

SPESCOM SOFTWARE INC
Form 10-K/A
January 26, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended September 30, 2006

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 0-15935

SPESCOM SOFTWARE INC.

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation or
organization)

95-3634089
(IRS Employer Identification No.)

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10052 Mesa Ridge Court, Suite 100
San Diego, CA
(Address of principal executive offices)

92121
(Zip Code)

(858) 625-3000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12 (b) of the Act:

| Title of each class | Name of each exchange on which registered |
|----------------------------|--|
| None | None |

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity on March 31, 2006, (the last business day of the Registrant's most recently completed second fiscal quarter) held by non-affiliates* of the Registrant, based upon the last price reported on the OTC Bulletin Board on such date was \$4,796,296.

The number of shares outstanding of the Registrant's Common Stock at the close of business on January 25, 2007 was 37,144,494.

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* Without acknowledging that any individual director of Registrant is an affiliate, all directors have been included as affiliates with respect to shares owned by them.

EXPLANATORY NOTE:

The registrant hereby amends its Annual Report on Form 10-K for the year ended September 30, 2006 to include Part III of Form 10-K, to the extent such information was not previously included in the Annual Report on Form 10-K, as set forth below. This amendment also attaches Exhibit 31.1, 31.2, 32.1 and 32.2. Items in the Annual Report on Form 10-K not referenced below are not amended, and this amendment does not reflect events occurring after the original filing of the Annual Report on Form 10-K, or modify or update those disclosures as presented in the Form 10-K except to the extent set forth herein. Items referenced herein are amended as set forth below.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Executive Officers

The following table and discussion set forth certain information with regard to the Company's current executive officers.

| Name | Age | Position |
|---------------|-----|---------------------------------------|
| Alan Kiraly | 45 | Chief Executive Officer |
| Glenn Cox | 50 | Vice President, Marketing and Sales |
| John W. Low | 50 | Chief Financial Officer and Secretary |
| Pierre de Wet | 43 | Vice President, Operations |

Biographical information for *Mr. Kiraly* is set forth below under Directors.

Mr. Cox was appointed Vice President, Marketing and Sales in October 2005. Previously *Mr. Cox* served as Vice President Business Development of the Company from April 1998. *Mr. Cox* joined the Company in January 1997 as Vice President Customer Care. Prior to joining the Company *Mr. Cox* was with Northeast Utilities for 15 years holding various management positions within the information technology group. *Mr. Cox* earned a B.S.E. degree from University of Connecticut in 1982.

Mr. Low has served as the Company's Chief Financial Officer and Secretary since June 1990. *Mr. Low* served as Corporate Controller from the time he joined the Company in August 1987 until June 1990. Prior to joining the Company, *Mr. Low* was with PricewaterhouseCoopers LLP, as a Manager working with middle-market and growing companies. *Mr. Low*, a certified public accountant, earned a B.A. degree in Economics from the University of California, Los Angeles in 1978.

Mr. De Wet was appointed Vice President of Operations in September 1999. Previously, *Mr. De Wet* served as Director of Operations from April 1998 to September 1999 and Director of Projects from May 1997 to April 1998. Prior to joining the Company, *Mr. De Wet* was a Technical Marketing Manager at Paradigm System Technology from June 1995 to April 1997 where he was responsible for establishing relationships with technical partners in Europe and North America. From April 1991 to June 1995, *Mr. De Wet* was with PQ Africa, a division of Comparex Holdings. *Mr. De Wet* earned a B.S. degree from the University of Pretoria in 1989.

Directors

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The following table and discussion set forth certain information with regard to the Company's current directors.

In accordance with the Stock Purchase Agreement dated as of January 14, 2000 between the Company and Spescom Ltd., the Company has covenanted to include two nominees of Spescom Ltd. in management's slate of nominees to be elected to the Board of Directors at each election of directors and to recommend to the shareholders the election of such nominees for as long as Spescom Ltd. or any affiliate of Spescom Ltd. holds at least thirty-three percent (33%) of the Common Stock. Dr. Myers and Mr. Isaacman were the nominees designated by Spescom Ltd for election at the 2005 Annual Meeting of Stockholders.

| Name | Age | Position |
|-------------------|-----|--------------------------------------|
| Alan Kiraly | 45 | Chief Executive Officer and Director |
| Michael Silverman | 62 | Chairman and Director |
| Hilton Isaacman | 53 | Director |
| D. Ross Hamilton | 68 | Director |
| Larry D. Unruh | 55 | Director |
| James P. Myers | 66 | Director |

Mr. Kiraly was appointed Chief Executive Officer and a Director of the Company in January 2007, after having served as Interim Chief Executive Officer since August 2006. Mr. Kiraly joined the Company as Vice President of Product Development in August 2004. From October 2000 until joining the Company, he was the Chief Executive Officer of Lascom Solutions Inc., the United States subsidiary of Lascom, SA, a French software developer. Mr. Kiraly was Vice President, Product Management and Development from November 1999 to October 2000 at Motiva Software Inc. Prior to Motiva he held a variety of management positions in product marketing, development and project services at various companies in the software industry. Mr. Kiraly earned a B.S. degree in Mechanical Engineering from Michigan State University in 1983, and Masters of Science in Mechanical Engineering from the University of Dayton in 1986.

Mr. Silverman has been a Director of the Company since April 2004. He was appointed Chairman of the Board of the Company in September 2004. Since 2001 Mr. Silverman has been a director of Island Pacific, Inc., a publicly held software company in the retail industry and in February 2004 was appointed its Chairman. Mr. Silverman founded Advanced Remote Communications Solutions, Inc. (formerly known as Boatracs, Inc.) in 1990 and serves on its board of directors. He previously served as its Chairman until May 2002, and as Chief Executive Officer and President until October 1997, and from November 1999 to May 2002. Mr. Silverman is a Chartered Accountant (South Africa) and received M.B.A. from Stanford University in 1969.

Mr. Isaacman, a nominee of Spescom Ltd., has been a Director of the Company since April 2000. Mr. Isaacman was the Executive Director Corporate Finance of Spescom Ltd from 1999 to 2005. Mr. Isaacman previously served as Spescom Ltd.'s Financial Director from 1990 to 1998. Mr. Isaacman began his career with Spescom Ltd. in 1988 as Financial Manager and was a member of Spescom Ltd.'s Board of Directors from 1990 to 2005. Mr. Isaacman is a Chartered Accountant (South Africa) and received a certificate in accounting, tax and auditing from the University of Capetown in 1982.

