



INTELLIGENT TELEPHONY

S O L U T I O N S

Netcall plc

Report and accounts 2004

“QueueBuster is making a significant contribution to increasing our customer satisfaction levels – one of the key goals of our Next Generation Contact Centre transformation programme.

The role QueueBuster plays in providing customers with choice and convenience, especially in busy periods, is absolutely vital. It has made a real difference to our people, our performance and our customers. A classic win-win-win.”

Carol Borghesi

Director, BT Customer Contact Centres

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Highlights

Financial

- Sales of £2.41m (2003: £2.39m)
- Gross profit of £1.94m (2003: £1.88m)
- Loss on ordinary activities before tax £0.83m (2003: £0.33m)
- Significant improvement in second half performance
- 12% year on year revenue growth in second half to £1.75m (2003: £1.56m)
- Contracted future revenues increase to £1.65m (2003: £1.1m)
- Cash position of £1.26m (2003: £0.28m)

Operational

- Hosted Services portfolio gains traction, aided by the successful launch of QueueBuster Service
- Distribution deal signed with BT Global Services division
- Operational costs reduced, with effect from new financial year
- 4 new on-site implementations of QueueBuster plus 12 new orders for QueueBuster Service

“Sales in the second half of the year came up to our expectations. The distribution agreements signed with BT Global Services and other international partners have increased Netcall’s market reach. Income streams from the delivery of hosted services are growing and we can now look forward to continued improvements in performance.”

Ron Elder, Chairman of Netcall

Chairman's statement

As expected, sales in the second half of the year picked up substantially, with the core QueueBuster offering gaining traction in the call centre market. The advantages of implementing an effective call handling solution are becoming clear to our customers in increasing measure. Simply put, it delivers both higher customer satisfaction and increased productivity — benefits that are highly valued and rarely found in the same package.

Results

Turnover for the year was £2.41m, slightly ahead of last year (2003: £2.39m). Margins held steady and as a result, gross profits were £1.94m, compared to last year's figure of £1.88m. However, increased expenses in anticipation of rising sales increased loss on ordinary activities before taxation, as expected, to £0.83m (2003: £0.33m). The loss per share was 1.3p, compared to 0.6p in 2003.

Following a review of costs in the second half we reduced our staff headcount by over 20% and expenses for the year include non-recurring reorganisational costs of £65,721.

An exercise of options by Committed Capital Pty Ltd raised £1.1m net of expenses for the company, in February 2004. Improved sales in the second half and increasing annuity revenues from maintenance contracts

combined to ensure a continuing healthy cash balance into the new year.

Typically, QueueBuster systems contracts are signed for a three-year period. At the year end Netcall had contracted future revenues of £1.65m (2003: £1.1m) that will contribute to our income over the next three years.

Business Focus

Over the last year we have been building the foundations to support the execution of our business development strategy. The key goal has been to improve the quality of our business by increasing market penetration and generating recurring sales incomes from annuity contracts.

In November 2003 we launched our new hosted service version of QueueBuster, which requires no initial capital investment and allows our customers to pay for services as they use them. This approach reduces lead times and increases sales conversion rates. Performance to date is on plan with several customers signed in the second half including: Belkin Components, Corgi, DAS Legal Services, Lloyds TSB Insurance, Marriot Vacation Resorts and Skipton Building Society. The hosted services business delivers regular monthly income which will progressively become a significant component of the sales mix contributing to a smoothing of revenues.

“We are experiencing less incidents of ‘phone rage’ because customers are no longer holding the line listening to an interactive voice response message or hold music. If our customers are happy, our consultants enjoy their work more, which in turn has a positive impact on productivity.

It has also helped us manage surges in call levels more effectively. Consultants are therefore handling a steady flow of calls rather than experiencing peaks and troughs in their work volume, and as a result we are handling more calls without increasing our headcount.”

Martin Oliver, Managing Director, Kwik-Fit Financial Services

In February 2004 we signed an agreement with BT’s Global Services division, appointing them as distributors for QueueBuster. This has increased our market presence and spread, enabling us to reach more prospects and broaden our pipeline. We are very pleased with the progress this partnership has made in the last six months and expect it to contribute to our growth in the current financial year.

Success has also been achieved by our complementary telecoms applications such as NetCall 800 web call back. We have seen the market shift in our direction and demand for products that we have been offering for some time is increasing.

People

We are proud of our success in attracting large blue-chip customers and of the volume of repeat business we get from them. Over the year we have had multiple repeat orders from BT, the Co-operative Bank, npower and Vertex. This reflects the commitment of the Netcall team; they strive to deliver an exceptional service to demanding customers and constantly receive praise for their achievements to which I add mine. I am pleased to say that following our reorganisation at the end of the year the quality of our service and our systems performance has improved.

At the senior management level, I am very pleased to have welcomed to the Company our new Chief Executive Officer, Henrik Bang. Henrik has brought to Netcall a wealth of experience and expertise in the Telecoms arena. This has already made a tangible difference to our performance on a month by month basis.

