMITTEE
The Remuneration Committee's principal function is to review the performance of the Executive Directors, recommend the setting of their remuneration and bonus payments and for considering the grant of share options to Directors and employees. The Committee is chaired by Michael Neville. Details of the Directors' remuneration can be found on page 9. The table below shows the number of meetings individual members could have attended during the year (taking account of eligibility, appointment and retirement) and their actual attendance.

	Number of meetings	Number of meetings attended
Michael Jackson	5	5
Michael Neville	5	5

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

RELATIONS WITH SHAREHOLDERS
The Board attaches great importance to maintaining good relationships with its shareholders.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETCALL PLC

We have audited the financial statements of Netcall plc for the year ended 30 June 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the Parent Company balance sheet, the Parent Company statement of changes in equity, and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the statement of Directors' responsibilities set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

JEREMY READ
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
26 September 2016

FINANCIALS

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	**2016 £000**	2015 £000
Revenue	5	**16,627**	17,151
Cost of sales	19	**(1,463)**	(1,564)
Gross profit		**15,164**	15,587
Administrative expenses	19	**(13,571)**	(13,349)
Other gains/(losses) — net	18	**21**	4
Adjusted EBITDA		**4,462**	5,161
Non-recurring transaction costs	19	**–**	(290)
Share-based payments	21	**(1,189)**	(1,127)
Depreciation	6	**(202)**	(147)
Amortisation of acquired intangible assets	7	**(880)**	(918)
Amortisation of other intangible assets	7	**(577)**	(437)
Operating profit		**1,614**	2,242
Finance income	23	**127**	114
Finance costs	23	**(4)**	(5)
Finance income — net		**123**	109
Profit before tax		**1,737**	2,351
Tax	24	**149**	304
Profit for the year		**1,886**	2,655
Earnings per share — pence			
Basic	25	**1.37**	1.94
Diluted	25	**1.32**	1.85

All activities of the Group in the current and prior periods are classed as continuing. All of the profit for the period is attributable to the shareholders of Netcall plc. The notes on pages 20 to 41 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	2016 £000	2015 £000
Profit for the year	**1,886**	2,655
Total comprehensive income for the year	**1,886**	2,655

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

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2016

	Notes	2016 £000	2015 £000
Assets			
Non-current assets			
Property, plant and equipment	6	**565**	323
Intangible assets	7	**11,005**	11,164
Investments	8	**288**	288
Deferred income tax asset	16	**791**	919
Total non-current assets		**12,649**	12,694
Current assets			
Inventories	10	**226**	229
Trade and other receivables	11	**5,170**	6,043
Current income tax asset		**11**	267
Cash and cash equivalents	12	**14,122**	13,726
Total current assets		**19,529**	20,265
Total assets		**32,178**	32,959
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	13	**7,027**	6,945
Share premium	13	**3,015**	3,015
Merger reserve		**2,509**	2,509
Capital reserve		**188**	188
Treasury shares		**(419)**	(419)
Employee share schemes reserve		**2,300**	1,420
Retained earnings		**7,996**	9,024
Total equity		**22,616**	22,682
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	16	**376**	520
Provisions	17	**118**	100
Total non-current liabilities		**494**	620
Current liabilities			
Trade and other payables	15	**2,876**	3,443
Current income tax liabilities		**–**	84
Deferred income		**6,192**	6,130
Total current liabilities		**9,068**	9,657
Total liabilities		**9,562**	10,277
Total equity and liabilities		**32,178**	32,959

The notes on pages 20 to 41 form part of these financial statements. These financial statements on pages 16 to 41 were approved and authorised for issue by the Board of Directors on 26 September 2016 and were signed on its behalf by:

JAMES ORMONDROYD
Director

Netcall plc, registered no. 01812912

FINANCIALS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Share capital £000	Share premium £000	Merger reserve £000	Capital reserve £000	Treasury shares £000	Employee share scheme reserve £000	Retained earnings £000	Total £000
Balance at 30 June 2014	**6,940**	**3,015**	**2,509**	**188**	**(419)**	**394**	**7,560**	**20,187**
Increase in equity reserve in relation to options issued	–	–	–	–	–	1,052	–	1,052
Tax credit relating to share options	–	–	–	–	–	16	–	16
Reclassification following exercise or lapse of options	–	–	–	–	–	(42)	42	–
Proceeds from share issue	5	–	–	–	–	–	–	5
Dividends to equity holders of the Company	–	–	–	–	–	–	(1,233)	(1,233)
Transactions with owners	5	–	–	–	–	1,026	(1,191)	(160)
Profit and total comprehensive income for the year	–	–	–	–	–	–	2,655	2,655
Balance at 30 June 2015	**6,945**	**3,015**	**2,509**	**188**	**(419)**	**1,420**	**9,024**	**22,682**
Increase in equity reserve in relation to options issued	–	–	–	–	–	1,139	–	1,139
Tax debit relating to share options	–	–	–	–	–	(122)	–	(122)
Reclassification following exercise or lapse of options	–	–	–	–	–	(137)	137	–
Proceeds from share issue	82	–	–	–	–	–	–	82
Dividends to equity holders of the Company	–	–	–	–	–	–	(3,051)	(3,051)
Transactions with owners	82	–	–	–	–	880	(2,914)	(1,952)
Profit and total comprehensive income for the year	–	–	–	–	–	–	1,886	1,886
Balance at 30 June 2016	**7,027**	**3,015**	**2,509**	**188**	**(419)**	**2,300**	**7,996**	**22,616**