Mr. Hamilton has been a Director of the Company since June 1994. He served as Chairman of the Board of the Company from January 1997 through June 1997. Since 1983 Mr. Hamilton has served as President of Hamilton

Research, Inc., a financial consulting firm. Mr. Hamilton received a B.S. degree in Economics from Auburn University in 1961.

Mr. Unruh has served as a Director of the Company since May 1988. Since January 2003 he has been Managing Partner of Hein & Associates LLP, certified public accountants, as well as its Managing Tax Partner since 1982. Mr. Unruh has served as a director of Advanced Laser Technology, Inc. since 1999 and also served as a director of Basin Exploration, Inc., an oil exploration and development company from 1992 to 2001. Mr. Unruh received a B.S. degree in Accounting from the University of Denver in 1973.

Dr. Myers, a nominee of Spescom Ltd., has been a Director of the Company since July 2001. In October 2003 Dr. Myers was appointed as a member of the board of directors of Spescom Ltd. and serves as Chairman. Dr. Myers, currently a consultant, has over 30 years of international business experience specializing in the telecommunications industry. Dr. Myers served as President of Southwestern Bell International Development Africa (Pty) Ltd from 1985 to 1998. Dr. Myers served as the Executive Vice President of that company from 1994 to 1995. From 1993 to 1994, Dr. Myers was the Executive Director of Technology Resources Incorporated. From 1991 to 1993, Dr. Myers was the President of JMA, Inc. From 1979 to 1991, Dr. Myers was the President of The Gammon Group, Inc. From 1969 to 1978, Dr. Myers was a Principal with the accounting firm Arthur Young & Company.

From 1965 to 1969, Dr. Myers was an Operations Research Analyst with Texas Instruments, Inc. Dr. Myers earned his B.A. in Mathematics from Texas A&M University in 1963, a Master of Arts in Mathematical Physics from the University of Arizona in 1965, and a Doctor of Philosophy in Industrial Engineering/Operations Research from Texas Tech University in 1969. Dr. Myers is currently serving as a Director for the following entities: Blackstar Investors PLC, African Merchant Bank, Econet Wireless, and American Chamber of Commerce of South Africa.

All directors are elected annually and serve until the next annual meeting of shareholders and until their successors have been elected and qualified.

Audit Committee

The Board of Directors has an Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, that makes recommendations regarding the selection of independent public accountants and reviews with them the scope and results of the audit engagement. The Audit Committee is comprised of Messrs. Hamilton, Silverman and Unruh. Mr. Unruh is Chairman of the Audit Committee, as well as the Audit Committee Financial Expert. Messrs. Hamilton, Silverman and Unruh are independent directors, in accordance with the definition of independence set forth in the NASDAQ listing standards.

Code of Ethics

The Company has adopted a Code of Ethics to provide standards for ethical conduct, which applies to the Board of Directors, officers, and all Company employees, including our Chief Executive Officer and Chief Financial Officer. The Code of Ethics covers topics including, but not limited to, the expected standards of employee conduct, conflicts of interest, compliance with securities laws, confidentiality of information, insider trading, and compliance with other laws.

Any waiver of a provision of the Code of Ethics with respect to a director or executive officer may only be made by the Board. The Company will file with the SEC on Form 8-K or post on its website all amendments to the Code of Ethics and waivers of its provisions made with respect to any director or executive officer in accordance with the applicable SEC rules.

The Code of Ethics has been posted on the Company's website at www.spescomsoftware.com under the heading Investors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers, and persons who beneficially own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company, during the fiscal year ended September 30, 2006, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with, except as set forth below. Messrs. Stentiford, Hamilton, Myers, Silverman and Unruh filed late Form 4's in January and April 2006 to report stock option grants. In addition, Messrs. Kiraly, Isaacman, Cox, Low and De Wet filed late Form 4's in April 2006 to report stock option grants. Each late Form 4 was filed within 31 days of the date on which the associated stock option grant was made.

ITEM 11. DIRECTOR AND EXECUTIVE COMPENSATION

Summary of Compensation of Executive Officers

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The following table sets forth certain information concerning the annual and long-term compensation for services rendered in all capacities to the Company of (i) all individuals who served as the Company's Chief Executive Officer during the fiscal year ended September 30, 2006 and (ii) the other three individuals who served as executive officers during the fiscal year ended September 30, 2006 (collectively, the Named Executive Officers).

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| Name and Position | Year | Annual Compensation | | Other Annual Compensation (\$)(1) | Long-term Compensation Awards Stock Options (# Shares) |
|---|------|---------------------|-----------|-----------------------------------|--|
| | | Salary(\$) | Bonus(\$) | | |
| Alan Kiraly Chief Executive Officer (2) | 2006 | \$ 152,152 | | | 200,000 |
| | 2005 | 129,808 | | | |
| | 2004 | 54,519 | | | 30,000 |
| Keith Stentiford Former Chief Executive Officer (3) | 2006 | \$ 196,967 | | | 850,000 |
| | 2005 | 121,154 | | | 150,000 |
| Glenn Cox Vice President Sales (4) | 2006 | \$ 159,312 | | \$ 66,223 | 100,000 |
| John W. Low Chief Financial Officer and Secretary | 2006 | \$ 207,488 | | | 150,000 |
| | 2005 | 183,451 | | | |
| | 2004 | 178,147 | | | |
| Pierre de Wet Vice President Operations | 2006 | \$ 160,135 | | | 100,000 |
| | 2005 | 143,559 | | | |
| | 2004 | 144,745 | | | |

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- (1) Excludes compensation in the form of other personal benefits, which, other than as set forth in the table above, did not exceed the lesser of \$50,000 or 10% of the total annual salary and bonus reported for each year.
- (2) Mr. Kiraly was appointed Interim Chief Executive Officer in August 2006 and the compensation for fiscal 2006 includes \$24,000 received by Mr. Kiraly for his service in that capacity. Prior to his appointment as Interim Chief Executive Officer, Mr. Kiraly served as Vice President of Product Development of the Company.
- (3) Mr. Stentiford resigned as Chief Executive Officer of the Company in August 2006.
- (4) Mr. Cox was appointed Vice President Sales in October 2005. Prior to that appointment, he held the non-executive position of Vice President Business Development of the Company. The compensation of \$66,223 paid in fiscal 2006 related to commissions earned on sales.