Outlook

We have now started to generate reliable revenue streams from a proven suite of products and have firm cost controls in place. This, combined with improving market awareness and an increasingly broad sales platform, gives us confidence in the future.

It is now some years since we launched our first products and, in hindsight, it could be said they were slightly ahead of their time. Looking today at our business and the progress we are making it appears that their time may now have come. I therefore believe we are well positioned for the future and look forward to our continued success.

Ron Elder, Chairman
ron.elder@netcall.com
5th October 2004

Chief Executive's Review

The potential of Netcall's technology, especially QueueBuster, was my main reason for accepting the role of Chief Executive at the start of 2004. The past eight months have reinforced my belief in the company's product portfolio.

Our challenge now is to broaden Netcall's market reach whilst continuing to enhance our product capabilities. We are making progress and our performance in the second half of this last financial year has taken us a step further towards our objective of sustainable profitability.

Financial Results

The financial results show comparable sales and gross margins holding up well with 12% year on year turnover growth in the second half. It is encouraging that we received both new and repeat customer orders for QueueBuster product installations. Such orders are accompanied by contracts that run for several years, providing annuity revenues from maintenance services and licensing.

At the beginning of the financial year additional staff were recruited in anticipation of business growth. This did not materialise as expected and as a consequence operating losses increased. Over the second half of the year we completed an organisational review to reduce operating expenses. The organisation was restructured with effect from the end of the financial year and our monthly costs are now below what they were 6 months ago. Our cash position of £1.26m as at 30th June 2004 remains healthy.

Review of Operations

QueueBuster

QueueBuster, Netcall's flagship product, gives customers caught in a call centre queue the option of receiving a

return call without losing their place in the queue. Over the year our customers have continued to report excellent performance from QueueBuster in both sales and customer support environments. We have a growing amount of quantifiable data demonstrating that the product delivers both high customer satisfaction and substantial productivity improvements.

We have had some notable successful implementations of QueueBuster in its original form as a customer premises installation. During the second half of the financial year, we received our first orders from Kwik-Fit Insurance, the Bank of Ireland, and Reliant Energy in the USA. Additionally, a deal was concluded by Netcall Apac with AGL in Australia, the order for which was received in the early part of the new financial year, confirming an increased international interest in Netcall's products. In addition, we received further repeat orders from BT, npower, Vertex and the Co-Operative Bank.

Early in 2004, our first customer went live with QueueBuster Service, a version of QueueBuster which does not require customer premises equipment. Customers route calls to Netcall's hosted service platform, and pay fees according to their usage. QueueBuster Service therefore significantly increases our potential market, as it is attractive both to smaller call centre operators and to larger call centres that prefer a hosted services business model.

The take-up of this option has been encouraging, with further customers signed up since our last report, including Lloyds TSB, Skipton Building Society, DAS Legal Services, Lafarge, London Borough of Islington, Belkin Components and Marriott Vacation Club. Our customers'

“QB has enabled us to manage our peaks and troughs far more proactively and at a lower cost to serve per customer”

Paula Gowland, General Manager, Vertex Customer Management

QueueBuster

QueueBuster™ gives customers caught in a call centre queue the option of receiving a return call, without losing their place in the queue. This frees the customer from the annoyance and cost of waiting for their call to be answered. Callers who take the option can hang up and do something else while QueueBuster queues their call for them. When QueueBuster gets an answer from an agent, it automatically calls the customer back.

Proven in sales and customer support environments, QueueBuster delivers astonishing customer satisfaction and improves call centre productivity at the same time.

QueueBuster is a non-invasive solution, working alongside existing telephony and IT infrastructure, and is compatible with all digital telephony switches. Call centres can use QueueBuster either as an installed hardware and software solution or as a hosted Netcall service.

QueueBuster currently serves over 25,000 call centre agents in the UK alone, at BT, The Co-operative Bank, Kwik-Fit Financial Services, Legal and General Insurance, Linklaters, npower, Royal and Sun Alliance, Thames Water, United Utilities, Vertex Customer Management, and many other blue chip companies — including: Belkin Components, DAS Legal Services, Lloyds TSB Insurance, Marriot Vacation Club and Skipton Building Society — who use our hosted service maximum flexibility and value.

Chief Executive's Review continued

results demonstrate benefits and performance improvements in line with the experience of those using the installed solution.

The low initial investment required by the customer has reduced the sales cycle and increased prospect conversion rates compared to the more lumpy sales generated from the customer premises version of QueueBuster.

Other Netcall Telephony Services

The Netcall service platform continues to offer intelligent telephony solutions such as NetCall800 (web call-back) to a wide range of customers.

Successful use of these solutions is dependent upon businesses implementing advanced electronic trading techniques. We have recently seen an increase in both the number and variety of such implementations, most notably by HBOS, EGG, First Direct and the Trinity Mirror Group.

