



INTELLIGENT TELEPHONY

S O L U T I O N S

Netcall plc

Report and accounts 2003

“Our Next Generation Call Centre programme is focused on delivering efficient high quality customer service supporting the success we’ve had in both winning and retaining customers. Netcall’s QueueBuster™ will be material in helping us achieve our goals.”

Chris Stroud,
BT General Manager
Business Planning and Resource
British Telecommunications plc

Netcall thanks BT for the two substantial orders for QueueBuster™ systems that they placed during the year.

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Highlights

Financial

- Threefold increase in sales to £2.39m (2002: £0.81m).
- Threefold increase in gross profit to £1.88m (2002: £0.63m).
- 19% reduction in operating expenses.
- Loss on ordinary activities before tax reduced to £0.33m from £2.40m.
- Profit on ordinary activities before tax of £0.16m achieved in the second half of the year.

Operational

- £1.5m contract secured with BT to supply QueueBuster in May 2003.
- Embarking on an international expansion strategy.
- Signed first Asian distribution agreement with Digiberry, a Japanese technology distribution company, via our JV-Netcall Asia Pacific (Netcall APAC).

“We are now ready for international expansion as we begin to see real returns from our market leading product, QueueBuster in the UK. It provides clear advantages for our customers, improving their customers’ satisfaction and reducing their operating costs.”

Ron Elder, Chairman of Netcall

Chairman's statement

Results

These are very encouraging results, particularly when compared with the previous few years.

Sales and gross profits increased threefold, driven by our principal call centre technology product, QueueBuster™. QueueBuster cuts queues by enabling callers to request a call-back. Combined with a 19% reduction in operating expenses, losses before taxation were substantially reduced to £0.33m (2002: loss £2.40m).

More significantly, the group became profitable in the second half of the year with sales of £1.56m delivering pre-tax profit of £0.16m. Loss per ordinary share for the year has been reduced to 0.6p (2002: loss 6.35p).

In August 2002 the company raised £0.97m net of costs by means of a placing. Currently the company has a cash balance in excess of £0.5m.

Typical QueueBuster contracts are signed for a three-year period. At year end Netcall had contracted future revenues and deferred income of £1.1m of which £0.42m will be executed in the current financial year.

Operations

The company has been able to build on the successes of

the first half of the year, and QueueBuster has continued to justify our confidence in its international potential.

The highlight of the year was the £1.5m contract in May 2003 to supply BT with QueueBuster for three years, including an initial substantial payment. Since the trial and selling process is typically of a long duration, the endorsement of major corporations of the calibre of BT has been an important step forward. Larger corporations with multi-site call centre operations are attractive since they are more likely to place repeat orders. Clients who have bought the product during the year include The Co-operative Bank, Linklaters, Royal and Sun Alliance, Vertex Data Sciences, United Utilities as well as BT.

So far all of Netcall's customers with multi-site operations have ordered more than one system. QueueBuster's strengths were further verified by repeat orders during the year from BT, The Co-operative Bank and Vertex.

We have continued with our international growth strategy. Our joint venture with Committed Capital, in the Asia Pacific region has signed Digiberry as a Japanese distributor and a trial system has been operational in Japan for over eight weeks. We expect to be installing a

“As well as improving the customer experience, QueueBuster increases agent productivity by enabling us to answer more calls.”

Jayne Harrison, General Manager, Vertex-United Utilities account

Netcall thanks Vertex for the four orders of QueueBuster systems that they have placed during the year.

similar system in Australia shortly. We also now have our first trial system functional in the USA.

People

I am obviously delighted with the performance of the Netcall team this year. They have been focused and stalwart, delivering positive results whilst substantially reducing costs. They are to be congratulated.

Not least I must thank Brian Gowers, who stepped down as Chairman of the company in May, having built the company to the stage that now represents such an opportunity. I am most pleased that he has decided to remain as a director.

Strategy and Prospects

We aim to capitalise on our leading market position and over the past three months have further strengthened the team to enable us to implement our plans successfully.

During the last quarter, the management has focused on developing a strategy aimed at creating a smoother revenue stream for the company. Since the selling process for the QueueBuster product is lengthy, owing to a substantial initial capital outlay requirement, Netcall has adopted a broader marketing approach using

international partnerships and distribution agreements. Discussions with a number of parties with distribution capability have been encouraging, both in the UK and internationally.

We also plan to exploit the leading position of QueueBuster by providing a managed service variation for smaller call centres with less than 100 seats. The new application reduces customers' initial capital investment and will provide Netcall with an additional revenue stream.

The current financial year has started well. We have already completed two successful trials in Ireland and the UK; the latter has resulted in an order from Legal and General Insurance. We have an order for our first Spanish trial in October and a pilot system is installed in Japan through our joint venture with Committed Capital. Our high conversion rate from trials to sales allows us to be confident of sales volumes but long decision cycles continue to make contract timings difficult to forecast.

The Board is confident of delivering positive results from our investment programme early in 2004.

Ron Elder, Chairman
ron.elder@netcall.com
14th October 2003

Review of operations

Significant progress has been achieved during the year and it is clear that our QueueBuster product delivers exceptional value to our customers. Not only does it result in substantial increases in customer satisfaction levels but our customers also benefit from reduced operating expenses. The concept of allowing callers caught in a queue to arrange a call-back is now better understood but typically users are still surprised when their call comes back in less time than they had expected. The product is gathering credibility in our target markets and our prospect pipeline grows monthly.

In a market that has been resistant to both increased capital investment and new technology, we've achieved ambitious sales and gross margin goals. QueueBuster systems have been implemented rapidly, and benefit from universal switch compatibility.

We have also focused on tight resource management and we are particularly pleased to have reduced operating costs, whilst maintaining sales momentum.

Development and infrastructure

The technical team has concentrated on developing new features for QueueBuster to enable customers to understand, manage and control queues to greater effect.

During the year the product was successfully integrated with an internal network for the first time, at BT, which demonstrates the flexibility and compatibility of QueueBuster in all switch environments.

Following two audits, we retain our ISO 9000 quality accreditation.