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	2016 £000	2015 £000
Cash flows from operating activities		
Profit before income tax	**1,737**	2,351
Adjustments for:		
Depreciation	**202**	147
Amortisation	**1,457**	1,355
Share-based payments	**1,189**	1,127
Net finance income	**(123)**	(109)
Changes in working capital:		
Inventories	**3**	(61)
Trade and other receivables	**885**	(806)
Trade and other payables	**(536)**	366
Cash generated from operations	**4,814**	4,370
Analysed as:		
Cash generated from operations before payment of non-recurring transaction costs	**5,104**	4,370
Non-recurring transaction costs payment	**(290)**	–
Interest paid	**(4)**	(5)
Income tax received/(paid)	**183**	76
Net cash generated from operating activities	**4,993**	4,441
Cash flows from investing activities		
Investment in Macranet Limited	**–**	(100)
Purchase of property, plant and equipment	**(444)**	(163)
Development expenditure capitalised	**(1,163)**	(697)
Purchase of other intangible assets	**(135)**	(18)
Interest received	**114**	114
Net cash used in investing activities	**(1,628)**	(864)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**82**	5
Dividends paid to Company shareholders	**(3,051)**	(1,233)
Net cash used in financing activities	**(2,969)**	(1,228)
Net increase in cash and cash equivalents	**396**	2,349
Cash and cash equivalents at beginning of period	**13,726**	11,377
Cash and cash equivalents at end of period	**14,122**	13,726

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company is a public limited company which is quoted on AIM (a market of the London Stock Exchange) and is incorporated and domiciled in the UK. The Company's registered address is 3rd Floor, Hamilton House, 111 Marlowes, Hemel Hempstead, HP1 1BB and the Company's registered number is 01812912.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) BASIS OF PREPARATION

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

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

(B) GOING CONCERN

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

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

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

(C) CHANGES IN ACCOUNTING POLICIES

The Group has not applied any new accounting policies or made other retrospective changes that have a material effect on the consolidated statement of financial position as at 1 July 2015.

New standards and interpretations currently in issue but not effective, based on EU mandatory effective dates, for accounting periods commencing on 1 July 2015 are:

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018) ^^
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018) ^^
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016)
- Annual Improvements to IFRSs 2012–2014 Cycle (effective 1 January 2016) ^^
- Amendments to IAS 27 Equity Method in Separate Financial Statements (effective 1 January 2016)
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016)
- IFRS 16 Leases (effective 1 January 2019) ^^
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017) ^^
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective 1 January 2019) ^^
- Amendments to IAS 7 Disclosure Initiative (effective 1 January 2017) ^^

^^ Not adopted by the EU (as at 1 September 2016).

Apart from IFRS 15 and IFRS 16, where the Company is currently assessing how significant the effect on the reported results and financial position will be, the Directors anticipate, based on the current business, that the future introduction of the standards, amendments and interpretations listed above will not have a material impact on the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(D) CONSOLIDATION

Subsidiaries are all entities over which the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns though its power over the investee. This is when the Group can direct decisions through the voting rights granted by ordinary shares that significantly impact its returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

Where a Group company has acquired an investment in a subsidiary undertaking and applies merger relief, under Section 612 of the Companies Act 2006, the difference between the nominal value and fair value of the shares issued is credited to the merger reserve.

The Group elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to date of transition to IFRS from UK GAAP. Accordingly the classification of the combination remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition, 1 July 2006, if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. When Netcall plc acquired Netcall UK Limited in 1996, ordinary shares were issued to form the consideration. The UK GAAP merger accounting criteria were met and so a merger reserve was recognised. Due to the election not to apply IFRS 3 Business Combinations prior to the date of transition, this merger reserve has remained unchanged on transition to IFRS.

(E) SEGMENT REPORTING

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

(F) FOREIGN CURRENCY TRANSLATION

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

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

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

(G) PROPERTY, PLANT AND EQUIPMENT

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

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

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

- Computer equipment three to seven years
- Furniture, fittings and equipment three to seven years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

(H) INTANGIBLE ASSETS

ACQUIRED INTANGIBLE ASSETS

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

- Brand names 18 months.
- Acquired software 4–15 years.
- Customer contracts and relationships 7–10 years.

GOODWILL

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

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

TRADEMARKS AND LICENCES

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

INTERNALLY GENERATED SOFTWARE DEVELOPMENT COSTS

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

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

Internally generated software development costs recognised as assets are carried at cost less amortisation, and amortised over their estimated useful lives, which does not exceed four years.

(I) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(J) FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS

The Group's financial assets are loans and receivables. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. They arise principally through the provision of services to customers (trade receivables), but also incorporate other types of contractual monetary asset such as deposits on rental property and prepayments, which are contractually recoverable. They are initially recognised at fair value and subsequently carried at amortised cost. Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

FINANCIAL LIABILITIES

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

SHARE CAPITAL

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

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

(K) INVENTORIES

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

(L) CASH AND CASH EQUIVALENTS

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

(M) EQUITY

Equity comprises the following:

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

(N) CURRENT AND DEFERRED TAXATION

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(O) EMPLOYEE BENEFITS — PENSIONS

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

(P) SHARE-BASED PAYMENTS

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

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

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

(Q) PROVISIONS

Provisions for vacant property obligations and associated costs and leasehold dilapidations are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(R) REVENUE

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities and is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

- product – consists of software product license fees and hardware. Revenue is recognised when risks and rewards have passed to the customer and there is no significant ongoing obligation upon the Group;
- professional services – consists primarily of consultancy, implementation services and training. Revenue from these services is recognised as the services are performed based on achievement of contract specific milestones, or using the percentage of completion method depending on the terms of the contract. The Group determines the stage of completion by reference to the cost incurred as a proportion of the total estimated costs of the service project;
- support contracts – provide clients with software updates, system monitoring and tuning and technical support services. Revenues are recognised on a straight-line basis over the duration of the contract; and
- hosted services – revenues comprise: fixed fees and service charges, and telephony call and transaction charges. Fixed fees and service charges are recognised on a straight-line basis over the duration of the contract. Telephony call and transaction charges are recognised when the call or transaction has been delivered over the Group's network.

Typically, a number of the above elements may be sold together as a bundled contract. Revenue is recognised separately for each component if it is considered to represent a separable good or service and a fair value can be reliably established. The Group derives fair value for its professional services based on day rates for consultants and for support contracts based on renewal prices. Where software is included within a bundled arrangement, the residual value of the contract is ascribed to the software after a fair value has been allocated to all other components.

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

(S) LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(T) DIVIDEND DISTRIBUTION

Dividend distributions payable to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividend distributions to the Company's shareholders approved by the Board are not included in the financial statements until paid.

