



17 February 2004

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

NETCALL PLC

INTERIM RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 2003

Netcall sells telephony solutions including its innovative flagship product, QueueBuster™, which enable call centres to manage call queuing, reduce costs and enhance customer service.

- * First half revenue held back by longer than expected sales cycle of QueueBuster
- * Increased revenue streams from maintenance contracts
- * Balance sheet strengthened by share option take-up by Committed Capital
- * QueueBuster Service successfully launched for smaller clients, revenues growing
- * Distribution agreement signed with CTC in Japan
- * New Chief Executive, with valuable international and industry experience, appointed
- * Second half of year started more positively

Ron Elder, Chairman of Netcall, said today:

"The long lead times for QueueBuster held back our performance in the first six months of the year but the second half has started with an increased number of orders being placed. Furthermore, QueueBuster Service with per-call charging for smaller call centres has been successfully launched and is developing positively. It significantly

increases Netcall's market opportunity and will provide a more consistent and predictable revenue stream.

“There have also been a number of key strategic developments for Netcall over the last few months. Since we do not have sufficient resources to distribute our products globally, the recent distribution agreement with CTC in Japan is a critical development as a number of our clients are looking for global access and support, we anticipate similar arrangements will follow on.

“The take up by Committed Capital of its option entitlement has also substantially strengthened the Group's balance sheet. The Group is adequately funded to meet current operating and business requirements with a current cash balance of £1.3 million.”

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Trading Results

Although revenues and profitability declined over the period, the first half of the year has seen considerable business development activity and by the end of December Netcall had several international trials underway. These trials are still ongoing and the Group expects to capture orders from them in due course.

Revenues for the first half to 31 December 2003 were £666,268 compared to £829,409 for the same period in 2002. There were a number of repeat orders from existing customers and a new customer, Legal and General Insurance.

Typical QueueBuster contracts are signed for a three-year period and these results demonstrate the growing revenue stream from maintenance contracts. At 31 December 2003, Netcall had contracted future revenues of £1.3 million. The balance sheet only reflects £523,078 (2002: £271,399) of this as deferred income, of which £343,710 will be executed in the remainder of the current financial year.

In the second quarter to December 2003 the Group modestly increased its operating cost base to facilitate planned investment in domestic and overseas operations. In the six months ended 31 December 2003, the Group reported a pre-tax loss of £727,233 (2002: pre-tax loss £490,262) and a loss per share of 1.3p (2002: loss per share 0.92p).

Netcall has continued to develop its principal call centre technology product, QueueBuster, which cuts queues by enabling callers to request a call back without losing their place in the queue. In November, QueueBuster Service (QBS) was launched as a significant addition to the range of QueueBuster options.

QueueBuster customers need to install equipment, which requires substantial capital outlay. QBS, which is charged on a subscription per-call basis, is a hosted service for typically smaller call centre customers. It does not require additional on-site hardware, allowing customers to benefit from QueueBuster functionality without any capital outlay. These smaller centres represent over 75% of the UK market. The launch of QBS will significantly increase Netcall's market opportunity and the shorter sales cycle will provide the Group with a more reliable and predictable revenue stream. Initial take-up of the service has been promising and already a number of regional call-centres have signed up including Bournemouth & West Hampshire Water and Apex Hotels.

Netcall also continues to support and develop the other products in its portfolio including NetCall 800 and Intelligent Number in order to capitalise on the Group's experience with call-back technology and intelligent telephony systems.

Distribution agreements

As planned, Netcall has sought out international distribution partners and a number of negotiations progress productively.

The first such agreement has been reached through Netcall Asia Pacific, which has appointed leading Japanese information-technology solutions provider, ITOCHU TECHNO-SCIENCE Corporation (CTC) as a reseller of the QueueBuster product. The CTC Group is the leading distributor for Sun Microsystems in the world, the leading vendor for Avaya in Asia Pacific, and for Siebel in Japan. It had sales of £1.46 billion (US\$2.70 billion) in 2002.

Funding

The balance sheet and cash position of the Group has been strengthened by the issue of 8,509,840 shares to Netcall's shareholder Committed Capital Pty Ltd, as part of an option agreement between Committed Capital and Netcall, which was approved in August 2002. The issue raised approximately £1.2 million in new financing for the Group. Committed Capital have advised Netcall that it has since placed 8,000,000 Ordinary Shares with a UK-based institutional shareholder further widening the Group's shareholder base.

Committed Capital has been an investor in Netcall since 8 August 2002 and manages the Group's distribution business in the Asian, Australasian and South American markets through its joint venture with Netcall, Netcall Asia Pacific Pty.

Following this exercise of options and subsequent sale of shares, Committed Capital continues to be beneficially interested in 2,009,840 Ordinary Shares, representing 3.09 per cent of the Company's issued share capital.

Board and Management Changes

Henrik Bang was appointed Chief Executive earlier this year. He brings a significant level of international and industry experience to the leadership of Netcall. Prior to joining Netcall he was a Vice President for GN Netcom, a subsidiary of GN Great Nordic, the Danish-based technology group and the world's second largest provider of hands-free communications products to the call centre, office and mobile applications markets. Between 1987 and 1998, he held a number of roles at IBM including that of Operations Manager in IBM's EMEA headquarters in London.