Since the year end we have bolstered all operational divisions of the company in preparation for increased demand via distribution channels both in the UK and internationally. This will enable us to expand rapidly and extend our market breadth as many of the distribution partners will have expertise in market segments as yet untapped by the company directly.

The technical and operations teams have continued to support our service-based infrastructure that will be used to deliver our QueueBuster Service offering to a wider prospect base. A significant amount of development work has followed initial beta trials of this QueueBuster variant

“NetCall’s claims about QueueBuster are true. We’ve been able to handle more calls by offering it on our new business lines without increasing our staffing levels. We’re providing a better service to our customers who think the facility is great — and we are reducing our costs at the same time. QueueBuster is a simple solution, with fantastic results.”

Rob Woolley, Head of new business centre, The Co-operative Bank

Netcall thanks The Co-operative Bank for the two additional systems that they purchased from us during the year.

QueueBuster

QueueBuster is the first solution to completely turn around the negative impact of call queuing into a positive experience for customers — enabling them to avoid the frustration of waiting in call queues.

QueueBuster is a real-time automated call back system that lets callers hang up to receive a call back when their call reaches an agent. The clever bit is that QueueBuster holds and progresses their place in the call queue as if they were still on the line — calling them back when an agent answers. Customers can get on with more important things, happy in the knowledge that no-one will beat them to the front of the queue or forget to call them back.

Feedback from our QueueBuster clients is that customer research and satisfaction surveys are consistently returning customer satisfaction ratings of over 95%.

Call centres using QueueBuster increase their productivity by handling more calls without increasing their staff costs, agents receive fewer complaints from callers so call lengths reduce, the business reduces lost business and improves customer satisfaction.

QueueBuster is non-invasive, integrates with all PBX switches and ACD systems and can be installed in around two weeks. These features mark it out as distinctive from most enterprise IT products and solutions.

Six out of ten customers calling call centres complain about the time left waiting on hold — while a third get so annoyed they hang up, according to market analysts Mintel.

Each of us has a story of bad customer service down to enforced waiting times or perpetual button pressing in response to automated messaging. We encourage you to tell the organisations responsible about QueueBuster.

Review of operations continued

and we have received very positive feedback from trial users. The stability and scalability of our service infrastructure has continued to be very satisfactory, giving us confidence in our ability to roll out this and future service-based programmes efficiently.

Sales and Marketing

Installing QueueBuster represents a capital investment usually requiring a lengthy trial and sales process of between six to nine months. To ensure adequate returns Netcall has targeted larger corporations operating multi-site call centres, with the capacity to place repeat orders.

This has been a very successful strategy as, over the year, we maintained our record with 100% of QueueBuster trials converting to orders. Additionally, all multi-site call centre customers have installed at least two systems and we are confident of further repeat orders. We are particularly pleased that the original pilot systems installed for BT resulted in their placing of a £1.5 million order for multiple systems in May.

We have concentrated on companies in the financial, telecommunications and utilities markets and have devoted considerable energy to understanding the product benefits delivered as well as managing the

product *in situ*. As a result we now have a powerful reference base and replicable sales model which will enhance our development into new markets.

We also have an ambitious programme for our QueueBuster Service variant, which provides a hosted queue management solution, requiring minimal customer capital investment. Customers of QueueBuster Service will subscribe to receive the functionality and pay for usage in the same way as they might be charged for other intelligent telephony services such as the 'call waiting' or 'divert when busy' options that are available from many telecommunications providers. We plan to sell QueueBuster capabilities to call centres with less than 100 seats, an opportunity that we believe is about twice the size of the product market we have been addressing to date. Initial sales will be made via our direct sales force but we anticipate a swift move to distribution and consequential rapid expansion. We are expecting this business to have radically shorter sales cycles and a growing recurring revenue stream.

David R. Rothschild, Chief Operating Officer
david.rothschild@netcall.com

Directors and advisers

Chairman

Ron Elder** (53) joined the Board in May 2003. He was previously chief executive officer of property-asset management and Nasdaq-listed business, Omega Worldwide. Ron has also held senior executive positions with Zurich Financial Services, Crawfords (a New York stock exchange listed company), The First Personal Bank (now G.E. Capital Bank) and Avis Europe.

Chief Operating Officer

David Rothschild (52) joined the Board as CEO in May 1998, having been managing director of Action Computer Supplies Holdings plc 1990–98. At Action, he was responsible for growing its turnover from £30m to £175m and its employees from 60 to 400.

Sales Director

James Sutherland (46) joined the Board in December 2001. He came to Netcall from Sema Group where he was responsible for new business product sales in the energy, transport and health sectors. He has been involved in the computer services industry for over 24 years.

Secretary:

Louise Towers

Group headquarters and registered office:

10 Harding Way
St Ives
Cambridgeshire
PE27 3WR

Registration details:

The company is registered in England
Company number 01812912

Website address:

www.netcall.com

Auditors:

Deloitte and Touche LLP
Leda House
Station Road
Cambridge
CB1 2RN

Brian Gowers** (60) joined the Board in March 2001. He is a former president and managing director of Cogent, a division of Nortel Networks. His current non-executive appointments include the chairmanship of a privately owned technology company.

Roger Allsop** (60) joined the Board in 1987. He is commercial director of AIM listed Tricorn Group plc, chairman of Malvair Properties Ltd and was also formerly managing director of Westwood Dawes plc.

Jeffrey Rubins* (57) joined the Board in 1987 and served as chairman until June 2001. He is an associate director (corporate finance) of stockbrokers WH Ireland and Co Ltd, and a non-executive director of AIM listed Tricorn Group plc and non-executive chairman of Equitech Financial Services Ltd. He is a chartered accountant and a fellow of the Securities Institute.

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

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

Registrars and transfer office:

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

Bankers:

National Westminster Bank PLC
Carlyle House
Carlyle Road
Cambridge
CB4 3DN

Nominated advisers and brokers:

Evolution Beeson Gregory
100 Wood Street
London
EC2V 7AN

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30th June 2003.