3 FINANCIAL RISK MANAGEMENT

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

(A) FINANCIAL RISK FACTORS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

3 FINANCIAL RISK MANAGEMENT CONTINUED

FOREIGN EXCHANGE RISK

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

	US dollar £000	Euro £000	Total £000
At 30 June 2016			
Trade and other receivables (excluding prepayments)	**41**	**3**	**44**
Cash and cash equivalents	**95**	**43**	**138**
Trade and other payables (excluding statutory liabilities)	**–**	**27**	**27**
	136	**19**	**155**
At 30 June 2015			
Trade and other receivables (excluding prepayments)	9	3	12
Cash and cash equivalents	76	5	81
Trade and other payables (excluding statutory liabilities)	15	28	43
	70	(20)	50

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

INTEREST RATE RISK

The Group has no significant debt therefore the Group's interest rate risk arises principally from bank deposits. The Group manages its cash held on deposit to gain reasonable interest rates whilst maintaining sufficient liquidity to support the Group's strategy by placing a proportion of cash into short-term treasury deposits and retaining the balance in current accounts. The average interest rate gained on cash held during the year was 0.7% (2015: 0.8%). A 1% movement in interest rates would impact upon equity and net profit by approximately £109,000 (2015: £97,000).

CREDIT RISK

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

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. These are summarised within note 9. The Group's management considers that all the above financial assets that are not impaired for each of the balance sheet dates under review are of good credit quality, including those that are past due. See note 11 for more information of financial assets that are past due.

LIQUIDITY RISK

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

3 FINANCIAL RISK MANAGEMENT CONTINUED

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

	Within 6 months £000	Between 1 and 2 years £000	Between 2 and 3 years £000	Total £000
At 30 June 2016				
Trade and other payables (excluding statutory liabilities)	**2,445**	**–**	**–**	**2,445**
	2,445	**–**	**–**	**2,445**
At 30 June 2015				
Trade and other payables (excluding statutory liabilities)	2,732	–	–	2,732
	2,732	–	–	2,732

(B) CAPITAL RISK MANAGEMENT

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

	2016 £000	2015 £000
Cash and cash equivalents	**14,112**	13,726
Equity attributable to owners of the parent	**22,616**	22,662
Net capital	**8,504**	8,936

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares or debt. The Group has maintained cash balances at approximately 60% of equity throughout the period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

REVENUE RECOGNITION

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

IMPAIRMENT OF GOODWILL

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

ACQUIRED INTANGIBLE ASSETS

On acquisition of a business, the Group is required to value the assets acquired and recognise intangible assets on the balance sheet. The valuation of these assets relies on various assumptions, including future revenues and costs derived from those assets and the selection of an appropriate discount rate in order to calculate the present value of those cash flows. These assets are subject to impairment reviews whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Further information including the carrying value is given in note 7.

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

SHARE-BASED PAYMENTS

The fair value of share-based payments is estimated using the Monte Carlo valuation model or Black–Scholes option-pricing model as appropriate at the date of grant and using certain assumptions. These assumptions are disclosed in note 14.

TAXATION

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

The Group has tax losses available for carrying forward against future taxable income of £4.45m (2015: £6.19m). The Group has recognised a deferred tax asset of £0.63m (2015: £0.67m) which is 75% of the total loss as management consider that it is more likely than not that the future taxable profits will exceed this amount within the next five years.

5 SEGMENT INFORMATION

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

The key segmental measure is adjusted EBITDA which is profit before interest, taxation, depreciation, amortisation, acquisition and non-recurring expenses and share-based payments as set out in the consolidated income statement.

A breakdown of revenue by category is as follows:

	2016 **£000**	2015 £000
Product and professional services	**6,061**	6,523
Support contracts	**8,461**	8,166
Hosted services	**2,099**	2,453
Other services	**6**	9
	16,627	17,151

The business is domiciled in the UK. The result of its revenue from external customers in the UK is £16.4m (2015: £16.8m), and the total from external customers from other countries is £0.19m (2015: £0.32m).

All non-current assets are located in the UK.

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

6 PROPERTY, PLANT AND EQUIPMENT

	Furniture, fittings and equipment £000	Computer equipment £000	Total £000
Cost			
At 30 June 2014	296	614	910
Additions	1	162	163
At 30 June 2015	297	776	1,073
Additions	126	318	444
At 30 June 2016	**423**	**1,094**	**1,517**
Accumulated depreciation			
At 30 June 2014	192	411	603
Depreciation charge	34	113	147
At 30 June 2015	226	524	750
Depreciation charge	52	150	202
At 30 June 2016	**278**	**674**	**952**
Net book amount			
At 30 June 2014	104	203	307
At 30 June 2015	71	252	323
At 30 June 2016	**145**	**420**	**565**

A depreciation expense of £0.20m (2015: £0.15m) has been charged in 'administrative expenses'.

FINANCIALS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

7 INTANGIBLE ASSETS

	Customer contracts and relationships £000	Brand £000	Acquired software £000	Goodwill £000	Internally generated software development costs £000	Trademarks and licences £000	Total £000
Cost							
At 30 June 2014	4,136	60	3,278	7,160	1,577	561	16,772
Additions	–	–	–	–	697	18	715
Disposals	–	–	–	–	–	–	–
At 30 June 2015	4,136	60	3,278	7,160	2,274	579	17,487
Additions	–	–	–	–	1,163	135	1,298
Disposals	–	–	–	–	–	–	–
At 30 June 2016	**4,136**	**60**	**3,278**	**7,160**	**3,437**	**714**	**18,785**
Accumulated amortisation							
At 30 June 2014	2,501	60	1,527	–	439	441	4,968
Amortisation charge	656	–	262	–	394	43	1,355
Disposals	–	–	–	–	–	–	–
At 30 June 2015	3,157	60	1,789	–	833	484	6,323
Amortisation charge	656	–	224	–	529	48	1,457
Disposals	–	–	–	–	–	–	–
At 30 June 2016	**3,813**	**60**	**2,013**	**–**	**1,362**	**532**	**7,780**
Net book amount							
At 30 June 2014	1,635	–	1,751	7,160	1,138	120	11,804
At 30 June 2015	979	–	1,489	7,160	1,441	95	11,164
At 30 June 2016	**323**	**–**	**1,265**	**7,160**	**2,075**	**182**	**11,005**

Amortisation of £1.46m (2015: £1.36m) is included within 'administrative expenses'.