Option Grants in Last Fiscal Year

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Shown below is information concerning grants of options issued by the Company to the Named Executive Officers during the fiscal year ended September 30, 2006:

| Name | Number of Securities Underlying Options Granted(#)(1) | % of Total Options Granted to Employees in Fiscal Year | Exercise Price (\$/Share) | Expiration Date | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term(2) | |
|----------------------|---|--|---------------------------|-----------------|---|------------|
| | | | | | 5% (\$) | 10% (\$) |
| Alan Kiraly | 200,000 | 9% | \$ 0.13 | 3/31/16 | \$ 16,351 | \$ 41,437 |
| Keith Stentiford (3) | 750,000 | 35% | \$ 0.11 | 12/27/15 | \$ 51,884 | \$ 131,484 |
| | 100,000 | 5% | \$ 0.13 | 3/31/16 | \$ 8,176 | \$ 20,719 |
| Glenn Cox | 100,000 | 5% | \$ 0.13 | 3/31/16 | \$ 8,176 | \$ 20,719 |
| John W. Low | 150,000 | 7% | \$ 0.13 | 3/31/16 | \$ 12,263 | \$ 31,078 |
| Pierre de Wet | 100,000 | 5% | \$ 0.13 | 3/31/16 | \$ 8,176 | \$ 20,719 |

(1) All options were granted with an exercise price equal to the closing sale price of the Common Stock as reported on the OTC Bulletin Board on the date of grant. The options vest 25% 90 days from the date of grant and in additional annual installments of 25% commencing on the first anniversary of the date of grant.

(2) The 5% and 10% assumed rates of appreciation are specified under the rules of the Securities and Exchange Commission and do not represent the Company's estimate or projection of the future price of its Common Stock. The actual value, if any, which a Named Executive Officer may realize upon the exercise of stock options will be based upon the difference between the market price of the Common Stock on the date of exercise and the exercise price.

(3) Mr. Stentiford resigned in August 2006 and all of his options expired unexercised.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

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The following table sets forth for the Named Executive Officers information with respect to option exercises during the fiscal year ended September 30, 2006 and unexercised options and option values at September 30, 2006, in each case with respect to options to purchase shares of the Common Stock:

| Name | Shares Acquired on Exercise | Value Realized | Number of Unexercised Options Held as of September 30, 2006 | | Value of Unexercised in-the-money Options at September 30, 2006(\$)(1) | |
|------------------|-----------------------------|----------------|---|----------------|--|----------------|
| | | | Exercisable | Nonexercisable | Exercisable | Nonexercisable |
| Alan Kiraly | | | 72,500 | 157,500 | | |
| Keith Stentiford | | | | | | |
| Glenn Cox | | | 135,000 | 85,000 | | |
| John W. Low | | | 613,500 | 112,500 | | |
| Pierre de Wet | | | 272,000 | 75,000 | | |

(1) Based on the closing sale price of the Common Stock on the OTC Bulletin Board on September 30, 2006 (\$0.12 per share).

Compensation of Directors

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The directors of the Company are paid a meeting fee of \$1,250 per Board or Audit Committee meeting attended and \$1,000 per Compensation Committee meeting attended. In addition Mr. Silverman as Chairman of the Board of Directors receives an annual fee of \$25,000 payable quarterly. Mr. Unruh as Chairman of the Audit Committee receives an annual fee of \$10,000 payable quarterly.

Employment Arrangements

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The Company does not have any employment contracts with the Company's executive officers other than the retention agreements described in the following paragraph.

The Company has entered into retention agreements with Alan Kiraly, Glenn Cox, John W. Low and Pierre de Wet, each of which contains the following terms and conditions: If, at the time of a change in control of the Company, the executive officer party to the agreement has not voluntarily terminated his employment or been terminated by the Company for cause, the officer shall be entitled to a retention bonus, payable in cash and/or securities of the entity acquiring the Company (the Acquirer), allocated to him from a bonus pool with the approval of the Compensation Committee. The bonus pool shall be equal to seven percent of the net acquisition proceeds received by the Company in connection with the change in control, provided that the minimum amount of such pool shall be \$450,000 and the maximum amount shall be \$675,000. The officer shall be entitled to receive at least 50% of the retention bonus in cash. If the officer is not employed by the Company or the Acquirer after the change in control, the Company agrees to, within 12 months after the change in control, redeem, or cause the redemption of, for cash any non-marketable securities of the Acquirer that were paid as part of the retention bonus. The redemption shall be at fair market value, as determined by the Acquirer. In addition to the retention bonus, the Company agrees, subject to the officer's execution of a release and separation agreement, to pay the officer severance benefits equal to his base salary for a certain period, which in each case is six or nine months, and a portion of the COBRA premiums under the Company's or the Acquirer's health plan for the same period, when (i) the officer does not remain employed with the Company or the Acquirer immediately following the change in control and certain other conditions are satisfied or (ii) the officer accepts employment with the Company or the Acquirer following the change in control and is terminated without cause within 12 months.

Compensation Committee Interlocks and Insider Participation

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The Compensation Committee is comprised of Messrs. Hamilton, Isaacman, Myers and Unruh. None of the committee members is or was an employee or officer of the Company during the fiscal year ended September 30, 2006. No executive officer of the Company has served as a member of the Board of Directors or Compensation Committee of any company in which Messrs. Hamilton, Isaacman, Myers and Unruh is an executive officer.

Report of Compensation Committee of the Board of Directors

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The following is the Report of the Compensation Committee describing the compensation policies and rationales applicable to the Company's executive officers with respect to the compensation paid to our executive officers for the fiscal year ended September 30, 2006.

The responsibilities of the Compensation Committee are to set compensation policies applicable to the Company's executive officers. The Committee's fundamental policy is to offer the Company's executive officers competitive compensation opportunities based upon the overall performance of the Company, the individual contribution of such officers to the financial success of the Company and market rates of compensation of executive officers at similarly situated technology companies. It is the Committee's objective to have a substantial portion of each officer's total compensation potential contingent upon the Company's performance, as well as upon the officer's own level of performance. Accordingly, each executive officer's compensation package is generally comprised of three elements: (i) base salary, which is established primarily on the basis of individual qualifications, performance and market considerations, (ii) annual variable performance awards payable in cash and tied to the Company's achievement of financial performance goals and the executive's contribution to the achievement of those goals, and (iii) long-term stock-based incentive awards that are intended to strengthen the mutuality of interests between the executive officers and the shareholders.