Principal activity

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

Review of developments

Details of the group's performance are given in the consolidated profit and loss account on page 12. The position of the group and the company at the end of the year is set out in the balance sheets on pages 14 and 15.

Future prospects

The Board expects growth in QueueBuster sales. With the further development of new products the Board is optimistic that the group will sustain its growth. However, the exact timing of the receipts of orders continues to be difficult to predict.

Dividends

The directors do not recommend the payment of a dividend (2002 — £nil).

Research and development

The group continues an active programme of research and development in its chief operating subsidiary company Netcall Telecom Limited. The costs in the year amounted to £338,699 (2002 — £286,322). In addition, expenditure on sales and marketing of new products, which is necessarily incurred in advance of sales revenues, has continued to be substantial. It is group policy to write off all this expenditure as incurred.

Supplier payments

The group undertakes to make payments to suppliers for goods and services supplied within the normal credit periods agreed with those suppliers. The proportion of trade creditors at the year end to amounts supplied during the year gives an average payment term of 47 days (2002 — 26 days).

Directors and their interests

The directors below held office throughout the year unless stated otherwise, and their interests in the company's shares at 30th June 2003 and 1st July 2002 or date of appointment were:

	2003		2002	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
R. Allsop	815,638	—	415,638	—
C. Brown (resigned 16th July 2002)	—	—	—	—
R. Elder (appointed 21st May 2003)	30,000	—	—	—
B. Gowers	420,000	—	20,000	—
D. Rothschild	940,000	—	440,000	—
J. Rubins	7,100,000	1,300,000	4,650,000	750,000
J. Sutherland	17,664	—	7,664	—

In accordance with the company's Articles of Association, Brian Gowers retires by rotation and offers himself for re-election. Ron Elder, who was appointed during the year, offers himself for re-election.

Directors' report continued

Directors' interests in share options in ordinary shares of 5p each are:

	At 1 July 2002	Granted	Lapsed	At 30 June 2003	Exercise price	Exercisable
C. Brown	500,000	—	500,000	—	104.0p	Before 02/06/10
	137,931	—	137,931	—	72.5p	Before 28/12/10
	40,000	—	40,000	—	25.0p	Before 10/12/11
J. Sutherland	200,000	—	200,000	—	73.0p	Before 03/12/10
	100,000	—	—	100,000	20.0p	Before 10/12/11
	—	1,000,000	—	1,000,000*	10.0p	Before 19/12/12
D. Rothschild	137,931	—	137,931	—	72.5p	Before 28/12/10
	150,000	—	150,000	—	50.0p	Before 10/12/11
	150,000	—	—	150,000†	20.0p	Before 10/12/11
	—	1,000,000	—	1,000,000*	10.0p	Before 19/12/12
J. Rubins	137,931	—	—	137,931	72.5p	Before 28/12/10
R. Allsop	100,000	—	—	100,000	20.0p	Before 15/02/12
	—	100,000	—	100,000*	10.0p	Before 19/12/12
B. Gowers	200,000	—	—	200,000	20.0p	Before 15/02/12
	—	1,000,000	—	1,000,000*	10.0p	Before 19/12/12
R. Elder	—	—	—	—	—	—

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

Share options in respect of directors who resign will lapse with the exception of †.

The market price of the company's shares at 30th June 2003 was 23p and the range during the year ended 30th June 2003 was 5p to 25p.

Substantial interests

At 14th October 2003 the following interests of 3% or more in the issued ordinary share capital, other than directors, had been notified to the company:

	Number of shares held
ISIS plc (previously Friends Ivory & Sime plc)	9,898,742 (17.45%)
Edenfield Investments Limited	2,879,362 (5.08%)
Committed Capital (UK) Limited	2,000,000 (3.53%)

Derivatives and other financial instruments

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

a) Liquidity and interest rate risk

The group finances its operations primarily through the issue of share capital. A placing of shares occurred in August 2002 (note 22) which raised approximately £0.97 million net of placing expenses. This placing was undertaken to ensure adequate resources were in place for the year ended 30th June 2003 and beyond to enable the group to

Directors' report continued

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

b) Foreign currency risk

The group operates in the USA through its subsidiary Netcall Telecom Inc. whose expenditure is denominated in US dollars. In the year ended 30th June 2003 this expenditure accounted for 0.5% of the group's operating costs (2002 — 4%). The group finances its net investment in and the operations of Netcall Telecom Inc. by means of sterling funds.

In addition to sales to customers in the UK, sales are made to customers in the USA and Continental Europe. These latter sales are priced in sterling but invoiced in the currencies of the customers involved. Any exchange gains or losses arising from the settlement of these transactions are dealt with in the profit and loss account.

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They

are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the resignation of Cassons as auditors to the company, the directors appointed Deloitte & Touche to fill the resulting casual vacancy.

On 1st August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1st August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 14th October 2003.

Signed on behalf of the Board

L. Towers
Secretary

Independent auditors' report to the shareholders of Netcall plc

We have audited the financial statements of Netcall plc for the year ended 30th June 2003 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement, the related notes 1 to 30 and the reconciliation of movements in consolidated shareholders' funds. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We are not required to review any Corporate Governance disclosures for Financial Services Authority purposes, as the company has availed itself of an exemption from the requirement to publish a statement of compliance with the Combined Code.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and the group as at 30th June 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and
Registered Auditors
Cambridge

15th October 2003

Consolidated Profit and Loss Account

Year ended 30th June 2003

	Note	2003 £	2002 As restated Note 3 £
Turnover	2	2,387,203	807,564
Cost of sales		(505,843)	(181,331)
Gross profit		1,881,360	626,233
Administrative expenses (including exceptional reorganisation costs of £120,633 (2002 — £nil))	5	(2,225,310)	(2,745,779)
Operating loss	2,5	(343,950)	(2,119,546)
Interest receivable	6	14,807	74,183
Amounts written off investments	7	—	(350,000)
Interest payable and similar charges	8	(2,634)	(531)
Loss on ordinary activities before taxation		(331,777)	(2,395,894)
Tax on loss on ordinary activities	9	—	92,110
Retained loss for the financial year	23	(331,777)	(2,303,784)
Loss per ordinary share	11	(0.6p)	(6.35p)
Diluted loss per ordinary share	11	(0.6p)	(6.35p)

All activities derive from continuing operations.