IMPAIRMENT TESTS FOR GOODWILL

The goodwill on the balance sheet relates to the acquisitions of: Q-Max Systems Limited, Telephonetics Limited and Serengeti Systems Limited. The trade and net assets of these businesses have subsequently been combined into the main Netcall trading subsidiary, which together are considered to be one cash-generating unit ("CGU"). Goodwill was tested for impairment on 30 June 2016 following IAS 36 criteria. Management compared the carrying value of the CGU to the value in use, to confirm that no impairment of goodwill is necessary.

The Group prepares a cash flow forecast derived from the most recent financial budget approved by the Board for the year ending 30 June 2017 together with the most recent forecast for the year ending 30 June 2018 and extrapolates cash flows for three more years with a 3% growth assumption (2015: 3%). The forecast and growth assumption for the CGU is based on management's experience and understanding of the market place for its software. Terminal values were calculated, based on the perpetuity of cash generated with no long-term growth rate applied. Forecasts and terminal values for both cash-generating units were discounted at a pre-tax adjusted discount rate of 10% (2015: 10%). The pre-tax discount rates are based on the Group's weighted average cost of capital.

No impairment was deemed necessary as shown in the table below:

	Goodwill £000	Acquired intangibles £000	Carrying value £000	Value in use £000	Excess value in use £000	Sensitivity £000
Netcall	7,160	1,588	8,748	20,234	11,486	131%

The sensitivity shows the excess of value in use in relation to the carrying value of the CGU. Management is not aware of any probable changes that would require changes in its key estimates that would lead to impairment. The key assumption impacting the value in use is the revenue forecast.

8 INVESTMENTS

	2016 £000	2015 £000
Investment in Macranet Limited	**288**	288

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

9 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per balance sheet:

	2016 £000	2015 £000
Financial assets (carried at fair value through profit or loss)		
Investment in Macranet Limited	**288**	288
Loans and receivables (carried at amortised cost)		
Trade and other receivables excluding prepayments	**4,649**	5,666
Cash and cash equivalents	**14,122**	13,726
Total	**19,059**	19,680

Financial liabilities per balance sheet:

	2016 £000	2015 £000
Financial liabilities at amortised cost		
Trade and other payables (excluding statutory liabilities and deferred income)	**2,445**	2,732
Total	**2,445**	2,732

10 INVENTORIES

	2016 £000	2015 £000
Finished goods and goods for resale	**226**	229

11 TRADE AND OTHER RECEIVABLES

	2016 £000	2015 £000
Trade receivables	**3,736**	4,551
Less: provision for impairment of trade receivables	**(50)**	(42)
Trade receivables — net	**3,686**	4,509
Other receivables	**17**	51
Prepayments	**521**	377
Accrued income	**946**	1,106
	5,170	6,043

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11 TRADE AND OTHER RECEIVABLES CONTINUED

As at 30 June 2016, trade receivables of £1.91m (2015: £3.31m) were within credit terms and £1.74m (2015: £1.16m) were past due but not impaired. Both the fully performing and past due but not impaired balances relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 £000	2015 £000
Not more than 1 month	960	188
More than 1 month but not more than 3 months	560	728
More than 3 months	224	241
	1,744	1,157

As at 30 June 2016, trade receivables of £76,000 (2015: £86,000) were impaired, against which a provision of £50,000 (2015: £42,000) has been recorded. The provision was determined after taking into account the customers' payment histories. The ageing of these receivables is as follows:

	2016 £000	2015 £000
Current	–	–
Not more than 1 month	–	–
More than 1 month but not more than 3 months	–	–
More than 3 months	76	86
	76	86

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

	2016 £000	2015 £000
At 1 July	42	87
Provisions for receivables impairment	57	25
Receivables written off during the year as uncollectible	(5)	(49)
Unused amounts reversed	(44)	(21)
	50	42

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets or any past due balances.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above plus credit risk on cash and cash equivalents. The Group does not hold any collateral as security or have any concentration of credit risk.

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

	2016 £000	2015 £000
UK pound	5,126	6,031
Euros	3	3
US dollar	41	9
	5,170	6,043

12 CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Cash at bank and in hand	**14,122**	13,726
Cash and cash equivalents	**14,122**	13,726

13 SHARE CAPITAL AND PREMIUM

	Number of shares thousands	Ordinary shares £000	Share premium £000	Total £000
At 30 June 2014	138,802	6,940	3,015	9,955
Proceeds from share issue	100	5	–	5
At 30 June 2015	138,902	6,945	3,015	9,960
Proceeds from share issue	1,635	82	–	82
At 30 June 2016	**140,537**	**7,027**	**3,015**	**10,042**

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

The Company purchased none of its own shares during the year (2015: nil). The total number of ordinary shares held in Treasury at the end of the year was 1,869,181 (2015: 1,869,181).

14 SHARE-BASED PAYMENT

Share options are granted to Directors and to certain employees.

The Company operates an Enterprise Management Incentive Scheme which was introduced in 2007 ("2007 EMI"). The 2007 EMI scheme options have an exercise price of 5 pence and contractual option term of ten years and are conditional on certain vesting criteria including: attainment of the Company's ordinary share price up to 60 pence in the five years from the date of grant; and the option holder being in employment at the date the option is exercised.

A Long Term Incentive Plan ("LTIP1") was introduced in June 2011. The options are granted at an exercise price of 5 pence. Options are conditional on certain vesting criteria including: achievement of the Company's ordinary share price up to 55 pence in the period from the date of grant until 1 January 2017; and the option holder being in employment at the date the option is exercised. The options have a contractual option term of ten years; and once vested up to 100% of the options awarded may be exercised.