Current Trading

As reported above, the second half of the financial year ended 30th June 2004 showed considerable improvement on the first half. Trading in the current quarter indicates that we will deliver satisfactory year on year revenue growth in the first half of our new financial year.

In the coming year our revenue streams will continue to be dominated by sales of the customer premises installed version of QueueBuster. However, the pipeline we have accumulated over the past months, combined with opportunities generated from a larger customer base, is expected to improve our order flow.

Revenues from services will climb steadily and will, over time, represent a significant component of the sales mix. These will be split between maintenance contracts in support of installed products and charges for the use of QueueBuster Service and Netcall's other hosted solutions.

Strategy

Our primary objective is to reach a level of reliable, sustainable profitability. With modest investment in the necessary infrastructure and support, we expect to be able to grow sales whilst controlling the group's cost base.

Following this, our overall strategy is to increase both the diversity and the quality of our revenue streams. We see development of channels as crucial in developing the market penetration that will enhance our growth. We have already signed the first distribution agreements and good progress is being made.

Netcall has a suite of products that has considerable potential. With a strong focus on execution in developing our market model and product proposition, I am confident that we can achieve our objectives.

Henrik Bang, Chief Executive
henrik.bang@netcall.com
5th October 2004

Directors and advisers

Chairman

Ron Elder^{*^} (54) joined the Board in May 2003. He was previously chief executive officer of property-asset management and Nasdaq-listed business, Omega Worldwide. Ron has also held senior executive positions with Zurich Financial Services, Crawfords (a New York stock exchange listed company), The First Personal Bank (now G.E. Capital Bank) and Avis Europe.

Chief Executive Officer

Henrik Bang (45) joined the Board in March 2004. He was previously Vice-President, EMEA, for GN Netcom, a subsidiary of GN Great Nordic, the Danish-based technology group. Between 1987 and 1998 he held a number of roles at IBM. He was Operations Manager in IBM's EMEA headquarters in London; this role included managing IBM businesses in Scandinavia and the Baltic states.

Brian Gowers^{*^} (61) 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[^] (61) joined the Board in 1987. He is commercial director of AIM listed Tricorn Group plc, chairman of Malvair Properties Ltd and was also formerly managing director of Westwood Dawes plc.

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

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

Secretary:

Louise Towers

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

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 2004.

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 product and service sales, both directly and through channels. With further development of channel sales the Board is optimistic that the group will continue 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 (2003 — £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 £344,162 (2003 — £338,699). 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 35 days (2003 — 47 days).

Directors and their interests

The directors who held office at 30th June 2004 had the following interests in the company's shares at 30th June 2004 and 1st July 2003 (or date of appointment):

	30 June 2004		1 July 2003 (or date of appointment)	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
R Allsop	815,638	—	815,638	—
R Elder	30,000	—	30,000	—
B Gowers	420,000	—	420,000	—
H P Bang (appointed 9th March 2004)	—	—	—	—

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

D Rothschild and J Sutherland both resigned as directors on 13th February 2004, and J Rubins resigned as a director on 1st June 2004.

Directors' report continued

Directors who held office at 30th June 2004 had the following interests in share options in ordinary shares of 5p each:

	At 1 July 2003	Granted	Lapsed	At 30 June 2004	Exercise price	Exercisable
R Allsop	100,000	—	—	100,000	20.0p	Before 15.02.12
	100,000	—	—	100,000 ⁽¹⁾	10.0p	Before 19.12.12
B Gowers	200,000	—	—	200,000	20.0p	Before 15.02.12
	1,000,000	—	—	1,000,000 ⁽¹⁾	10.0p	Before 19.12.12
R Elder	—	250,000	—	250,000 ⁽²⁾	24.0p	Before 24.05.14
H Bang	—	400,000	—	400,000	25.0p	Before 26.02.14
	—	100,000	—	100,000	25.0p	Before 26.02.14
	—	250,000	—	250,000 ⁽³⁾	25.0p	Before 28.02.14
	—	250,000	—	250,000 ⁽⁴⁾	25.0p	Before 01.03.14

- (1) Option shall not be exercisable until the earlier of the day immediately following the 10th consecutive trading day on which the mid-market closing price on the Alternative Investment Market of the London Stock Exchange of a fully paid ordinary share of 5 pence in the capital of the company has reached 30 pence and a sale of the business.
- (2) Option shall not be exercisable until the earlier of the day immediately following the 10th consecutive trading day on which the mid-market closing price on the Alternative Investment Market of the London Stock Exchange of a fully paid ordinary share of 5 pence in the capital of the company has reached 35 pence and a sale of the business.
- (3) Option shall not be exercisable until the earlier of the day immediately following the day on which the mid-market closing price on the Alternative Investment Market of the London Stock Exchange of a fully paid ordinary share of 5 pence in the capital of the company has reached 40 pence and a sale of the business.
- (4) Option shall not be exercisable until the earlier of the day immediately following the day on which the mid-market closing price on the Alternative Investment Market of the London Stock Exchange of a fully paid ordinary share of 5 pence in the capital of the company has reached 45 pence and a sale of the business.