Consolidated Statement of Total Recognised Gains and Losses

Year ended 30th June 2003

	2003 £	2002 As restated Note 3 £
Loss for the financial year	(331,777)	(2,303,784)
Currency translation differences on foreign currency net investments	9	17,097
Total recognised gains and losses for the year	(331,768)	(2,286,687)
Prior year adjustment (refer to note 3)	(53,667)	
Total gains and losses recognised since last annual report and financial statements	(385,435)	

Reconciliation of Movements in Consolidated Shareholders' Funds

Year ended 30th June 2003

	2003 £	2002 As restated Note 3 £
Loss for the financial year	(331,777)	(2,303,784)
Currency translation differences on foreign currency net investments	9	17,097
New shares issued	1,022,000	—
Share placing expenses	(58,236)	(1,700)
Net addition to/(reduction in) shareholders' funds	631,996	(2,288,387)
Opening shareholders' funds as previously stated	311,900	2,546,620
Prior year adjustment	(53,667)	—
Opening shareholders' funds as restated	258,233	2,546,620
Closing shareholders' funds	890,229	258,233

Consolidated Balance Sheet

30th June 2003

	Note	2003 £	2002 As restated Note 3 £
Fixed assets			
Intangible assets	12	—	19,315
Tangible assets	13	186,395	193,742
Investments	14	—	—
		186,395	213,057
Current assets			
Stocks	15	58,924	50,500
Debtors	16	1,386,872	335,492
Cash at bank and in hand		278,310	149,514
		1,724,106	535,506
Creditors: amounts falling due within one year	17	(1,020,272)	(489,937)
Net current assets		703,834	45,569
Total assets less current liabilities		890,229	258,626
Creditors: amounts falling due after more than one year	18	—	(393)
		890,229	258,233
Capital and reserves			
Called up share capital	22	2,836,513	1,814,513
Share premium account	23	14,458,444	14,516,680
Special and capital reserves	23	245,055	245,055
Profit and loss account	23	(16,649,783)	(16,318,015)
Equity shareholders' funds		890,229	258,233

These financial statements were approved by the Board on 14th October 2003

Signed on behalf of the Board of directors

R. Elder
Director

D. Rothschild
Director

Balance Sheet

30th June 2003

	Note	2003 £	2002 £
Fixed assets			
Intangible assets	12	—	19,315
Tangible assets	13	45,553	—
Investments	14	639,899	639,899
		685,452	659,214
Current assets			
Debtors	16	10,709,006	10,171,934
Cash at bank and in hand		57,227	121,583
		10,766,233	10,293,517
Creditors: amounts falling due within one year	17	(369,793)	(409,257)
Net current assets		10,396,440	9,884,260
Total assets less current liabilities		11,081,892	10,543,474
Capital and reserves			
Called up share capital	22	2,836,513	1,814,513
Share premium account	23	14,458,444	14,516,680
Special and capital reserves	23	496,396	496,396
Merger reserve	23	403,309	403,309
Profit and loss account	23	(7,112,770)	(6,687,424)
Equity shareholders' funds		11,081,892	10,543,474

These financial statements were approved by the Board on 14th October 2003

Signed on behalf of the Board of directors

R. Elder
Director

D. Rothschild
Director

Consolidated Cash Flow Statement

Year ended 30th June 2003

	Note	2003		2002	
		£	£	£	£
Net cash outflow from operating activities	24		(739,077)		(1,804,224)
Returns on investments and servicing of finance					
Interest element of finance lease rental payments		(286)		(415)	
Interest received		14,807		74,183	
Bank interest paid		(100)		(116)	
Other interest		(2,248)		—	
Net cash inflow from returns on investments and servicing of finance			12,173		73,652
Taxation repaid			—		88,981
Capital expenditure and financial investment					
Payments to acquire intangible fixed assets		—		(7,822)	
Payments to acquire tangible fixed assets		(72,319)		(25,924)	
Receipts from sales of tangible fixed assets		—		787	
Net cash outflow from capital expenditure and financial investment			(72,319)		(32,959)
Net cash outflow before use of liquid resources and financing			(799,223)		(1,674,550)
Management of liquid resources					
Decrease in short-term bank bonds			15,000		1,250,000
Financing					
Capital element of finance lease rental payments		(1,714)		(1,585)	
Issue of new shares		1,022,000		—	
Expenses of issue of ordinary share capital		(58,236)		(1,700)	
Net cash inflow/(outflow) from financing			962,050		(3,285)
Increase/(decrease) in cash	25,26		177,827		(427,835)

Notes to the Accounts

Year ended 30th June 2003

1. Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below. They have all been consistently applied throughout the year and the preceding year with the exception of the policy for recognising maintenance and support revenue for the first year of a supply agreement (refer to note 3).

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

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

Goodwill

Following the implementation of Financial Reporting Standard 10 "Goodwill and Intangible Assets", goodwill on consolidation, being the excess of consideration paid over the fair value of separable net assets acquired, is capitalised in the year in which it arises and amortised over its estimated useful economic life. Capitalised purchased goodwill in respect of subsidiaries is included within intangible fixed assets.

Goodwill which arose on the acquisition of a business in prior periods and was written off to the profit and loss reserve as a matter of accounting policy remains eliminated in that reserve and will be charged or credited in the profit and loss account as appropriate on the subsequent disposal of the business to which it related.

The cumulative amount of goodwill charged directly to reserves as a matter of accounting policy prior to the implementation of Financial Reporting Standard 10 is £1,006,512 (2002 — £1,006,512).

Turnover

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

Systems

System revenue is recognised once delivery and installation has occurred. Revenue recognition is subject to any customer specific acceptance terms.

Support and maintenance

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

Tangible fixed assets

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

Fixtures, fittings and equipment — 20% per annum
Domain names — 20% per annum

Investments

Investments are stated at cost less provision for any impairment.