Base Salary. Individual officer salaries are determined based on individual experience, performance and breadth of responsibility within the Company. The Compensation Committee reviews these factors for each executive officer each year. In addition, the Compensation Committee considers executive officers' salaries for relative competitiveness with similarly-situated companies.

Bonuses. Individual bonuses are based on the contribution of each officer and achievement of overall financial goals of the Company.

Equity Plans. The 1996 Stock Incentive Plan was a long-term incentive plan for the Company's employees, executive officers and directors. The plan expired on March 31, 2006. The plan was intended to align shareholder and employee interests by creating a direct link between long-term rewards and the value of the Company's common stock. The Compensation Committee believes that long-term stock ownership by executive officers and employees is an important factor in retaining valued employees and in achieving growth in share value. The options utilize vesting periods that encourage employees to continue in the employ of the Company. Because the value of an option bears a direct relationship to the Company's stock price, the Compensation Committee believes that options motivate executive officers and employees to manage the Company in a manner which will benefit all shareholders. The Compensation Committee is planning to submit a new Stock Incentive Plan for shareholder approval in 2007.

Stock options may be awarded to employees at any time. The exercise price per share of each stock option is generally equal to the prevailing market price of a share of the Company's common stock on the date the option is granted. The size of stock option grants is determined by a number of factors, including comparable grants to executive officers and employees of similarly situated companies, as well as the executive officer's relative position and responsibilities with the Company, the individual performance of the executive officer over the previous fiscal year, the anticipated contribution of the executive officer to the attainment of the Company's long-term strategic performance goals, and the dilutive effect of the option grant. The Committee views stock option grants as an important component of its long-term, performance-based compensation philosophy.

Compensation for the CEO is determined through a process similar to that discussed above for the other executive officers. The Board of Directors reviews the CEO's compensation based on the Board's overall evaluation of performance toward the achievement of the Company's financial, strategic and other goals, with consideration given to length of service, to competitive chief executive officer compensation information and the overall financial strength of the Company. Mr. Stentiford served as the Company's CEO from prior to the beginning of fiscal 2006 through his resignation in August 2006. Mr. Stentiford's compensation for his service as CEO during fiscal 2006, as approved by the Board, consisted of base salary at the annual rate of \$230,000, target bonus and stock options. Mr. Stentiford was not eligible for receipt of the target bonus approved by the Board because he resigned prior to the end of fiscal 2006. Mr. Kiraly was appointed Interim Chief Executive Officer in August 2006 following Mr. Stentiford's resignation and was appointed Chief Executive Officer in January 2007. Mr. Kiraly's compensation for his services during fiscal 2006, as approved by the Board, consisted of base salary at the annual rate of \$204,000.

Respectfully submitted by the Compensation Committee of the Board of Directors of Spescom Software Inc. for the year ended September 30, 2006.

D. Ross Hamilton Chair

Hilton Isaacman

James P. Myers

Larry D. Unruh

Performance Graph

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The stock performance graph shall not be deemed to be incorporated by reference by any general statement incorporating by reference this annual report into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts. The following graph shows the Company's total return to shareholders compared to the S&P SmallCap 600 Index and the S&P 600 Application Software Index over the period from October 1, 2001 to September 30, 2006.

| Company / Index | Base Period Sep01 | INDEXED RETURNS | | | | |
|---------------------------------------|-------------------------|-----------------|--------|-----------------------|--------|--------|
| | | Sep02 | Sep03 | Years Ending Sep04 | Sep05 | Sep06 |
| SPESCOM SOFTWARE INC | 100 | 41.38 | 196.55 | 186.21 | 62.07 | 41.38 |
| S&P SMALLCAP 600 INDEX | 100 | 98.21 | 124.58 | 155.20 | 188.13 | 201.60 |
| S&P 600 APPLICATION SOFTWARE INDEX | 100 | 86.85 | 133.17 | 142.12 | 175.06 | 191.73 |

The cumulative total return on the stock performance graph indicates historical results only and is not necessarily indicative of future results.

Each line on the stock performance graph assumes that \$100 was invested in the Company's Common Stock and the respective indices on October 1, 2001. The graph then tracks the value of these investments, assuming reinvestment of dividends, through the five years ended September 30, 2006.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

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The following table sets forth information as to shares of the Common Stock owned as of January 24, 2007 by (i) each director, (ii) all individuals who served as the Company's Chief Executive Officer during the fiscal year ended September 30, 2006, (iii) the other three individuals who served as executive officers during the fiscal year ended September 30, 2006, (iv) all directors and executive officers as a group and (v) each person who, to the extent known to the Company, beneficially owned more than 5% of the outstanding shares of Common Stock. Unless otherwise indicated in the footnotes following the table, the persons as to whom the information is given have sole voting and investment power over the shares shown as beneficially owned, subject to community property laws where applicable.

| Name | Number of Shares (1) | Percent of Class (1) |
|--|----------------------|----------------------|
| Spescom Ltd. (4) | 27,408,249(3) | 56.0% |
| M.A.G. Capital, LLC (5) | 41,680,883(6)(7)(8) | 55.2%(9) |
| Forest Securities Limited (10) | 3,141,910 | 8.5% |
| D. Ross Hamilton | 336,500 | * |
| Hilton Isaacman | 306,250 | * |
| James P. Myers (2) | 27,556,249(3) | 56.2% |
| Larry D. Unruh | 154,297 | * |
| John W. Low | 667,000 | 1.8 |
| Keith Stentiford (11) | | |
| Pierre de Wet | 273,600 | * |
| Michael Silverman | 36,000 | * |
| Alan Kiraly (12) | 72,500 | * |
| Glenn Cox | 171,400 | * |
| All Current Directors and Executive Officers as a Group (9 persons) (2) | 29,572,796(3) | 58.2% |

* Less than one percent.