All share options in respect of directors who resign will lapse.

The market price of the company's shares at 30th June 2004 was 22p and the range during the year ended 30th June 2004 was 19p to 32p.

Substantial interests

At 5th October 2004 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)	9,545,242 (14.57%)
Gartmore Investment Management	8,500,000 (12.98%)
J Rubins	6,685,097 (10.20%)
Portside Holdings (Charles Stanley)	3,000,000 (4.58%)
Edenfield Investments Limited	2,841,362 (4.34%)
J Patoff	2,462,215 (3.75%)
Committed Capital (UK) Limited	2,000,000 (3.05%)

Directors' report continued

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 share issue via the exercise of share options occurred in February 2004 (note 18) which raised approximately £1.1m net of placing expenses. This placing was undertaken to ensure adequate resources were in place for the year ended 30th June 2004 and beyond to enable the group to 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 2004 this expenditure accounted for 2.4% of the group's operating costs (2003 — 0.5%). 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

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

Approved by the Board of directors on 5th October 2004 and signed on behalf of the Board

L C 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 2004 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 26 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 2004 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

6th October 2004

Consolidated Profit and Loss Account

Year ended 30th June 2004

	Note	2004 £	2003 £
Turnover	2	2,414,211	2,387,203
Cost of sales		(471,378)	(505,843)
Gross profit		1,942,833	1,881,360
Administrative expenses	4	(2,786,225)	(2,225,310)
Operating loss	2,4	(843,392)	(343,950)
Interest receivable	5	18,853	14,807
Interest payable and similar charges	6	(3,392)	(2,634)
Loss on ordinary activities before taxation		(827,931)	(331,777)
Tax on loss on ordinary activities	7	32,224	—
Retained loss for the financial year	19	(795,707)	(331,777)
Loss per ordinary share	9	(1.3p)	(0.6p)
Diluted loss per ordinary share	9	(1.3p)	(0.6p)

All activities derive from continuing operations.

Consolidated Statement of Total Recognised Gains and Losses

Year ended 30th June 2004

	2004 £	2003 £
Loss for the financial year	(795,707)	(331,777)
Currency translation differences on foreign currency net investments	(3,776)	9
Total recognised gains and losses for the year	(799,483)	(331,768)

Reconciliation of Movements in Consolidated Shareholders' Funds

Year ended 30th June 2004

	2004 £	2003 £
Loss for the financial year	(795,707)	(331,777)
Currency translation differences on foreign currency net investments	(3,776)	9
New shares issued	1,295,990	1,022,000
Share issuance expenses	(200,000)	(58,236)
Net addition to shareholders' funds	296,507	631,996
Opening shareholders' funds	890,229	258,233
Closing shareholders' funds	1,186,736	890,229

Consolidated Balance Sheet

30th June 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	10	153,268	186,395
Investments	11	—	—
		153,268	186,395
Current assets			
Stocks	12	130,359	58,924
Debtors	13	1,033,535	1,386,872
Cash at bank and in hand		1,256,872	278,310
		2,420,766	1,724,106
Creditors: amounts falling due within one year	14	(1,269,798)	(1,020,272)
Net current assets		1,150,968	703,834
Total assets less current liabilities		1,304,236	890,229
Creditors: amounts falling due after more than one year	15	(117,500)	—
Net assets	2	1,186,736	890,229
Capital and reserves			
Called up share capital	18	3,275,464	2,836,513
Share premium account	19	15,115,483	14,458,444
Special and capital reserves	19	245,055	245,055
Profit and loss account	19	(17,449,266)	(16,649,783)
Equity shareholders' funds		1,186,736	890,229

Balance Sheet

30th June 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	10	32,725	45,553
Investments	11	639,899	639,899
		672,624	685,452
Current assets			
Debtors	13	10,469,566	10,709,006
Cash at bank and in hand		1,002,855	57,227
		11,472,421	10,766,233
Creditors: amounts falling due within one year	14	(341,968)	(369,793)
Net current assets		11,130,453	10,396,440
Total assets less current liabilities being net assets		11,803,077	11,081,892
Capital and reserves			
Called up share capital	18	3,275,464	2,836,513
Share premium account	19	15,115,483	14,458,444
Special and capital reserves	19	496,396	496,396
Merger reserve	19	403,309	403,309
Profit and loss account	19	(7,487,575)	(7,112,770)
Equity shareholders' funds		11,803,077	11,081,892

These financial statements were approved by the Board of directors on 5th October 2004