Notes to the Accounts continued

Year ended 30th June 2003

Stocks

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

Leased assets

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

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

Deferred taxation

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

Foreign currencies

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

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

Research and development

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

Financial instruments

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

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

Notes to the Accounts continued

Year ended 30th June 2003

2. Segmental analysis

Analyses of turnover, operating loss and net assets are stated below:

	2003 £	2002 As restated Note 3 £
i) Turnover		
Class of business		
QueueBuster sales	1,859,566	313,334
QueueBuster support and maintenance	202,894	65,648
Telephony services	322,998	427,018
Commission and sundry income	1,745	1,564
	2,387,203	807,564
Geographical analysis by destination		
United Kingdom	2,370,288	754,447
North America	7,540	36,290
Rest of Europe	6,520	13,959
Rest of the World	2,855	2,868
	2,387,203	807,564

All of the turnover arose from activities carried out in the United Kingdom.

	2003 £	2002 As restated Note 3 £
ii) Operating loss		
Geographical analysis by origin		
United Kingdom	(339,137)	(2,002,356)
North America	(4,813)	(117,190)
	(343,950)	(2,119,546)

	2003 £	2002 As restated Note 3 £
iii) Net assets		
Geographical location		
United Kingdom	882,696	244,804
North America	7,533	13,429
	890,229	258,233

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

Notes to the Accounts continued

Year ended 30th June 2003

3. Prior year adjustment

During the year the group changed its accounting policy for maintenance and support income for the first year of a supply agreement. Previously this income had been recognised in full upon installation of the system. The current policy is to spread the first year support and maintenance revenue over the year rather than in full upon installation. As a consequence of the company changing its accounting policy in this regard, a prior year adjustment has resulted and the prior year results restated accordingly.

The effect of the prior year adjustment is as follows:

<i>Turnover</i>	2002 £
Turnover as previously stated	861,231
Effect of prior year adjustment	(53,667)
Turnover as restated	807,564
Increase in loss for the financial year	(53,667)

<i>Accruals and deferred income</i>	2002 £
Accruals and deferred income as previously stated	148,667
Effect of prior year adjustment	53,667
Accruals and deferred income as restated	202,334
Decrease in net assets	(53,667)

4. Information regarding directors and employees

	2003 £	2002 £
Directors' remuneration		
Emoluments	375,620	571,878
Compensation for loss of office	87,000	—

Included in the above directors' emoluments are fees paid to third parties which comprise £14,465 and £45,973 (2002 — £15,000 and £24,071) paid to Malvair Properties Limited and Capitel Limited respectively under an agreement to provide the group with the services of Mr R. Allsop and Mr B. Gowers (as directors) respectively.

	2003 £	2002 £
Highest paid director		
Emoluments	172,051	158,189

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

Notes to the Accounts continued

Year ended 30th June 2003

4. Information regarding directors and employees continued

	2003 No.	2002 No.
Average number of employees, including directors:		
Customer services	1	3
Sales and marketing	7	8
Development and technical support	12	12
Administration	4	9
	24	32
	£	£
Staff costs incurred during the year:		
Wages and salaries	1,062,364	1,495,699
Social security costs	111,801	153,199
	1,174,165	1,648,898

5. Operating loss

	2003 £	2002 £
Operating loss is after charging:		
Research and development costs	338,699	286,322
Rentals under operating leases		
Land and buildings	30,000	30,000
Other operating leases	14,768	59,210
Amortisation of intangible fixed assets	—	3,250
Depreciation of tangible fixed assets		
Owned assets	85,714	93,516
Assets held under finance leases and hire purchase contracts	400	918
Auditors' remuneration for audit services		
Group	6,136	5,496
Company	18,864	23,690
Auditors' remuneration for non-audit services		
Group	3,000	—
Company	9,000	690
Reorganisation costs	120,633	35,571

The reorganisation costs relate to termination payments incurred as a result of a reorganisation of the group's workforce.

Notes to the Accounts continued

Year ended 30th June 2003

6. Interest receivable

	2003 £	2002 £
Short-term deposits	14,807	74,183

7. Amounts written off investments

The amounts written off investments were in relation to minority shareholdings in unquoted companies.

8. Interest payable and similar charges

	2003 £	2002 £
Bank loans and overdrafts	100	116
Finance charges — finance leases and hire purchase contracts	286	415
Other	2,248	—
	2,634	531

9. Tax on loss on ordinary activities

	2003 £	2002 £
United Kingdom corporation tax at 30% (2002 — 30%) based on the loss for the year	—	(43,831)
Adjustment in respect of prior years	—	(48,279)
	—	(92,110)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2002 — 30%). The actual tax credit for the current and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2003 £	2002 £
Loss on ordinary activities before tax	(331,777)	(2,395,894)
Tax on loss on ordinary activities at standard rate	(99,533)	(718,768)
Factors affecting credit for the year:		
Expenses not deductible for tax purposes	5,087	130,418
Capital allowances in deficit of depreciation	10,210	13,687
Utilisation of tax losses	107,941	550,315
Movement in short term timing differences	4,976	—
Other deferred tax movements	(286)	—
Expenditure uplifted by research and development tax credit	(12,295)	(71,425)
Group relief	—	35,842
Prior year adjustment	—	(48,279)
Prior year adjustment (refer to note 3)	(16,100)	16,100
	—	(92,110)

Notes to the Accounts continued

Year ended 30th June 2003

9. Tax on loss on ordinary activities continued

Group

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised at 30th June 2003 is £2,999,644 (2002 — £2,811,447). The asset would be recovered if the group makes suitable taxable profits in the future.

The group also has an unprovided deferred tax asset of £2,012,271 (2002 — £2,012,271) in respect of capital losses. This asset can be recovered against suitable capital gains in the future.

Company

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised at 30th June 2003 is £573,884 (2002 — £449,601). The asset would be recovered if the company makes taxable income in the future.

The company also has a deferred tax asset of £2,012,271 (2002 — £2,012,271) in respect of capital losses. This asset can be recovered against suitable capital gains in the future.