In December 2013 the Company effected another Long Term Incentive Plan ("LTIP2A"). The options are granted at an exercise price of 5 pence. Options are conditional on certain vesting criteria including: achievement of the Company's ordinary share price up to 95 pence in the six years following the date of grant; and the option holder being in employment at the date the option is exercised. The options have a contractual option term of ten years; and once vested up to 100% of the options awarded may be exercised.

In April 2014 the Company effected a further Long Term Incentive Plan ("LTIP2B"). The options are granted at an exercise price of 5 pence. Options are conditional on certain vesting criteria including: achievement of the Company's ordinary share price up to £1.20 in the five years following the date of grant; and, the option holder being in employment at the date the option is exercised. The options have a contractual option term of seven years; and once vested up to half of the options awarded may be exercised three years after grant and the other half five years after grant.

In November 2015 the Company granted a number of Unapproved Share Options ("Unapproved"). These options are granted at an exercise price of nil pence. Options are conditional on the employee being in employment in November 2017; and having made suitable arrangements with the Company for payment of any income tax or employee national insurance arising as a result of the award.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14 SHARE-BASED PAYMENT CONTINUED

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

	2016 Weighted average exercise price in pence per share	2016 Options (thousand)	2015 Weighted average exercise price in pence per share	2015 Options (thousand)
At 1 July	5.0	18,570	5.0	18,757
Granted	4.5	1,511	5.0	415
Exercised	5.0	(1,635)	5.0	(100)
Forfeited	5.0	(339)	5.0	(502)
At 30 June	5.0	18,107	5.0	18,570

Out of the 18,106,992 outstanding options (2015: 18,570,077 options), 409,452 options (2015: 968,575) were exercisable. The weighted average exercise price for options exercisable at the year end was 5.0 pence (2015: 5.0 pence).

Options exercised in the year resulted in 1,634,674 shares (2015: 100,000) being issued at a weighted average price of 5 pence each (2015: 5 pence). The related average weighted share price at the time of exercise was 53 pence per share (2015: 62 pence per share).

The weighted average fair value of the LTIP2B options granted during the period determined using the Monte Carlo valuation model was 25.3 pence per option. The significant inputs into the model were mid-market share price of 53.75 pence at the grant date; exercise price of 5.0 pence; volatility of 26%; dividend yield of 1.4%; an expected option life of 4.0 years; an illiquid share discount of 7.5%; and an annual risk-free interest rate of 1.9%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices over the last four years.

The weighted average fair value of the unapproved options granted during the period determined using the Black–Scholes option pricing model was 39.7 pence per option. The significant inputs into the model were mid-market share price of 53.75 pence at the grant date; exercise price of nil pence; volatility of 24%; an expected option life of 2.5 years; a bid price share discount of 2.5%; and an annual risk-free interest rate of 0.3%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices over the last four years.

See note 21 for the total expense recognised in the income statement for share options granted to Directors and employees (including associated national insurance).

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

Expiry date		Exercise price in pence per share	Options (thousands) 2016	2015
January 2017	2007 EMI	5.0	–	25
November 2017	Unapproved	0.0	154	–
April 2021	LTIP2A	5.0	2,288	2,650
April 2021	LTIP2B	5.0	12,861	12,864
July 2021	LTIP1	5.0	791	2,168
March 2022	LTIP2B	5.0	379	379
April 2022	LTIP2B	5.0	1,300	–
July 2022	LTIP1	5.0	334	484
			18,107	18,570

15 TRADE AND OTHER PAYABLES

	2016 £000	2015 £000
Trade payables	356	806
Social security and other taxes	431	711
Other liabilities	270	222
Accrued expenses	1,819	1,704
	2,876	3,443

16 DEFERRED INCOME TAX

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

	2016 £000	2015 £000
At 1 July	**399**	273
Income statement (debit)/credit (note 24)	**138**	110
Tax charged directly to equity	**(122)**	16
At 30 June	**415**	399

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

Deferred tax liabilities	**Accelerated tax depreciation £000**	**Acquired intangibles £000**	**Other temporary differences £000**	**Total £000**
At 30 June 2014	4	329	261	594
Charged/(credited) to the income statement	18	(133)	41	(74)
At 30 June 2015	22	196	302	520
Charged/(credited) to the income statement	8	(131)	(21)	(144)
At 30 June 2016	**30**	**65**	**281**	**376**

Deferred tax assets	**Tax losses £000**	**Accelerated tax depreciation £000**	**Share-based payments £000**	**Other temporary differences £000**	**Total £000**
At 30 June 2014	668	–	168	31	867
Credited/(charged) to the income statement	–	–	42	(6)	36
Credited/(charged) to equity	–	–	16	–	16
At 30 June 2015	668	–	226	25	919
(Charged)/credited to the income statement	(38)	–	33	(1)	(6)
Charged to equity	–	–	(122)	–	(122)
At 30 June 2016	**630**	**–**	**137**	**24**	**791**

Deferred tax assets are recognised for tax losses available carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred tax assets of £0.26m (2015: £0.57m) in respect of losses amounting to £1.31m (2015: £2.85m) that can be carried forward against future taxable income; or £1.34m (2015: £1.34m) in respect of losses that are capital in nature amounting to £6.68m (2015: £6.68m).

A deferred tax asset of £0.13m (2015: £80,000) in relation to temporary timing differences due to share-based payment charges of £0.66m (2015: £0.40m) has not been recognised.

FINANCIALS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

17 PROVISIONS

	Dilapidations £000
At 30 June 2014	84
Charged to the income statement	16
At 30 June 2015	100
Charged to the income statement	18
At 30 June 2016	**118**

Analysis of total provisions:

	2016 £000	2015 £000
Non-current	**118**	82
Current	**–**	18
	118	100

The dilapidations provision provides for the estimated costs of restoring the Group's leasehold properties at lease terms to the condition in which they were originally leased. The majority of the provision is anticipated to be utilised in 2018.