Signed on behalf of the Board of directors

R Elder H P Bang
Director Director

Consolidated Cash Flow Statement

Year ended 30th June 2004

	Note	2004		2003	
		£	£	£	£
Net cash outflow from operating activities	20		(221,838)		(739,077)
Returns on investments and servicing of finance					
Interest element of finance lease rental payments		(15)		(286)	
Bank interest received		18,853		14,807	
Interest on bank loans and overdrafts		(589)		(100)	
Other interest		(2,788)		(2,248)	
Net cash inflow from returns on investments and servicing of finance			15,461		12,173
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(58,686)		(72,319)	
Proceeds from sale of tangible fixed assets		620		—	
Net cash outflow from capital expenditure and financial investment			(58,066)		(72,319)
Net cash outflow before use of liquid resources and financing			(264,443)		(799,223)
Management of liquid resources					
Decrease in short-term bank bonds			—		15,000
Financing					
Bank loan taken out		150,000		—	
Repayment of bank loan		(2,500)		—	
Capital element of finance lease rental payments		(485)		(1,714)	
Issue of new shares		1,295,990		1,022,000	
Share issuance costs		(200,000)		(58,236)	
Net cash inflow from financing			1,243,005		962,050
Increase in cash	21,22		978,562		177,827

Notes to the Accounts

Year ended 30th June 2004

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.

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.

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 (2003 — £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.

Service

Service revenues are recognised as earned.

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 telephony equipment	— 20% per annum
Domain names	— 20% per annum
Other equipment	— 33% per annum

Investments

Investments are stated at cost less provision for any impairment.

Notes to the Accounts continued

Year ended 30th June 2004

Stocks

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

Leased assets

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

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

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 2004

2. Segmental analysis

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

	2004	2003
	£	£
i) Turnover		
Class of business		
QueueBuster sales	1,419,294	1,859,566
QueueBuster support and maintenance	690,630	202,894
Telephony services	303,454	322,998
Commission and sundry income	833	1,745
	2,414,211	2,387,203
Geographical analysis by destination		
United Kingdom	2,135,605	2,370,288
North America	88,870	7,540
Rest of Europe	187,511	6,520
Rest of the World	2,225	2,855
	2,414,211	2,387,203

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

	2004	2003
	£	£
ii) Operating loss		
Geographical analysis by origin		
United Kingdom	(800,601)	(339,137)
North America	(42,791)	(4,813)
	(843,392)	(343,950)
iii) Net assets		
Geographical location		
United Kingdom	1,170,643	882,696
North America	16,093	7,533
	1,186,736	890,229

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 2004

3. Information regarding directors and employees

	2004 £	2003 £
Directors' remuneration		
Emoluments	333,778	375,620
Compensation for loss of office	—	87,000

Included in the above directors' emoluments are fees paid to third parties which comprise £26,042, £12,000 and £nil (2003 — £nil, £14,465 and £45,973) paid to R J Associates Limited, Malvair Properties Limited and Capitel Limited respectively under an agreement to provide the group with the services of Mr R Elder, Mr R Allsop and Mr B Gowers (as directors) respectively.

	2004 £	2003 £
Highest paid director		
Emoluments	110,685	172,051

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

	2004 No.	2003 No.
Average number of employees, including directors:		
Customer services	3	1
Sales and marketing	10	7
Development and technical support	10	12
Administration	6	4
	29	24
	£	£
Staff costs incurred during the year:		
Wages and salaries	1,473,537	1,062,364
Social security costs	163,536	111,801
	1,637,073	1,174,165

Notes to the Accounts continued

Year ended 30th June 2004

4. Operating loss

	2004 £	2003 £
Operating loss is after charging:		
Research and development costs	344,162	338,699
Rentals under operating leases		
Land and buildings	30,000	30,000
Other operating leases	12,197	14,768
Depreciation of tangible fixed assets		
Owned assets	86,019	85,714
Assets held under finance leases and hire purchase contracts	—	400
Auditors' remuneration for audit services		
Group	6,320	6,136
Company	19,430	18,864
Auditors' remuneration for non-audit services		
Group	3,200	3,000
Company	4,800	9,000
Reorganisation costs	65,721	120,633

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

5. Interest receivable

	2004 £	2003 £
Bank interest	18,853	14,807

6. Interest payable and similar charges

	2004 £	2003 £
Bank loans and overdrafts	589	100
Finance charges — finance leases and hire purchase contracts	15	286
Other	2,788	2,248
	3,392	2,634

Notes to the Accounts continued

Year ended 30th June 2003

7. Tax on loss on ordinary activities

	2004 £	2003 £
United Kingdom corporation tax at 30% (2003 — 30%) based on the loss for the year	(32,224)	—
Tax credit on loss on ordinary activities	(32,224)	—

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2003 — 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:

	2004 £	2003 £
Loss on ordinary activities before tax	(827,931)	(331,777)
Tax on loss on ordinary activities at standard rate	(248,379)	(99,533)
Factors affecting credit for the year:		
Expenses not deductible for tax purposes	5,660	5,087
Capital allowances in deficit of depreciation	15,711	10,210
Utilisation of tax losses	186,698	107,941
Movement in short-term timing differences	30	4,976
Other deferred tax movements	—	(286)
Losses surrendered for research and development tax credit	60,421	—
Research and development tax credit received	(32,224)	—
Expenditure uplifted by research and development tax credit	(20,141)	(12,295)
Group relief	—	—
Prior year adjustment	—	(16,100)
Tax credit on loss on ordinary activities	(32,224)	—

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 31st March 2004 is £3,188,370 (2003 — £2,999,644). 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 (2003 — £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 31st March 2004 is £686,833 (2003 — £573,884). 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 (2003 — £2,012,271) in respect of capital losses. This asset can be recovered against suitable capital gains in the future.

Notes to the Accounts continued

Year ended 30th June 2004

8. 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 £374,805 (2003 — £425,346).

9. Loss per ordinary share

The calculation of loss per ordinary share for the current year is based on the loss for the year of £795,707 (2003 — £331,777) and the weighted average number of ordinary shares of 0.5p each of 60,005,122 (2003 — 54,490,267). FRS 14 requires presentation of diluted earnings per share where a company could be called upon to issue shares that would decrease net profit or increase loss per share. For a loss-making company with outstanding share options, the net loss per share would be decreased by the exercise of options, and hence no adjustment has been made to the diluted loss per share as presented.

10. Tangible fixed assets

Group	Domain names £	Fixtures, fittings and equipment £	Total £
Cost			
At 1st July 2003	64,141	522,454	586,595
Additions	—	58,686	58,686
Disposals	—	(21,655)	(21,655)
At 30th June 2004	64,141	559,485	623,626
Accumulated depreciation			
At 1st July 2003	18,588	381,612	400,200
Charge for the year	12,828	73,191	86,019
Disposals	—	(15,861)	(15,861)
At 30th June 2004	31,416	438,942	470,358
Net book value			
At 30th June 2004	32,725	120,543	153,268
At 30th June 2003	45,553	140,842	186,395

Notes to the Accounts continued

Year ended 30th June 2004

10. Tangible fixed assets Continued

Company	Domain names £
Cost	
At 1st July 2003 and at 30th June 2004	64,141
Accumulated depreciation	
At 1st July 2003	18,588
Charge for the year	12,828
At 30th June 2004	31,416
Net book value	
At 30th June 2004	32,725
At 30th June 2003	45,553

11. Investments held as fixed assets

Group	Subsidiary undertakings £	Other £	Total £
Cost			
At 1st July 2003 and at 30th June 2004	—	350,000	350,000
Provision			
At 1st July 2003 and at 30th June 2004	—	350,000	350,000
Net book value			
At 30th June 2003 and at 30th June 2004	—	—	—
Company			
Cost			
At 1st July 2003 and at 30th June 2004	669,922	350,000	1,019,922
Provision			
At 1st July 2003 and at 30th June 2004	30,023	350,000	380,023
Net book value			
At 30th June 2003 and at 30th June 2004	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 2004

12. Stocks

	Group	
	2004 £	2003 £
Finished goods and goods for resale	130,359	58,924

13. Debtors

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Trade debtors	902,434	1,278,662	—	—
Amounts owed by subsidiary undertakings	—	—	10,414,332	10,671,729
Corporation tax recoverable	32,224	—	—	—
VAT	24,378	12,565	24,378	12,565
Other debtors	9,344	30,679	4,343	179
Prepayments and accrued income	65,155	64,966	26,513	24,533
	1,033,535	1,386,872	10,469,566	10,709,006

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

14. Creditors: amounts falling due within one year

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Bank loan	30,000	—	—	—
Obligations under finance leases and hire purchase contracts (refer to note 16)	—	485	—	—
Amounts owed to subsidiary undertakings	—	—	217,348	248,422
Trade creditors	209,121	405,764	32,725	64,592
Taxation and social security	304,637	255,969	9,920	5,351
Accruals and deferred income	726,040	358,054	81,975	51,428
	1,269,798	1,020,272	341,968	369,793

Notes to the Accounts continued

Year ended 30th June 2004

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

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Bank loan	117,500	—	—	—

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

Of the bank loan falling due after more than one year, £30,000 is repayable between one and two years and the remaining balance of £87,500 is repayable between two and five years.

16. Obligations under finance leases and hire purchase contracts

	Group	
	2004 £	2003 £
Obligations under finance leases and hire purchase contracts	—	485
Analysis of repayments:		
Within one year or on demand	—	485

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

Notes to the Accounts continued

Year ended 30th June 2003

17. Financial instruments

The group's policies regarding derivatives and financial instruments are set out in the directors' report on pages 8 to 10 and the accounting policies on pages 17 and 18.