(1) Amounts and percentages include shares of the Company's common stock that may be acquired within 60 days of January 24, 2007 through the exercise of stock options as follows: 272,000 shares for Mr. De Wet, 72,500 shares for Mr. Kiraly, 135,000 shares for Mr. Cox, 613,500 shares for Mr. Low, 150,000 shares for Mr. Hamilton, 150,000 shares for Mr. Unruh, 306,250 shares for Mr. Isaacman, 135,000 shares for Mr. Myers, 35,000 shares for Mr. Silverman, and 1,869,250 shares for all directors and executive officers as a group.

(2) Dr. Myers, a Director of the Company, is also a member of the board of directors of Spescom Ltd. As an affiliate of Spescom Ltd., Dr. Myers could be deemed to be a beneficial owner of the 27,408,249 shares of common stock of the Company beneficially owned by Spescom Ltd. However, Dr. Myers disclaims beneficial ownership of all such shares.

(3) Amount includes 11,757,778 shares of the Company's common stock issuable upon conversion of the Series F Preferred Stock held by Spescom Ltd. at an initial conversion price of \$.45 per share.

(4) The primary business address of Spescom Ltd. and Dr. Myers is Spescom Park, Cnr. Alexandra & Second Street, Halfway House, Midrand 1685, South Africa.

(5) The shares of the Company's common stock beneficially owned by M.A.G. Capital, LLC (MAG), as detailed in notes (7) and (8), include certain shares beneficially owned by MAG's affiliates Monarch Pointe Fund, Ltd. (Monarch) and Mercator Momentum Fund III, L.P (MMF). MAG controls the investments of Monarch and MMF. David F. Firestone is the Managing Member of MAG and, in such capacity, holds the right to vote and the right to dispose of the shares beneficially owned by MAG, Monarch and MMF. The primary business address of MAG is 555 South Flower Street, Suite 4200, Los Angeles, CA 90071, and the primary business address of each of Monarch and MMF is c/o M.A.G. Capital, LLC, 555 South Flower Street, Suite 4200, Los Angeles, CA 90071.

(6) Amount includes 1,475,926 shares of the Company's common stock beneficially owned by MAG by virtue of MAG's ownership of certain warrants, of which shares (i) 550,000 are issuable upon exercise of a warrant at an exercise price of \$0.44 per share; and (ii) 925,926 are issuable upon exercise of warrants at an exercise price of \$0.27 per share.

(7) Amount includes 35,005,556 shares of the Company's common stock beneficially owned by Monarch, of which (i) 3,285,883 are outstanding, (ii) up to 32,000,000 are issuable upon conversion of the Series I Preferred Stock at a conversion price equal to 85% of the market price (the volume weighted average price of the Company's common stock during the 5 trading days prior to conversion, subject to adjustment), provided that in no event shall the conversion price exceed a ceiling price of \$0.21 per share, or be less than a floor price of \$0.0725 per share; (iii) 2,200,000 are issuable upon exercise of a warrant at an exercise price of \$0.44 per share; and (iv) 805,556 are issuable upon exercise of warrants at an exercise price of \$0.27 per share.

(8) Amount includes 1,913,473 shares of the Company's common stock beneficially owned by MMF, of which (i) up to 1,793,103 are issuable upon conversion of the Series I Preferred Stock at a conversion price equal to 85% of the market price (the volume weighted average price of the Company's common stock during the 5 trading days prior to conversion, subject to adjustment), provided that in no event shall the conversion price exceed a ceiling price of \$0.21 per share, or be less than a floor price of \$0.0725 per share; and (ii) 120,370 are issuable upon exercise of a warrant at an exercise price of \$0.27 per share.

(9) Under the Certificate of Determination of Series I Preferred Stock and the terms of each warrant for the purchase of shares of the Company's common stock held by MAG, Monarch and MMF, each of those entities may not convert any shares of Series I Convertible Preferred Stock or exercise any such warrant if doing so would cause the aggregate beneficial ownership of the Company's common stock of MAG, Monarch and MMF to exceed 9.99% of the Company's common stock then outstanding.

(10) The primary business address of Forest Securities Limited is Polygon Hall, P.O. Box 135, Le Marchant Street, St. Peter Port, Guernsey, GY1 4EL.

(11) Mr. Stentiford resigned as Chief Executive Officer and Director of the Company effective August 18, 2006.

(12) Mr. Kiraly was appointed interim Chief Executive Officer of the Company effective August 18, 2006. On January 10, 2006 he was appointed Chief Executive Officer and a Director of the Company.

Equity Compensation Plan Information

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The following table gives information about the Company's common stock that may be issued upon the exercise of options under all of the Company's equity compensation plans as of September 30, 2006. The table includes the 1996 Stock Incentive Plan.

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a) (c) |
|---|---|--|--|
| Equity compensation plans approved by security holders | 4,454,750 | \$ 0.28 | |
| Equity compensation plans not approved by security holders | 1,300,000(1)(2)(3) | \$ 0.33 | |
| Total | 5,754,750 | \$ 0.29 | |

(1) A warrant underlying 1,000,000 of these option shares was granted in 2004 to a public relations firm. The exercise price under the warrant is \$0.40 per share. The warrant expires on November 3, 2007. The warrant vests and becomes exercisable as follows: (i) 500,000 option shares vest on the date that the average of the last sale price of the Company's stock on the OTC Bulletin Board for the ten trading days immediately preceding such date (the Market Price) exceeds \$0.60 per share, (ii) 250,000 option shares vest on the date that the Market Price exceeds \$0.70 per share, and (iii) the remaining 250,000 option shares vest and become exercisable on the date that the Market Price exceeds \$0.80 per share.

(2) A warrant underlying 300,000 of these option shares was granted on March 31, 2006 to a public relations firm. The exercise price under the warrant is \$0.10 per share. The warrant expires on the third anniversary of its date of issuance.

(3) Amount does not include 825,000 shares issuable upon exercise of certain warrants granted to an investment consulting firm pursuant to an agreement executed in connection with the November 2004 private placement of Series G Convertible Preferred Stock. Specifically, that firm received warrants to purchase (i) 550,000 shares of the Company's common stock at a purchase price of \$0.40 per share, expiring November 5, 2009, and (ii) 275,000 shares of the Company's common stock at a purchase price of \$0.44 per share, expiring November 5, 2007.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED
TRANSACTIONS**

Transactions Involving spescom Ltd. and Its United Kingdom Subsidiary

As of January 25, 2007, Spescom Ltd. owned approximately 56% of the outstanding common shares of the Company, assuming the conversion of the shares of the Company's Series F Preferred Stock held by Spescom Ltd.