18 OTHER GAINS/(LOSSES) — NET

	2016 £000	2015 £000
Net foreign exchange gains/(losses)	**21**	4

19 EXPENSES BY NATURE

	2016 £000	2015 £000
Inventory recognised as an expense	**515**	637
Employee benefit expense (note 21)	**9,634**	9,293
Depreciation and amortisation (notes 6 and 7)	**1,557**	1,502
Operating lease payments (note 27)	**186**	191
Other expenses	**3,142**	3,290
Total cost of sales and administrative expenses	**15,034**	14,913

Research and development costs of £1.14m have been expensed during the year (2015: £1.09m).

On 25 June 2015 the Company announced that it was in advanced discussions regarding its possible recommended acquisition, which subsequently did not proceed. The Company incurred professional advisor fees of £0.29m in connection with these discussions which are included within 'other expenses' in the prior year.

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

	2016 £000	2015 £000
Fees payable to the Company's auditor for the audit of the parent and consolidated financial statements	**16**	16
Fees payable to the Company's auditor for other services:		
— the audit of the Company's subsidiaries pursuant to legislation	**26**	31
— review interim report	**8**	7
— corporate finance services	**–**	140
— other services	**2**	–
	52	194

21 EMPLOYEE BENEFIT EXPENSE

	2016 £000	2015 £000
Wages and salaries	**8,252**	7,569
Less: internal development costs capitalised in the year	**(1,035)**	(578)
Social security costs	**930**	885
Share options granted to Directors and employees (see note 14)	**1,189**	1,127
Pension costs — defined contribution plans	**298**	290
	9,634	9,293

22 AVERAGE NUMBER OF PEOPLE EMPLOYED

	2016	2015
Average number of people (including Executive Directors) employed:		
Sales and marketing	**51**	56
Development and operations	**86**	71
Management and administration	**19**	21
Total average headcount	**156**	148

23 FINANCE INCOME AND COSTS

	2016 £000	2015 £000
Interest expense:		
— bank charges	**4**	5
Finance costs	**4**	5
Finance income:		
— interest on short-term bank deposits	**101**	92
— interest income on investment in Macranet Limited	**26**	22
Finance income	**127**	114
Net finance income	**123**	109

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

24 TAX EXPENSE

	2016 £000	2015 £000
Current tax:		
Current tax on profits for the year	–	85
Adjustments in respect of prior years	(11)	(275)
Total current tax	**(11)**	(194)
Deferred tax (note 16):		
Origination and reversal of temporary differences	(138)	(110)
Total deferred tax	**(138)**	(110)
Total tax credit	**(149)**	(304)

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

	2016 £000	2015 £000
Profit before tax	**1,737**	2,351
Tax expense calculated at 20.0% (2015: 20.75%)	347	489
Tax effects of:		
— expenses not deductible for tax purposes	309	295
— additional deductions for R&D expenditure	(348)	(261)
— utilisation of previously unrecognised tax losses	(309)	(534)
— relief for employee share schemes	(152)	(16)
Adjustment in respect of prior years	–	(277)
Total tax credit	**(149)**	(304)

25 EARNINGS PER SHARE

(A) BASIC AND DILUTED

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

	2016 £000	2015 £000
Net earnings attributable to ordinary shareholders (£000)	1,886	2,655
Weighted average number of ordinary shares in issue (thousands)	138,150	137,006
Basic earnings per share (pence)	**1.37**	1.94

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

	2016 £000	2015 £000
Weighted average number of ordinary shares in issue (thousands)	138,150	137,006
Adjustments for share options	5,083	6,615
Weighted average number of potential ordinary shares in issue (thousands)	143,233	143,621
Diluted earnings per share (pence)	**1.32**	1.85

25 EARNINGS PER SHARE CONTINUED

(B) ADJUSTED BASIC AND DILUTED

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

	2016 £000	2015 £000
Profit used for calculation of basic and diluted earnings per share	**1,886**	2,655
Non-recurring transaction costs	**–**	290
Share-based payments	**1,189**	1,127
Amortisation of acquired intangible assets	**880**	918
Tax adjustment	**(910)**	(1,276)
Profit used for calculation of adjusted basic and diluted earnings per share	**3,045**	3,714

	2016 pence	2015 pence
Adjusted basic earnings per share	**2.20**	2.71
Adjusted diluted earnings per share	**2.13**	2.59

26 DIVIDENDS PER SHARE

Year to June 2016	**Paid**	**Pence per share**	**Cash flow statement £000**	**Statement of changes in equity £000**	**June 2016 balance sheet £000**
Final ordinary dividend for year to June 2016	**12/1/16**	**1.00p**	**1,387**	**1,387**	**–**
Enhanced dividend	**12/1/16**	**1.20p**	**1,664**	**1,664**	**–**
			3,051	**3,051**	**–**

Year to June 2015	Paid	Pence per share	Cash flow statement £000	Statement of changes in equity £000	June 2015 balance sheet £000
Final ordinary dividend for year to June 2015	12/1/15	0.90p	1,233	1,233	–
			1,233	1,233	–

An interim enhanced dividend of 0.95 pence per share, amounting to a total of £1.32 million, was paid on 27 July 2016 to shareholders whose names appeared on the register at the close of business on 15 July 2016. As the interim dividend was not approved at the balance sheet date it has not been included as a liability in these financial statements.

It is intended that this year's final ordinary dividend of 1.1 pence per share and final enhanced dividend of 0.95 pence per share will be paid to shareholders on 11 January 2017. Netcall plc shares will trade ex-Dividend from 8 December 2016 and the record date will be 9 December 2016. The estimated amount payable is £2.84 million. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27 OPERATING LEASE COMMITMENTS

The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between one and seven years and none of them contain renewal or purchase options or escalation clauses or any restrictions regarding further leasing.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 £000	2015 £000
No later than one year	**184**	200
Later than one year and no later than five years	**382**	405
Later than five years	**–**	–
Total	**566**	605

28 RELATED PARTY TRANSACTIONS

Netcall plc is the Parent and ultimate controlling Company of the Group.