10. Loss of the parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial year amounted to £425,346 (2002 — £777,209).

11. Loss per ordinary share

The calculation of loss per ordinary share for the current year is based on the loss for the year of £331,777 (2002 — £2,303,784 as restated) and the weighted average number of ordinary shares of 0.5p each of 54,490,267 (2002 — 36,290,267). FRS 14 requires that potential ordinary shares should strictly be treated as dilutive when they increase net loss per share. Since the group has reported losses, its basic and diluted loss per share are therefore equal.

Notes to the Accounts continued

Year ended 30th June 2003

12. Intangible fixed assets

Group and company	Domain names £
Cost	
At 1st July 2002	25,715
Reclassification to tangible fixed assets	(25,715)
At 30th June 2003	—
Accumulated amortisation	
At 1st July 2002	6,400
Reclassification to tangible fixed assets	(6,400)
At 30th June 2003	—
Net book value	
At 30th June 2003	—
At 30th June 2002	19,315

In accordance with UITF 29 “Accounting for web-site development costs” the domain names have been reclassified from intangible to tangible fixed assets.

13. Tangible fixed assets

Group	Domain names £	Fixtures, fittings and equipment £	Total £
Cost			
At 1st July 2002	—	661,714	661,714
Reclassification from intangible fixed assets (refer to note 12)	25,715	—	25,715
Additions	38,426	33,893	72,319
Disposals	—	(173,153)	(173,153)
At 30th June 2003	64,141	522,454	586,595
Accumulated depreciation			
At 1st July 2002	—	467,972	467,972
Reclassification from intangible fixed assets (refer to note 12)	6,400	—	6,400
Charge for the year	12,188	73,926	86,114
Disposals	—	(160,286)	(160,286)
At 30th June 2003	18,588	381,612	400,200
Net book value			
At 30th June 2003	45,553	140,842	186,395
At 30th June 2002	—	193,742	193,742

The net book value includes £nil (2002 — £400) in respect of assets held under finance leases and hire purchase contracts.

Notes to the Accounts continued

Year ended 30th June 2003

13. Tangible fixed assets continued

Company	Domain names £
Cost	
At 1st July 2002	—
Reclassification from intangible fixed assets (refer to note 12)	25,715
Additions	38,426
At 30th June 2003	64,141
Accumulated depreciation	
At 1st July 2002	—
Reclassification from intangible fixed assets (refer to note 12)	6,400
Charge for the year	12,188
At 30th June 2003	18,588
Net book value	
At 30th June 2003	45,553
At 30th June 2002	—

The net book value includes £nil (2002 — £nil) in respect of assets held under finance leases and hire purchase contracts.

Notes to the Accounts continued

Year ended 30th June 2003

14. Investments held as fixed assets

Group	Subsidiary undertakings	Other	Total
	£	£	£
Cost			
At 1st July 2002 and at 30th June 2003	—	350,000	350,000
Provision			
At 1st July 2002 and at 30th June 2003	—	350,000	350,000
Net book value			
At 30th June 2002 and at 30th June 2003	—	—	—
Company			
Cost			
At 1st July 2002 and at 30th June 2003	669,922	350,000	1,019,922
Provision			
At 1st July 2002 and at 30th June 2003	30,023	350,000	380,023
Net book value			
At 30th June 2002 and at 30th June 2003	639,899	—	639,899

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

	Main activity
Netcall Telecom Limited	Development and marketing of commercial applications derived from the group's technology.
Netcall Telecom Inc.	Marketing of the group's solutions.

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

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

Notes to the Accounts continued

Year ended 30th June 2003

15. Stocks

	2003 £	Group 2002 £
Finished goods and goods for resale	58,924	50,500

16. Debtors

	2003 £	Group 2002 £	2003 £	Company 2002 £
Trade debtors	1,278,662	213,485	—	—
Amounts owed by subsidiary undertakings	—	—	10,671,729	10,126,608
VAT	12,565	—	12,565	—
Other debtors	30,679	64,139	179	13,110
Prepayments and accrued income	64,966	57,868	24,533	32,216
	1,386,872	335,492	10,709,006	10,171,934

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

17 Creditors: amounts falling due within one year

	2003 £	Group 2002 As restated Note 3 £	2003 £	Company 2002 £
Bank loans and overdraft (refer to note 19)	—	34,031	—	11,599
Obligations under finance leases and hire purchase contracts (refer to note 20)	485	1,806	—	—
Amounts owed to subsidiary undertakings	—	—	248,422	217,348
Trade creditors	405,764	101,762	64,592	45,544
Taxation and social security	255,969	75,201	5,351	12,232
Directors' current accounts	—	3,810	—	—
Other creditors	—	70,993	—	70,000
Accruals and deferred income	358,054	202,334	51,428	52,534
	1,020,272	489,937	369,793	409,257

Notes to the Accounts continued

Year ended 30th June 2003

18. Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Obligations under finance leases and hire purchase contracts (refer to note 20)	—	393	—	—

19. Borrowings

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts	—	34,031	—	11,599

All borrowings were repayable within one year or on demand.

Bank overdrafts were secured by fixed and floating charges on the assets of the group companies, and by a charge dated 23rd June 1998 over a Corporate Bond bank account of £5,000.

20. Obligations under finance leases and hire purchase contracts

	Group	
	2003	2002
	£	£
Obligations under finance leases and hire purchase contracts	485	2,199
Analysis of repayments:		
Within one year or on demand	485	1,806
Between one and two years	—	393
	485	2,199

Obligations under finance leases and hire purchase contracts are secured by related leased assets.

Notes to the Accounts continued

Year ended 30th June 2003

21. Financial instruments

The group's policies regarding derivatives and financial instruments are set out in the directors' report on pages 9 and 10 and the accounting policies on page 18.

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

a) Maturity profile of financial liabilities

The maturity profile of financial liabilities is dealt with in notes 19 and 20.