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

a) Maturity profile of financial liabilities

At 30th June 2004, the group borrowings comprised a bank loan of £147,500 (2003 — £nil) and finance lease creditor of £nil (2003 — £485).

The maturity profile of financial liabilities is dealt with in notes 15 and 16.

b) Interest rate profile

The group's financial liabilities as disclosed in notes 15 and 16 are all denominated in sterling. The bank loan as per notes 14 and 15 is at a floating interest rate based on the bank's base rate. The average rate experienced during the period is 6.75% (2003 — nil). Obligations under finance leases and hire purchase contracts per note 16 are at 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 (2003 — £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 foreign currency monetary liabilities shows the group's currency exposures. The amounts shown represent the transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the group that are not denominated in the operating (or "functional") currency of the operating unit involved, namely sterling.

	2004 £	2003 £
US\$	17,709	8,387

Notes to the Accounts continued

Year ended 30th June 2004

18. Called up share capital

	2004 £	2003 £
Authorised		
80,000,000 ordinary shares of 5p each	4,000,000	4,000,000
Called up, allotted and fully paid		
65,509,270 (2003 — 56,730,267) ordinary shares of 5p each	3,275,464	2,836,513

During the year the company raised £1.1m (net of share issue costs) through the exercise of share options. Of the 8,779,003 shares issued in the year, 8,509,840 shares were issued to Committed Capital Pty Ltd following the exercise of their options. These options were granted to Committed Capital Pty Ltd at the following prices: 2,836,614 options at 10 pence, 2,836,613 options at 15 pence and 2,836,613 options at 20 pence in accordance with an agreement with Netcall Plc and dated 28th April 2003. The proceeds from the exercise of the options in the year have provided additional working capital.

Share options outstanding at 30th June 2004 were:

Number of shares under option	Exercise price	Exercise period
<i>EMI share option scheme</i>		
126,666	7.25p	19.12.03 – 09.12.12
348,334	7.25p	19.12.04 – 19.12.12
348,335	7.25p	19.12.05 – 19.12.12
400,000	25.00p	19.12.05 – 19.12.12
<i>Unapproved share option scheme</i>		
33,336	25.00p	19.12.02 – 19.02.08
33,332	25.00p	19.12.03 – 19.02.08
33,332	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
100,000	25.00p	26.02.04 – 26.02.14
250,000	25.00p	Before 28.02.14
250,000	25.00p	Before 01.03.14
250,000	24.00p	Before 24.05.14
5,823,335		

Notes to the Accounts continued

Year ended 30th June 2004

19. Reserves

Group	Share premium account £	Special and capital reserves £	Merger reserve £	Profit and loss account £
At 1st July 2003	14,458,444	245,055	—	(16,649,783)
Loss for the year	—	—	—	(795,707)
Foreign exchange translation differences	—	—	—	(3,776)
Issue of shares (net of issue costs of £200,000)	657,039	—	—	—
At 30th June 2004	15,115,483	245,055	—	(17,449,266)
Company				
At 1st July 2003	14,458,444	496,396	403,309	(7,112,770)
Loss for the year	—	—	—	(374,805)
Issue of shares	657,039	—	—	—
At 30th June 2004	15,115,483	496,396	403,309	(7,487,575)

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

	2004 £	2003 £
Operating loss	(843,392)	(343,950)
Depreciation charges	86,019	86,114
Loss on sale of fixed assets	5,174	12,867
Increase in stocks	(71,435)	(8,424)
Decrease/(increase) in debtors	384,617	(1,051,380)
Increase in creditors	217,179	565,696
Net cash outflow from operating activities	(221,838)	(739,077)

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

	2004 £	2003 £
Increase in cash in the year	978,562	177,827
Cash inflow from increase in bank loans	(147,500)	—
Cash finance leases and hire purchase contracts	485	1,714
Decrease in liquid resources	—	(15,000)
Movement in net funds in the year	831,547	164,541
Net funds at 1st July 2003	277,825	113,284
Net funds at 30th June 2004	1,109,372	277,825

Notes to the Accounts continued

Year ended 30th June 2004

22. Analysis of changes in net funds

	At 1 July 2003 £	Cash flows £	At 30 June 2004 £
Cash at bank and in hand	273,310	978,562	1,251,872
Debt due after one year — bank loan	—	(117,500)	(117,500)
Debt due within one year — bank loan	—	(30,000)	(30,000)
Finance leases	(485)	485	—
		<u>(147,015)</u>	
Liquid resources — short-term bonds	5,000	—	5,000
Net funds	277,825	831,547	1,109,372

Cash at bank and in hand in the consolidated balance sheet includes the above short-term bank bonds of £5,000 (2003 — £5,000). 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”.

23. Operating lease commitments

At 30th June 2004 the group was committed to making the following annual payments in respect of operating leases:

	Land and buildings		Other	
	2004 £	2003 £	2004 £	2003 £
Leases which expire:				
Within one year	—	5,875	2,575	5,156
Within two to five years	—	—	3,432	9,612
After five years	30,000	30,000	—	—
	30,000	35,875	6,007	14,768

At 30th June 2004 the company had no operating lease commitments (2003 — nil).