As part of the projected expansion and the appointment of Henrik Bang, the Board has been restructured. Accordingly David Rothschild and James Sutherland have stood down from the Board. Netcall will continue to benefit from their valuable experience as they concentrate on their executive roles, as Commercial Director and Sales Director respectively, of NetCall Telecom Limited, the Group's principle operating subsidiary.

Current Trading and Outlook

The second half has started on a more positive note with further new customers installing QueueBuster, including The Bank of Ireland via an embryonic and promising relationship with Eircom. There have also been repeat orders from Npower, Vertex and The Co-operative Bank.

To date Netcall has a 100% record of converting QueueBuster product trials to sales, additionally all customers capable of purchasing more than one system have done so within six months of their initial purchase. However, long decision cycles continue to make contract timings difficult to forecast and delays in making initial sales have an inevitable impact on the timing of typically more substantial repeat orders.

Trials currently in the pipeline and the added impetus of international channel partners, give the Board increasing confidence that the second half will produce an improved performance to that achieved in the first half. However, the Board expects results for the year to be significantly below current market expectations. The Board is confident that substantially shorter lead-times required to sell QBS will demonstrate its potential over the next six months and enable more robust forecasting in future.

NETCALL PLC

Consolidated Profit and Loss Account

	Six Months to 31st Dec 2003 £	Six Months to 31st Dec 2002 £	Year Ended 30th June 2003 £
TURNOVER			
Continuing operations	666,268	829,409	2,387,203
	<u>666,268</u>	<u>829,409</u>	<u>2,387,203</u>
Cost of Sales	<u>(138,487)</u>	<u>(189,873)</u>	<u>(505,843)</u>
GROSS PROFIT	527,781	639,536	1,881,360
OPERATING COSTS			
Administration and other operating expenses	1,255,014	1,129,798	2,225,310
OPERATING LOSS			
Continuing operations	(727,233)	(490,262)	(343,950)
	<u>(727,233)</u>	<u>(490,262)</u>	<u>(343,950)</u>
LOSS BEFORE INTEREST	(727,233)	(490,262)	(343,950)
Interest receivable	3,000	2,794	14,807
Interest payable	(2,479)	(3,422)	(2,634)
	<u>(726,712)</u>	<u>(490,890)</u>	<u>(331,777)</u>
LOSS BEFORE TAXATION	(726,712)	(490,890)	(331,777)
Taxation	-	-	-
	<u>(726,712)</u>	<u>(490,890)</u>	<u>(331,777)</u>
NET LOSS	<u>(726,712)</u>	<u>(490,890)</u>	<u>(331,777)</u>
Loss per ordinary share	(1.3p)	(0.92p)	(0.6p)

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Consolidated Balance Sheet

	As at 31st Dec 2003 £	As at 31st Dec 2002 £	As at 30th June 2003 £
Fixed Assets			
Intangible assets	39,139	51,968	-
Tangible assets	146,241	184,567	186,395
Investments	-	-	-
	185,380	236,535	186,395
Current assets			
Stock	121,379	96,260	58,924
Debtors due within one year	522,862	480,578	1,386,872
Cash and bank and in hand	152,936	805,775	278,310
	797,177	1,382,613	1,724,106
Creditors: amounts falling due within one year			
Trade creditors	144,872	251,482	405,764
Deferred revenue	523,078	271,399	212,856
Other creditors including taxation and social security	150,657	302,683	401,652
	818,607	825,564	1,020,272
Net current assets	(21,430)	557,049	703,834
Total assets less current Liabilities	163,950	793,584	890,229
Creditors: amounts falling due after one year	-	-	-
	163,950	793,584	890,229
Capital and Reserves			
Called up share capital	2,836,514	2,836,514	2,836,514
Share premium account	14,458,444	14,458,444	14,458,444
Special and capital reserves	245,055	245,055	245,055
Profit and Loss Account	(17,376,063)	(16,746,429)	(16,649,784)
	163,950	793,584	890,229

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Notes to the Interim Statement

1. For the purposes of Section 240 of the Companies Act 1985:
 - (a) this Interim report does not constitute a set of statutory accounts. The interim financial information has been prepared on the basis of the accounting policies which were applied in preparation of the annual financial statements to 30 June 2003.
 - (b) statutory accounts in respect of the year to 30 June 2003 have been delivered to the Registrar of Companies and those accounts were subject to an unqualified report by the Auditors. Accounts for the six months periods ended 31 December 2002 and 31 December 2003 have not been delivered to the Registrar of Companies.
2. The Board has not declared an interim dividend to shareholders (2002: 0 pence per share).
3. The loss per ordinary share is calculated by dividing the net loss for the period attributable to ordinary shareholders by the weighted average number of 56,730,267 ordinary shares in issue during the six months ended 31 December 2003 (31 December 2002: 53,323,601 and 30 June 2003: 56,730,267).
4. Administration and other operating expenses includes £nil relating to reorganisation costs (31 December 2002: £106,518 and 30 June 2003: £120,633).

Copies of this interim report are being sent to all shareholders on the Register of Members on the 1st. March. Further copies of the Interim Statement are available from the Registered Office of the Company: 10 Harding Way, St. Ives, Cambs. PE27 3WR and from the Company's web site:

Visit www.netcall.com for further information.