The group had no borrowing facilities at 30th June 2003 or at 30th June 2002.

b) Interest rate profile

The group's financial liabilities as disclosed in notes 19 and 20 are all denominated in sterling. Borrowings per note 19 were on floating interest rates, based on bank base rates. Obligations under finance leases and hire purchase contracts per note 20 are on fixed interest rates.

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

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

c) Fair values of financial assets and liabilities

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

There is not a ready market with regard to the group's unlisted fixed asset investments. All minority shareholdings in unquoted companies are valued at £nil (2002 — £nil) at the year end.

d) Hedging

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

e) Currency profile

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

	2003 £	2002 £
US\$	8,387	(9,622)

Notes to the Accounts continued

Year ended 30th June 2003

22. Called up share capital

	2003 £	2002 £
Authorised		
80,000,000 (2002 — 49,884,000) ordinary shares of 5p each	4,000,000	2,494,200
Called up, allotted and fully paid		
56,730,267 (2002 — 36,290,267) ordinary shares of 5p each	2,836,513	1,814,513

On 8th August 2002 the company raised £1.022 million (£0.97 million net of placing expenses) through a placing of 20,440,000 new ordinary shares at 5p each. The reason for the placing was to fund the working capital requirement of the group.

Share options outstanding at 30th June 2003 were:

Number of shares under option	Exercise price	Exercise period
<i>EMI share option scheme</i>		
400,002	7.25p	19.12.03 – 19.12.12
400,001	7.25p	19.12.04 – 19.12.12
399,997	7.25p	19.12.05 – 19.12.12
137,931	72.50p	28.12.03 – 28.12.10
<i>Unapproved share option scheme</i>		
38,338	25.00p	19.12.02 – 19.02.08
38,333	25.00p	19.12.03 – 19.02.08
38,329	25.00p	19.12.04 – 19.02.08
<i>Individual share option agreements</i>		
3,100,000	10.00p	Before 19.12.12
250,000	20.00p	10.12.03 – 10.12.11
300,000	20.00p	15.02.04 – 15.02.12
<u>5,102,931</u>		

Notes to the Accounts continued

Year ended 30th June 2003

23. Reserves

Group	Share premium account £	Special and capital reserves £	Merger reserve £	Profit and loss account £
At 1st July 2002	14,516,680	245,055	—	(16,318,015)*
Loss for the year	—	—	—	(331,777)
Foreign exchange translation differences	—	—	—	9
Share placing costs	(58,236)	—	—	—
At 30th June 2003	14,458,444	245,055	—	(16,649,783)
Company				
At 1st July 2002	14,516,680	496,396	403,309	(6,687,424)
Loss for the year	—	—	—	(425,346)
Share placing costs	(58,236)	—	—	—
At 30th June 2003	14,458,444	496,396	403,309	(7,112,770)

*As restated (refer to note 3).

24. Reconciliation of operating loss to net cash outflow from operating activities

	2003 £	2002 As restated Note 3 £
Operating loss	(343,950)	(2,119,546)
Depreciation charges	86,114	97,684
Loss on sale of fixed assets	12,867	—
Increase in stocks	(8,424)	(50,500)
(Increase)/decrease in debtors	(1,051,380)	170,689
Increase in creditors	565,687	80,352
Other non-cash items	9	17,097
Net cash outflow from operating activities	(739,077)	(1,804,224)

Notes to the Accounts continued

Year ended 30th June 2003

25. Reconciliation of net cash flow to movement in net funds

	2003 £	2002 £
Increase/(decrease) in cash in the year	177,827	(427,835)
Cash used to repay finance leases and hire purchase contracts	1,714	1,585
Decrease in liquid resources	(15,000)	(1,250,000)
Movement in net funds in the year	164,541	(1,676,250)
Net funds at 1st July 2002	113,284	1,789,534
Net funds at 30th June 2003	277,825	113,284

26. Analysis of changes in net funds

	At 1st July 2002 £	Cash flows £	At 30th June 2003 £
Cash at bank and in hand	129,514	143,796	273,310
Bank overdraft	(34,031)	34,031	—
		177,827	
Debt due within one year	(1,806)	1,321	(485)
Debt due after one year	(393)	393	—
Short-term bank bonds	20,000	(15,000)	5,000
Total	113,284	164,541	277,825

Cash at bank and in hand in the consolidated balance sheet includes the above short-term bank bonds of £5,000 (2002 — £20,000). These bonds do not qualify to be treated as cash for the purposes of the consolidated cash flow statement, and are shown in the statement under the heading "Management of liquid resources".

Notes to the Accounts continued

Year ended 30th June 2003

27. Operating lease commitments

At 30th June 2003 the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other	
	2003 £	2002 £	2003 £	2002 £
Leases which expire:				
Within one year	5,875	—	5,156	—
Within two to five years	—	—	9,612	20,869
After five years	30,000	30,000	—	—
	35,875	30,000	14,768	20,869

At 30th June 2003 the company had no operating lease commitments.

28. Capital commitments

At 30th June 2003 neither the company nor the group had any capital commitments contracted but not provided for.

29. Contingent liabilities

The company has guaranteed bank borrowings of other group members: Netcall Telecom Limited, A.C. Leasing Limited and IT Call Limited under an unlimited cross guarantee with a fixed and floating charge over all current and future assets of the company. The company's contingent liability in respect thereof at 30th June 2003 was £nil (2002 — £22,432).

30. Related party transactions

Under paragraph 3(c) of FRS 8 'Related Party Disclosures' the company is exempt from the requirement to disclose transactions with fellow group companies.

Included within other creditors including taxation and social security at the balance sheet date is an amount of £nil (2002 — £3,810) which is due to Mr D. Rothschild, a director. The balance was unsecured and interest-free.

Notice of the annual general meeting

Notice is hereby given that the 2003 Annual General Meeting of Netcall plc will be held at 11 a.m. on 19th November 2003 at 10 Harding Way, St Ives, Cambridgeshire, PE27 3WR for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

Ordinary business

Resolution 1: To receive audited accounts for the year ended 30th June 2003 together with the reports of the directors and auditors thereon.