Spescom Ltd. and the Company have entered into a license agreement pursuant to which Spescom Ltd. has licensed to the Company the right to use the name "Spescom" and to use a trademark owned by Spescom Ltd. related to certain computer software. The Company will not pay any royalties to Spescom Ltd. in connection with this license. The license is for an indefinite term, but is terminable by either party upon 60 days prior written notice. Under the license agreement, Spescom Ltd. has agreed to indemnify and hold harmless the Company and its directors, officers, employees and agents against liabilities arising from any claim brought against the Company that alleges that Spescom Ltd.'s or the Company's use of the trademark being licensed infringes the rights of any third party, provided that the Company is in material compliance with the provisions of the license agreement.

On September 30, 2003, the Company issued 5,291 shares of its Series F Convertible Preferred Stock (the "Series F Preferred Shares") to Spescom Ltd. in consideration of the cancellation of \$5,291,000 of its debt owed to Spescom Ltd. and Spescom Ltd.'s United Kingdom subsidiary, Spescom Ltd. ("Spescom Ltd. UK").

The Series F Preferred Shares are convertible into the Company's common stock at an initial conversion price of \$0.45 per share (subject to certain adjustments set forth in the related Certificate of Determination for the Series F Preferred Shares) representing a total of 11,757,778 shares of the Company's common stock. Such conversion may occur at the option of the holder until September 30, 2008. On that date, any outstanding Series F Preferred Shares not previously converted are to be converted automatically. The Series F Preferred Shares are entitled to a liquidation preference equal to \$1,000.00 per share, plus accrued but unpaid dividends per share and interest on all accrued but unpaid dividends at an annual rate of 8% compounded annually from the date of accrual. The Series F Preferred Shares are also entitled to receive dividends of 5% of the stated value of \$1,000.00 per share per annum, payable on a quarterly basis in cash or common stock (valued on the basis of the average per share market value on the 30 trading days immediately prior to the date on which such dividend is declared by the Board of Directors). Unpaid dividends accrue interest at the rate of 8% per annum. As part of this transaction, Spescom Ltd. and Spescom Ltd. UK received certain demand and piggyback registration rights with respect to the common stock underlying the Series F Preferred Shares.

In November 2005 the Company's wholly owned subsidiary, Spescom Software Ltd. agreed to guarantee certain loan obligations of Spescom Ltd which totaled \$1.2 million as of December 31, 2006. The proceeds of these loans had been used by Spescom Ltd. in prior years to provide working capital to the Company. The guarantee is secured by the assets of Spescom Software Ltd. which totaled \$283,000 at September 30, 2006.

Transactions Involving M.A.G. Capital, LLC and Certain of Its Affiliates

As of January 25, 2007 M.A.G. Capital, LLC ("MAG") and its affiliates Monarch Pointe Fund, Ltd. ("Monarch") and Mercator Momentum Fund III., L.P. ("MMF") owned approximately 55.2% of the outstanding common shares of the Company assuming the conversion of all shares of the Company's preferred stock held by those three entities and the exercise of all warrants for the purchase of the Company's common stock held by them. Under the applicable Certificate of Determination of Preferred Stock and the terms of the warrants, however, none of MAG, Monarch and MMF may convert any shares of preferred stock or exercise any warrant if doing so would cause those three entities aggregate beneficial ownership of the Company's common stock to exceed 9.99% of the Company's common stock then outstanding.

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During fiscal 2005 and fiscal 2006, the Company issued in three private placements certain shares of its preferred stock and certain warrants for the purchase of shares of its common stock to MAG, Monarch and MMF. As part of each private placement, the Company undertook certain obligations to register the common stock underlying the preferred stock and warrants issued therein. These three private placements are described in greater detail in the paragraphs that follow.

On November 5, 2004, the Company issued (1) to Monarch 2,200 shares of Series G Convertible Preferred Stock (Series G Preferred Stock) and (2) to Monarch and MAG (which was then named Mercator Advisory Group, LLC) warrants, which expire November 5, 2007, to purchase, subject to certain adjustments, an aggregate of 2.75 million shares of common stock at \$0.44 per share. The aggregate consideration received by the Company for the Series G Preferred Stock and warrants was \$2.2 million. During fiscal 2005, 750 shares of this preferred stock was converted into 2,428,000 shares of common stock.

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On October 25, 2005, the Company entered into a definitive agreement relating to a private placement with Monarch and MAG. Pursuant to the agreement, on October 25, 2005, the Company issued (1) to Monarch 1,950 shares of Series H Convertible Preferred Stock (Series H Preferred Stock) and (2) to Monarch and MAG warrants, which expire October 25, 2008, to purchase, subject to certain adjustments, an aggregate of 925,926 shares of common stock at \$0.27 per share. The aggregate consideration received by the Company for the Series H Preferred Stock and warrants consisted of \$500,000 and the remaining 1,450 shares of the Series G Preferred Stock, which were cancelled by the Company. The agreement contemplated the issuance by the Company at a second closing of 500 shares of Series H Preferred Stock and warrants, expiring on the third anniversary of the second closing, to purchase 925,926 shares of common stock at \$0.27 per share, in exchange for aggregate consideration of \$500,000. The obligations of the investors to consummate that second closing were subject to certain conditions, including that the closing price of the Company's common stock would be \$0.16 or greater for 20 consecutive trading days. This stock price condition was not satisfied and the second closing was not completed.

On March 10, 2006, the Company completed a private placement with MAG, Monarch and MMF. Under the terms of the financing, the Company issued (i) to Monarch and MMF an aggregate of 2,450 shares of Series I Convertible Preferred Stock (Series I Preferred Stock) and (ii) to MAG, Monarch and MMF warrants, expiring March 10, 2009, to purchase, subject to certain adjustments, an aggregate of 925,926 shares of common stock at \$0.27 per share. The Company received aggregate consideration for the Series I Preferred Stock and warrants issued in the private placement consisting of \$500,000 and the 1,950 shares of Series H Preferred Stock issued by the Company in October 2005, which have been cancelled.