(A) SALE AND PURCHASE OF GOODS AND SERVICES

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

(B) KEY MANAGEMENT COMPENSATION

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

	2016 £000	2015 £000
Salaries and other short-term employee benefits	**918**	788
Company contributions to money purchase pension schemes	**46**	100
Share-based payments	**884**	909
Total	**1,848**	1,797

(C) DIRECTORS

	2016 £000	2015 £000
Aggregate emoluments	**824**	693
Company contributions to money purchase pension schemes	**46**	100
Total	**870**	793

Details of individual Directors' emoluments are set out on page 8 of the Directors' report.

The highest paid Director was paid £439,000 (2015: £369,000). Personal pension contributions paid to the highest paid Director were £20,000 (2015: £59,000).

The Directors received dividend payments as follows:

	2016 £000	2015 £000
Executive Directors		
Henrik Bang(1)	**104**	42
James Ormondroyd	**36**	15
Non-Executive Directors		
Michael Jackson(2)	**18**	11
Michael Neville	**11**	4

(1) including dividends received by Henrik Bang's pension schemes and shares held jointly with his spouse.

(2) including dividends received by shares held by Michael Jackson and Richard Jackson as trustees of the W&E Jackson Trust whose beneficiaries are the children and remoter issue of Michael Jackson.

29 PRINCIPAL SUBSIDIARIES

	Country of incorporation	Nature of business	Proportion of ordinary shares held by the Parent	Proportion of ordinary shares held by the Group
Netcall Telecom Limited	UK	Software & services	0%	100%
Serengeti Systems Limited	UK	Software & services	100%	0%
Telephonetics Limited	UK	Intermediate holding company	100%	0%
Datadialogs Limited	UK	Dormant company	0%	100%
Netcall Telecom Inc.	US	Dormant company	0%	100%
Netcall Telecom Europe Limited	UK	Dormant company	100%	0%
Netcall UK Limited	UK	Dormant company	100%	0%
Q-Max Systems Limited	UK	Dormant company	100%	0%
Voice Integrated Products Limited	UK	Dormant company	0%	100%

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

30 POST BALANCE SHEET EVENTS

An interim enhanced dividend of 0.95 pence per share, amounting to a total of £1.32m, was paid to ordinary shareholders on 27 July 2016 whose names appeared on the register at the close of business on 15 July 2016.

A final ordinary dividend in respect of the year ended 30 June 2016 of 1.1 pence per share and a final enhanced dividend of 0.95 pence per share, amounting to a total dividend of £2.84m, is to be proposed at the Annual General Meeting on 24 November 2016.

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PARENT COMPANY BALANCE SHEET
AS AT 30 JUNE 2016

	Notes	2016 £000	2015 £000
Assets			
Non-current assets			
Intangible assets	E	**1,223**	1,372
Investments	F	**21,952**	21,787
Deferred income tax asset	I	**481**	493
Total non-current assets		**23,656**	23,652
Current assets			
Trade and other receivables	G	**502**	324
Cash at bank and in hand		**10,020**	9,775
Total current assets		**10,522**	10,099
Total assets		**34,178**	33,751
Equity and liabilities			
Equity			
Share capital	J	**7,027**	6,945
Share premium		**3,015**	3,015
Capital reserve		**188**	188
Merger reserve		**520**	520
Treasury shares		**(419)**	(419)
Employee share schemes reserve		**2,406**	1,404
Profit and loss account		**20,767**	21,232
Total equity		**33,504**	32,885
Liabilities			
Current liabilities			
Trade and other payables	H	**674**	866
Total current liabilities		**674**	866
Total liabilities		**674**	866
Total equity and liabilities		**34,178**	33,751

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

These financial statements on pages 42 to 47 were approved and authorised for issue by the Board of Directors on 26 September 2016 and were signed on its behalf by:

JAMES ORMONDROYD
Director

Netcall plc
Registered no. 01812912

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2016

	Share capital £000	Share premium £000	Merger reserve £000	Capital reserve £000	Treasury shares £000	Employee share scheme reserve £000	Retained earnings £000	Total £000
Balance at 30 June 2014	**6,940**	**3,015**	**520**	**188**	**(419)**	**394**	**19,735**	**30,232**
Increase in equity reserve in relation to options issued	–	–	–	–	–	1,186	–	1,186
Reclassification following exercise or lapse of options	–	–	–	–	–	(35)	35	–
Proceeds from share issue	5	–	–	–	–	–	–	5
Dividends to equity holders of the company	–	–	–	–	–	–	(1,233)	(1,233)
Transactions with owners	5	–	–	–	–	1,151	(1,198)	(42)
Profit and total comprehensive income for the year	–	–	–	–	–	–	2,695	2,695
Balance at 30 June 2015	**6,945**	**3,015**	**520**	**188**	**(419)**	**1,404**	**21,232**	**32,885**
Increase in equity reserve in relation to options issued	–	–	–	–	–	1,002	–	1,002
Proceeds from share issue	82	–	–	–	–	–	–	82
Dividends to equity holders of the company	–	–	–	–	–	–	(3,051)	(3,051)
Transactions with owners	82	–	–	–	–	1,002	(3,051)	(1,967)
Profit and total comprehensive income for the year	–	–	–	–	–	–	2,586	**2,586**
Balance at 30 June 2016	**7,027**	**3,015**	**520**	**188**	**(419)**	**2,406**	**20,767**	**33,504**

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

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NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

A PRINCIPAL ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the "Act"). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 1 July 2014. The Company has notified shareholders in writing about, and they do not object to, the use of disclosure exemptions used by the Company in these financial statements. There were no material changes resulting from the transition other than the presentation and headings of the balance sheet.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related regulations. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under the standard in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where equivalent disclosures are given in the consolidated financial statements of Netcall plc.

The Company financial statements are prepared on a going concern basis as set out in note 1 to the consolidated financial statements of Netcall plc.

The Directors have taken advantage of the exemption under Section 408 of the Act and not presented an income statement of a statement of comprehensive income for the Company alone.

The principal accounting policies adopted by the Company are set out below. The financial statements have been prepared under the historical cost convention, except for share-based payments that have been measured at fair value.

(B) REVENUE

Revenue is royalties received for licence of its intellectual property rights from the Company's subsidiaries. It is recognised on an 'as earned' basis.