24. Capital commitments

At 30th June 2004 neither the company nor the group had any capital commitments contracted but not provided for.

Notes to the Accounts continued

Year ended 30th June 2003

25. 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 2004 was £147,500 (2003 — £nil).

26. 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.

During the year 8,509,840 share options were exercised by Committed Capital Pty Ltd which is considered a related party by virtue of R Elder being a director of Committed Capital (UK) Ltd. Committed Capital received a fee of £200,000 in respect of this transaction. For further details refer to note 18.

Notice of the annual general meeting

Notice is hereby given that the 2004 Annual General Meeting of Netcall plc will be held at 11 a.m. on 18th November 2004 at 10 Harding Way, St Ives, Cambridgeshire, PE27 3WR for the purpose of considering and, if thought fit, passing the following resolutions:

Ordinary business

Resolution 1: To receive audited accounts for the year ended 30th June 2004 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 Roger Allsop as a director who retires by rotation in accordance with the Articles of Association.

Resolution 4: To elect Henrik Bang 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 if 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

5th October 2004

Notes:

- 1 A member of the company entitled to attend and vote at this meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member.
- 2 To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determination by the company of the number of votes they may cast), members must be entered on the company's Register of Members by 11 a.m. on 18th November 2004.
- 3 Completion and return of a proxy does not preclude a member from attending and voting at the meeting.
- 4 You will find attached a form of proxy for use by members which, to be valid, must be completed and signed, together with any power of attorney or other authority under which it is signed or a notarially certified or office copy thereof, and received by the company's registrars not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

Netcall plc proxy

For use at the Annual General Meeting to be held on 18th November 2004

I (Block letters please).....

.....

of

.....

.....

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

.....

as my proxy to vote for me on my behalf at the Annual General Meeting of the company to be held on 18th 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 2004 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 Roger Allsop as a director who retires by rotation in accordance with the Articles of Association.		
4 To re-elect Henrik Bang 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

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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	www.abbeynational.co.uk
Accor	www.accor.com
Apex Hotels	www.apexhotels.co.uk
Autoglass	www.autoglass.co.uk
Bank of Ireland	www.bankofireland.com
Barclays Stockbrokers Bournemouth and West	www.stockbrokers.barclays.co.uk
Hampshire Water	www.bhwwater.co.uk
Britannia Rescue	www.britanniarescue.com
Britannic Assurance	www.britannicassurance.com
BSM	www.bsm.co.uk
BT Global Services	www.btglobalservices.com
BUPA	www.bupa.co.uk
Business Link	www.businesslink.gov.uk
Cambridge Tele.com	www.cambridgetele.com
Carphone Warehouse	www.carphonewarehouse.com
CCComplete Inc.	www.cccomplete.com
Citroen	www.citroen.co.uk
Claridges	www.claridges.co.uk
ClicktoCall	www.clicktocall.co.uk
DAS Legal Expenses Insurance	www.das.co.uk
Egg	www.egg.com
BMW	www.bmw.com
First Direct	www.firstdirect.com
Friends Provident	www.friendsprovident.com
Halifax	www.halifax.co.uk
Holiday Inn	www.holiday-inn.co.uk
Honda UK	www.honda.co.uk
Hoverspeed	www.hoverspeed.co.uk
Hushpuppies	www.hushpuppies.com
Lex Vehicle Leasing	www.lvl.co.uk
Lexus GB	www.lexus.co.uk
Lloyds TSB Insurance Services	www.lloydstsb.com
London Borough of Islington	www.islington.gov.uk
Marriot Vacation Club International	www.vacationclub.com
Mercedes Benz US Dealers	www.mbusa.com
Mitsubishi	www.mitsubishi-cars.co.uk
Moat House Hotels	www.moathousehotels.com
Natwest Bank	www.natwest.com
NCR	www.ncr.com
Nestle UK	www.nestle.com
Newcastle Building Society	www.newcastle.co.uk
Norwich and Peterborough	www.npbs.co.uk
Norwich Union Direct	www.norwichunion.com
Oracle Corporation	www.oracle.com
RAC Insurance	www.rac.co.uk
Regus	www.regus.com
Royal & Sun Alliance	www.royalsunalliance.com
Royal Bank Of Scotland	www.rbs.co.uk
SAAB	www.saab.co.uk
Sage	www.sage.com
Sainsburys Bank	www.sainsburysbank.co.uk
Scottish Provident	www.scotprov.co.uk
Skipton Building Society	www.skipton.co.uk
Staffordshire Building Society	www.staffordshirebuildingsociety.co.uk
Toyota	www.toyota.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 **andrew.bullivant@netcall.com**. Alternatively, please visit our website at **www.netcall.com**