Each share of Series I Preferred Stock is convertible into a number of shares of common stock determined by dividing \$1,000 by the conversion price per share in effect at the time of conversion, provided that a holder of Series I Preferred Stock may at any given time convert only that number of shares of Series I Preferred Stock so that, upon conversion, the aggregate beneficial ownership of the Company's common stock of such holder and all persons affiliated with such holder is not more than 9.99% of the Company's common stock then outstanding. The conversion price per share, which is subject to certain adjustments, is equal to 85% of the market price (the volume-weighted average price of the Company's common stock during the 5 immediately preceding trading days, subject to adjustment), provided that in no event shall the conversion price exceed a ceiling price of \$0.21 per share, or be less than a floor price of \$0.0725 per share. Each holder of Series I Preferred Stock is entitled to a liquidation preference equal to the greater of (i) \$1,000 per share plus declared but unpaid dividends per share and (ii) the amount such holder would be entitled to receive had such holder's shares been converted into shares of common stock immediately prior to the distribution in accordance with the terms of the Series I Preferred Stock. The Series I Preferred Stock accrued dividends of 6.75% of the stated value of \$1,000 per share per annum between the date of issuance and July 10, 2006, the date on which the registration statement for the common stock underlying the Series I Preferred Stock was declared effective by the Securities and Exchange Commission.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

In April 2004 the Company terminated Grant Thornton LLP as the Company's independent public accountants and appointed Singer Lewak Greenbaum & Goldstein LLP. The following fees were paid to Singer Lewak Greenbaum & Goldstein LLP and Grant Thornton LLP for services provided to the Company for the fiscal years ended September 30, 2006 and 2005:

| | For the year ended September 30, | |
|--------------------|---|-------------------|
| | 2006 | 2005 |
| Audit Fees | \$ 197,034 | \$ 206,666 |
| Audit-Related Fees | 14,498 | 24,992 |
| Tax Fees | | |
| All other fees | | |
| Total | \$ 211,532 | \$ 231,658 |

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All of the services provided above were approved in advance by the Audit Committee.

The Audit Committee is responsible for (i) the appointment and oversight of the Company's independent auditors, including reviewing the auditors' qualifications, independence and performance, (ii) the pre-approval of all audit and allowable non-audit services provided by the Company's independent auditors, and (iii) assisting the Board of Directors in its oversight of the quality and integrity of the Company's financial statements, system of internal controls, and accounting and financial reporting processes.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

- 3.1 Restated Articles of Incorporation of Spescom Software Inc. (incorporated by reference to Exhibit 3.1 to the Form 10-K filed on December 6, 2004).
- 3.2 Registrant's Bylaws, as amended (incorporated by reference from previous filings with the Securities and Exchange Commission)
- 4.1 Specimen certificate of Common Stock (incorporated by reference from previous filings with the Securities and Exchange Commission)
- 4.2 Certificate of Determination of Series F Convertible Preferred Stock of Altris Software, Inc., dated September 29, 2003 (incorporated by reference to Exhibit 99.3 to the Form 8-K filed on October 10, 2003).
- 4.3 Certificate of Determination of Series I Convertible Preferred Stock of Spescom Software Inc., dated March 9, 2006 (incorporated by reference to Exhibit 3.1 to the Form 8-K filed on March 16, 2006).
- 4.4 Registration Rights Agreement by and among Altris Software, Inc. and certain shareholders, dated August 31, 2003 (incorporated by reference to Exhibit 99.3 to the Form 8-K filed on October 1, 2003).
- 4.5 Registration Rights Agreement by and among Altris Software, Inc., Spescom Limited, and Spescom Ltd., dated September 30, 2003 (incorporated by reference to Exhibit 99.4 to the Form 8-K filed on October 10, 2003).
- 4.6 Registration Rights Agreement by and among the Company, Monarch Pointe Fund, Ltd. and Mercator Advisory Group, LLC, dated November 5, 2004 (incorporated by reference to Exhibit 10.2 to the Form 8-K filed on November 12, 2004).
- 4.7 Registration Rights Agreement by and among the Company, Monarch Pointe Fund, Ltd. and M.A.G. Capital, LLC, dated October 25, 2005 (incorporated by reference to Exhibit 10.2 to the Form 8-K filed on October 31, 2005).
- 4.8 Registration Rights Agreement by and among the Company, Monarch Pointe Fund, Ltd., Mercator Momentum Fund III, L.P. and M.A.G. Capital, LLC, dated March 10, 2006 (incorporated by reference to Exhibit 10.2 to the Form 8-K filed on March 16, 2006).
- 4.9 Warrant to Purchase Common Stock issued to Mercator Advisory Group, LLC, dated November 5, 2004 (incorporated by reference to Exhibit 10.3 to the Form 8-K filed on November 12, 2004).