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

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

Resolution 4: To re-elect Ron Elder as a director who was appointed during the year.

Special business

Resolution 5: To consider and, if thought fit, pass the following as an ordinary resolution:

“THAT the Board be and is hereby generally and unconditionally authorised to exercise all powers of the company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal value of £200,000, in addition to authorities already held (see note 5), provided that this authority shall expire one year after the passing of this resolution save that the company may before such an expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as is the authority conferred hereby had not expired.”

Resolution 6: To consider and, if thought fit, pass the following as a special resolution:

“THAT, subject to the passing of the previous Resolution 5, the Board be and is hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) up to an aggregate nominal amount of £200,000 pursuant to the authority conferred by the previous resolution as if subsection (1) of section 89 of the Companies Act 1985 did not apply to such allotment.”

By order of the Board

Louise Towers

Secretary

10 Harding Way

St Ives

Cambridgeshire

PE27 3WR

14th October 2003

Notes:

- 1 A member of the company entitled to attend and vote at this meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member.
- 2 To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determination by the Company of the number of votes they may cast), members must be entered on the Company's Register of Members by 11.00 a.m. on 19th November 2003.
- 3 Completion and return of a proxy does not preclude a member from attending and voting at the meeting.
- 4 You will find attached a form of proxy for use by members which, to be valid, must be completed and signed, together with any power of attorney or other authority under which it is signed or a notarially certified or office copy thereof, and received by the company's registrars not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
5. As of special resolutions from EGM held on 8th August 2002, the directors have the authority to allot equity securities of up to 9,240,000 Ordinary Shares pursuant to options proposed to be granted to Committed Capital Pty Ltd and up to 4,520,000 Ordinary Shares generally. This authority expires on the fourth anniversary of the passing of the resolution.

Netcall plc proxy

For use at the Annual General Meeting to be held on 19th November 2003

I (Block letters please).....

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of

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

.....

as my proxy to vote for me on my behalf at the Annual General Meeting of the company to be held on 19th November at 11 a.m. at 10 Harding Way, St Ives, Cambridgeshire, PE27 3WR and any adjournment thereof.

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

Ordinary Resolutions	For	Against
1 To receive the audited accounts for the year ended 30th June 2003 together with the reports of the directors and auditors thereon.		
2 To reappoint Deloitte and Touche LLP as auditors and to authorise the directors to determine their remuneration.		
3 To re-elect Brian Gowers as a director who retires by rotation in accordance with the Articles of Association.		
4 To re-elect Ron Elder as a director who was appointed during the year.		
5 To authorise the directors to allot relevant securities.		
Special Resolutions		
6 To authorise the directors to allot equity security for cash for certain purposes.		

Notes:

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

Second fold

BUSINESS REPLY SERVICE
Licence No. HF 106

2



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

First fold

Third fold
and tuck in flap opposite

A selection of Netcall technology users

Abbey National	http://www.abbeynational.co.uk
Adobe	http://www.adobe.co.uk
Alliance & Leicester	http://www.alliance-leicester.co.uk
Autoglass	http://www.autoglass.co.uk
Bears Inn (USA)	http://www.bearsinn.com
British Telecommunications plc	http://www.bt.com
BSM	http://www.bsm.co.uk
BUPA	http://www.bupa.co.uk
BUPA International	international http://www.bupa-intl.com
Buzz Airline	http://www.buzzaway.com
Carphone Warehouse	http://www.carphonewarehouse.com
Chase de Verre	http://www.chasedeverre.com
Citroën	http://www.citroen.co.uk
ClicktoCall	http://www.clicktocall.com
Club 18-30	http://www.club18-30.co.uk
Coventry Building Society	http://www.coventrybuildingsociety.co.uk
Credit Suisse First Boston	http://www.credit-suisse.com
Curry's	http://www.currys.co.uk
Dixons Partmaster	http://www.partmaster.co.uk
Eagle Star	http://www.eaglestar.co.uk
Egg Investments	http://new.egg.com
Europcar	http://www.europcar.co.uk
Friends Provident	http://www.friendsprovident.com
Halifax	http://www.halifax.co.uk
HFC Bank	http://www.hfcbank.co.uk
Honda	http://www.honda.co.uk
Hoverspeed	http://www.hoverspeed.co.uk
JMC	http://www.jmc.com
Legal & General Insurance	http://www.legalandgeneral.com
Linklaters	http://www.linklaters.com
MCI Worldcom	http://www.mci.com
NCR	http://www.ncr.com
Nestlé	http://www.nestle.co.uk
NetBanx	http://www.netbanx.com
Newcastle Building Society	http://www.newcastle.co.uk
Northcliffe Electronic Publishing	http://www.nng.co.uk
Norwich & Peterborough	http://www.norwichandpeterborough.co.uk
Npower Yorkshire	http://www.npower.com
One.Tel	http://www.onetel.net.uk
Oracle	http://oracle.net.uk
PC World	http://pcworld.co.uk
Powergen	http://pgen.com
Prudential	http://prudential.co.uk
RAC	http://rac.co.uk
Rank Holidays	http://rank.com
Regus	http://regus.com
Royal & Sun Alliance	http://royalsunalliance.com
SAAB Information Centre	http://saab.co.uk
Thames Water	http://thameswater.co.uk
The Co-operative Bank	http://www.co-operativebank.co.uk
Thomas Cook	http://thomascook.com
Toyota	http://toyota.co.uk
TML	http://cranetel.co.uk
Trinity Publishing	http://trinitypub.co.uk
United Utilities	http://www.unitedutilities.com
Vauxhall	http://buypower.vauxhall.co.uk
Vertex Data Sciences	http://www.vertex.co.uk
Virgin Direct	http://virgin-direct.co.uk

The COOPERATIVE BANK



Because we have so much to tell you this year — more than there is room to include here — we have produced a company CD with information about our products, product demonstrations, customer research, case studies and video testimonies.

If you would like a copy, please call NetCall Telecom on **0800 376 6955** or email **wendy.kettlewell@netcall.com**. Alternatively, please visit our website at **www.netcall.com**