(C) TAX

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

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

(D) INTANGIBLE FIXED ASSETS

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

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

(E) INVESTMENTS

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. As part of the acquisition strategy of the Company, the trade and net assets of subsidiary undertakings at or shortly after acquisition may be transferred at book value to fellow subsidiaries. Where a trade is hived across to a fellow subsidiary undertaking, the cost of the investment in the original subsidiary, which then becomes a non-trading subsidiary, is added to the cost of the investment in the entity to which the trade has been hived. In order to accurately assess any potential impairment of investments, the carrying value of the investment in all companies transferred is considered together against future cash flows and net asset position of those companies which received the trade and net assets.

(F) IMPAIRMENT OF FIXED ASSETS

The carrying values of fixed assets are reviewed for impairment when a triggering event arises that indicates assets might be impaired. Impairment is assessed by comparing the carrying value of the asset against the higher of its realisable value and value in use. Any provision for impairment is charged to the profit and loss account in the year concerned.

(G) FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS

The Company's financial assets are loans and receivables. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. They arise principally through the provision of services to customers (trade receivables), but also incorporate other types of contractual monetary asset such as prepayments, which are contractually recoverable. They are initially recognised at fair value and subsequently carried at amortised cost. Unless otherwise indicated, the carrying amounts of the Company's financial assets are a reasonable approximation of their fair values.

FINANCIAL LIABILITIES

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

SHARE CAPITAL

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

(H) EQUITY

Equity comprises the following:

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

(I) SHARE-BASED PAYMENTS

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

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

The liability for social security costs arising in relation to the awards is measured at each reporting date based upon the share price at the reporting date and the elapsed portion of the relevant vesting periods to the extent that it is considered that a liability will arise.

(J) DIVIDENDS

Dividend distributions payable to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividend distributions to the Company's shareholders approved by the Board are not included in the financial statements until paid.

B EMPLOYEES AND DIRECTORS

The Company employed an average of two employees (including executive Directors) during the year (2015: two). The only employees of the Company are the Executive Directors. Directors' remuneration has been disclosed within the Directors' report on page 9.

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

Fees payable to the Company's auditor for the audit of the Company's accounts and for other services are set out in note 20 to the consolidated financial statements.

FINANCIALS

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

D PROFIT FOR THE FINANCIAL YEAR

The Company made a profit for the financial year of £2.59m (2015: £2.69m).

E INTANGIBLE ASSETS

	Acquired software £000	Trademarks and licences £000	Total £000
Cost			
At 30 June 2014	2,223	121	2,344
Additions	–	–	–
At 30 June 2015	2,223	121	2,344
Additions	–	–	–
At 30 June 2016	**2,223**	**121**	**2,344**
Accumulated amortisation			
At 30 June 2014	704	118	822
Amortisation charge	148	2	150
At 30 June 2015	852	120	972
Amortisation charge	148	1	149
At 30 June 2016	**1,000**	**121**	**1,121**
Net book amount			
At 30 June 2014	1,519	3	1,522
At 30 June 2015	1,371	1	1,372
At 30 June 2016	**1,223**	**–**	**1,223**

F FIXED ASSET INVESTMENTS

	Subsidiary undertakings £000	Investments £000	Total £000
Cost & Net book amount			
At 30 June 2014	21,146	188	21,334
Additions — investment in Macranet Limited	–	100	100
Additions — share incentive charges to subsidiaries	353	–	353
At 30 June 2015	21,499	288	21,787
Additions — share incentive charges to subsidiaries	165	–	165
At 30 June 2016	**21,664**	**288**	**21,952**

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

All of the investments are unlisted.

G TRADE AND OTHER RECEIVABLES

	2016 £000	2015 £000
Amounts owed from Group undertakings	**421**	245
Other debtors	**32**	40
Prepayments	**38**	28
Accrued income	**11**	11
	502	324

All amounts are due within one year.

H TRADE AND OTHER PAYABLES

	2016 £000	2015 £000
Amounts owed to Group undertakings	**7**	48
Trade payables	**23**	223
Social security and other taxes	**25**	23
Other liabilities	**161**	116
Accruals expenses	**458**	456
	674	866

I DEFERRED TAXATION

	2016 £000	2015 £000
Deferred tax assets comprises:		
Losses	**481**	493
Opening balance	**493**	493
Movement in the year	**(12)**	–
Closing balance	**481**	493

The deferred tax asset is disclosed within debtors.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company has no unrecognised deferred tax asset in respect of losses that can be carried forward against future taxable income (2015: £0.22m asset in respect of losses amounting to £1.12m).

The Company has not recognised a deferred tax asset of £1.34m (2015: £1.34m) in respect of losses that are capital in nature amounting to £6.68m (2015: £6.68m) or £0.13m (2015: £80,000) in relation to timing differences due to share-based payment charges of £0.66m (2015: £0.40m).

J CALLED UP SHARE CAPITAL

	2016 thousands	**2016 £000**	2015 thousands	2015 £000
Allocated, called up and fully paid				
Ordinary shares of 5p each	**140,537**	**7,027**	138,902	6,945

Details of the Company's issued share capital and share options are detailed in notes 13 and 14 of the consolidated financial statements.

K RELATED PARTY TRANSACTIONS

As permitted by FRS 101, related party transactions with wholly owned members of the Group have not been disclosed. Related party transactions regarding remuneration and dividends paid to key management (only Directors are deemed to fall into this category) of the Company have been disclosed in note 28 to the Group financial statements.

L POST BALANCE SHEET EVENTS

An interim enhanced dividend of 0.95 pence per share, amounting to a total of £1.32m, was paid to ordinary shareholders on 27 July 2016 whose names appeared on the register at the close of business on 15 July 2016.

A final ordinary dividend in respect of the year ended 30 June 2016 of 1.1 pence per share and a final enhanced dividend of 0.95 pence per share, amounting to a total dividend of £2.84m, is to be proposed at the Annual General Meeting on 24 November 2016.

M ULTIMATE CONTROLLING PARTY

The Directors have assessed that there is no ultimate controlling party.

SHAREHOLDER NOTES

A SELECTION OF OUR CUSTOMERS

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