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- 4.10 Warrant to Purchase Common Stock issued to Monarch Pointe Fund, Ltd., dated November 5, 2004 (incorporated by reference to Exhibit 10.4 to the Form 8-K filed on November 12, 2004).
- 4.11 Warrants to Purchase Common Stock issued to Trilogy Capital Partners, dated November 4, 2004 (incorporated by reference to Exhibit 10.5 to the Form 8-K filed on November 12, 2004).
- 4.12 Warrant to Purchase 550,000 shares of Common Stock of Spescom Software Inc. issued to Cappello Capital Corp (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on January 28, 2005).
- 4.13 Warrant to Purchase 275,000 shares of Common Stock of Spescom Software Inc. issued to Cappello Capital Corp (incorporated by reference to Exhibit 10.2 to the Form 8-K filed on January 28, 2005).
- 4.14 Warrant to Purchase Common Stock issued to M.A.G. Capital, LLC, dated October 25, 2005 (incorporated by reference to Exhibit 10.4 to the Form 8-K filed on October 31, 2005).
- 4.15 Warrant to Purchase Common Stock issued to Monarch Pointe Fund, Ltd., dated October 25, 2005 (incorporated by reference to Exhibit 10.5 to the Form 8-K filed on October 31, 2005).
- 4.16 Warrant to Purchase Common Stock issued to M.A.G. Capital, LLC, dated March 10, 2006. (incorporated by reference to Exhibit 10.3 to the Form 8-K filed on March 16, 2006.)
- 4.17 Warrant to Purchase Common Stock issued to Monarch Pointe Fund, Ltd., dated March 10, 2006 (incorporated by reference to Exhibit 10.4 to the Form 8-K filed on March 16, 2006).
- 4.18 Warrant to Purchase Common Stock issued to Mercator Momentum Fund III, L.P., dated March 10, 2006 (incorporated by reference to Exhibit 10.5 to the Form 8-K filed on March 16, 2006).
- 4.19 Warrant to Purchase Common Stock issued to Liolios Group, Inc., dated March 31, 2006 (incorporated by reference to Exhibit 4.22 to the Form S-1 filed on April 7, 2006)
- 10.1 10% promissory note due upon demand in principal amount of \$400,000 issued by Altris Software, Inc. to Spescom Limited, a United Kingdom corporation, on March 15, 2002 (incorporated by reference to Exhibit 10.29 to the Form 10-Q filed on May 15, 2002).
- 10.2 10.0% promissory note due upon demand in principal amount of \$500,000 issued by Altris Software, Inc. to Spescom Limited, a United Kingdom corporation, on April 19, 2002 (incorporated by reference to Exhibit 10.34 to the Form 10-Q filed on August 14, 2002).
- 10.3 Security Agreement between Altris Software, Inc. and Spescom Limited, a United Kingdom corporation, and Spescom Limited, a South African corporation, dated February 15, 2002 (incorporated by reference to Exhibit 10.30 to the Form 10-Q filed on May 15, 2002).
- 10.4 Security Agreement dated March 15, 2002 between Altris Software, Inc., a California corporation, and Spescom Limited, a United Kingdom corporation (incorporated by reference to Exhibit 10.32 to the Form 10-Q filed on May 15, 2002).
- 10.5 Pledge Agreement dated March 15, 2002 by and between Altris Software, Inc., a California corporation, Spescom Limited, a United Kingdom corporation, and Solomon Ward Seidenwurm & Smith, LLP (incorporated by reference to Exhibit 10.33 to the Form 10-Q filed on May 15, 2002).
- 10.6 Debt Conversion Agreement by and between Altris Software, Inc., Spescom Limited, and Spescom Ltd., dated September 30, 2003 (incorporated by reference to Exhibit 99.2 to the Form 8-K filed on October 10, 2003).
- 10.7 Subscription Agreement by and among the Company, Monarch Pointe Fund, Ltd. and Mercator Advisory Group, LLC, dated November 5, 2004 (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on November 12, 2004).

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- 10.8 Subscription Agreement by and among the Company, Monarch Pointe Fund, Ltd. and M.A.G. Capital, LLC, dated October 25, 2005 (incorporated by reference to Exhibits 10.1 to the Form 8-K filed on October 31, 2005).
- 10.9 Subscription Agreement by and among the Company, Monarch Pointe Fund, Ltd., Mercator Momentum Fund III, L.P. and M.A.G. Capital, LLC, dated March 10, 2006 (incorporated by reference to Exhibit 10.1 to the Form 8 K filed on March 16, 2006).
- 10.10 Public Relations Agreement Between Liolios Group, Inc. and the Company dated November 15, 2005 (incorporated by reference to Exhibit 4.17 to the Form 10-K filed on January 4, 2006).
- 10.11 Letter Amendment to Public Relations Agreement between Liolios Group, Inc. and the Company, dated March 31, 2006 (incorporated by reference to Exhibit 4.21 to the Form S-1 filed on April 7, 2006).
- 10.12 Letter of guarantee between Spescom Software Limited and Absa Bank Limited, dated November 9, 2005 (incorporated by reference to Exhibit 10.14 to the Form 10-K filed on January 4, 2006).
- 10.13 Source Code License between Spescom Software Inc. and Aveva Solutions Limited, dated October 2, 2006. (incorporated by reference to Exhibit 10.13 to the Form 10-K filed on December 26, 2006)
- 10.14 Amended and Restated 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-8 filed on April 5, 2004).
- 10.15 Form of Incentive Stock-Option Agreement, Non-Statutory Stock-Option Agreement and Restricted Stock Option Agreement under Amended and Restated 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10.6 to the Form 10-K filed March 31, 1997).
- 10.16 Lease between Rowlandson Properties Limited and Spescom Software Limited, dated February 10, 2006 (incorporated by reference to Exhibit 10.20 to the Form S-1 filed on April 7, 2006).
- 10.17 Retention Agreement between the Company and Keith Stentiford, dated May 3, 2006 (incorporated by reference to Exhibit 10.8 to the Form 10-Q filed on May 15, 2006).
- 10.18 Retention Agreement between the Company and John W. Low, dated April 27, 2006 (incorporated by reference to Exhibit 10.9 to the Form 10-Q filed on May 15, 2006).
- 10.19 Retention Agreement between the Company and Glenn Cox, dated April 25, 2006 (incorporated by reference to Exhibit 10.10 to the Form 10-Q filed on May 15, 2006).
- 10.20 Retention Agreement between the Company and Pierre DeWet, dated April 26, 2006 (incorporated by reference to Exhibit 10.11 to the Form 10-Q filed on May 15, 2006).
- 10.21 Retention Agreement between the Company and Alan Kiraly, dated April 25, 2006 (incorporated by reference to Exhibit 10.12 to the Form 10-Q filed on May 15, 2006).
- 21.1 Subsidiaries of the Registrant (incorporated by reference to Exhibit 21 to the Form 10-K filed on December 20, 2002).
- 23.1 Consent of Singer Lewak Greenbaum and Goldstein LLP (previously filed with the Form 10-K filed on December 26, 2006).
- 31.1 Certification by the Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification by the Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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32.2 Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on January 26, 2007.

SPESCOM SOFTWARE INC.

By: /s/ Alan Kiraly
Alan Kiraly
Chief Executive Officer

By: /s/ John W. Low
John W. Low
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

| Signature | Title | Date |
|--|--|------------------|
| /s/ Alan Kiraly Alan Kiraly | Director and Chief Executive Officer (Principal Executive Officer) | January 26, 2006 |
| /s/ John W. Low John W. Low | Chief Financial Officer and Secretary (Principal Financial and Accounting Officer) | January 26, 2006 |
| /s/ D. Ross Hamilton D. Ross Hamilton | Director | January 26, 2006 |
| s/ Hilton Isaacman Hilton Isaacman | Director/ | January 26, 2006 |
| s/ James Myers James Myers | Director/ | January 26, 2006 |
| /s/ Larry D. Unruh Larry D. Unruh | Director | January 26, 2006 |
| /s/ Michael Silverman Michael Silverman | Director | January 26, 2006 |

INDEX TO EXHIBITS

- 31.1 Certification by the Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification by the Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.