



31 JANUARY 2005

NETCALL PLC
(“Netcall” or “the Company”)

Interim Results for 6 months ended 31 December 2004

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

HIGHLIGHTS

Financial

- Sales of £1.46 million (H1 2004: £0.67 million), representing year-on-year growth of 118%
- Gross profit of £1.20 million (H1 2004: £0.53 million), an increase of 126%.
- Gross margin improved 3% to 82% (H1 2004: 79%).
- First H1 operating profit of £0.05 million (H1 2004: loss of £0.73 million).
- Contracted future revenues of £1.63 million as at 31 December 2004.
- Cash position of £1.1 million (H1 2004: £0.2 million).
- Operating expenses of £1.15 million reduced by 25% compared with H2 2004.

Operational

- Hosted Services and maintenance portfolio experiencing continued strong growth.
- Increased sales coming through the emerging distribution channel network, which include the first sales following the signing of the BT Global Services agreement.
- Gaining traction in the international market.
- New QueueBuster product customers signed in the period included RCI, Prudential, with repeat orders from Vertex, R&SA and BT.
- New hosted services customers signed in the period include Bourne Leisure, Barclays Bank, Carillion and Freedom Finance.

Ron Elder, Chairman of Netcall, commented:

“The first half of this year has seen Netcall continue to execute the new opportunities and initiatives identified last year. The new distribution channels continue to

strengthen, as evidenced by the sales generated through the distribution agreement signed with BT Global Services. The hosted services business is generating a strong, consistent and increasing stream of sales, whilst our primary product, QueueBuster, was selected by one of the UK's largest financial institutions. These factors, combined with our continued improvement in operating margins, give us confidence in achieving a successful outcome for the year as a whole."

NETCALL PLC

INTERIM RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2004

ENQUIRIES

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NETCALL PLC

INTERIM RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2004

Results

The first half of the current financial year has seen both an improved financial performance and encouraging developments in the continued roll out of Netcall's QueueBuster product and service offering.

Turnover for the 6 months ended 31 December 2004 was £1.46 million, compared to £0.67 million in the corresponding period in 2003, an increase of 118 per cent. This is the result of a significant increase in sales of our key QueueBuster product. Importantly, an increasing proportion of those sales were international, which underlines the global potential of the product. We also saw an increased level of activity through our channel partners, which accounted for 27% of product revenue for the period. Additionally, there was a greater level of sales of the hosted Services products. There was also an improvement in revenues earned from the provision of maintenance services as a result of our expanded product base.

Gross margins improved from 79 per cent. last year to 82 per cent. Accordingly, gross profits increased to £1.20 million, compared to £0.53 million in the equivalent period last year.

One of the main focuses of the period was to improve cost controls and we have made a considerable reduction to overall fixed costs compared to the previous six months. In

addition, we have maintained tight controls on discretionary spend. We therefore reduced operating expenses by 8 per cent. year-on-year and by 25 per cent. compared with the previous 6 months ended 30 June 2004.

This has allowed us to report an operating profit of £47,914 (2003: operating loss of £0.73 million), ahead of expectations and a reflection of the improving overall health of the business. Profit before taxation was £50,626 (2003: loss before tax of £726,712) and earnings per share were 0.1p (2003: loss per share of 1.3p).

Our cash position remains strong, with £1.1m of cash as at 31 December 2004.

Operational Review

QueueBuster

A key development in our efforts to roll out our QueueBuster product was the introduction of the hosted QueueBuster service, which allows organisations to route calls through Netcall's hosted service, without the need to install the product on their own systems. This new offering has proved very attractive to a wider span of potential customers, who are attracted by the hosted services model with its lower investment requirements, and we are pleased to report that revenues have been steadily rising each quarter. New customers contracting for the service include Barclays Bank, Carillion, Freedom Finance and Bourne Leisure, the last of which marked the first QueueBuster service sales through a new channel partner. In addition, a number of existing customers have expanded their use of the QueueBuster Service.

NETCALL PLC INTERIM RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2004

A key component of our strategy has been to develop our indirect sales channel in order to leverage our product and service offering without incurring commensurate increases in costs associated with the expansion of the direct sales operation. The distribution agreement which we signed last year with BT has now started to yield real results: we were delighted that Prudential Assurance became a customer during the period as a result of this agreement. A further sale was made to RCI through our partnership with Eircom.

We are therefore encouraged by the early performance of the channel and have put in place a programme designed to increase sales in this area.

Other Netcall Products

Whilst the majority of our sales are generated by our QueueBuster product and service offerings, we are now starting to see some renewed traction in the market for our web call back products. We are working on a number of initiatives to continue the growth of this

revenue stream.

Outlook

The last six months have been very important in improving the predictability of the Company's revenue base. Our aim has been to increase the proportion of recurring revenues paid to us by our customers. The development of the hosted QueueBuster service and the levels of maintenance revenues earned from a growing customer base have significantly contributed in this regard. With a tighter control over our costs, we have stabilised the cost base and will selectively start investing in the future development of the business. Our aim now is to continue the good progress we have made in the first half of the financial year. Through the ongoing build-up of our sales channels and by exploiting the growing awareness of our product and its capabilities we are confident of a favourable outcome for the current financial year.

Ron Elder
Chairman
31 January 2005

NETCALL PLC
INTERIM RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2004

NETCALL PLC

Consolidated Profit and Loss Account

	Six Months to 31st Dec 2004	Six Months to 31st Dec 2003	Year Ended 30th June 2004
	£	£	£
TURNOVER			
Continuing operations	1,458,820	666,268	2,414,211
	1,458,820	666,268	2,414,211
Cost of Sales	(259,414)	(138,487)	(471,378)
GROSS PROFIT	1,199,406	527,781	1,942,833
OPERATING COSTS			
Administration and other operating expenses	(1,151,491)	(1,255,014)	(2,786,225)
OPERATING Profit/(Loss)			
Continuing operations	47,914	727,233)	(843,392)
PROFIT/(LOSS) BEFORE INTEREST			
Interest receivable	20,843	3,000	8,853
Interest payable	(18,131)	(2,479)	(3,392)
PROFIT/(LOSS) BEFORE TAXATION			
Taxation	-	-	32,224
NET PROFIT/(LOSS)	50,626	(726,712)	(795,707)
Profit/(Loss) per ordinary share	0.1p	(1.3p)	(1.3p)

NETCALL PLC
INTERIM RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2004

NETCALL PLC
Consolidated Balance Sheet

	As at 31st Dec 2004 £	As at 31st Dec 2003 £	As at 30th June 2004 £
Fixed Assets			
Intangible assets	26,311	39,139	-
Tangible assets	108,514	146,241	153,268
Investments	-	-	-
	<u>134,825</u>	<u>185,380</u>	<u>153,268</u>
Current assets			
Stock	96,027	121,379	130,359
Debtors due within one year	1,239,270	522,862	1,033,535
Cash and bank and in hand	<u>1,068,543</u>	<u>152,936</u>	<u>1,256,872</u>
	2,403,840	797,177	2,420,766
Creditors: amounts falling due within one year			
Trade creditors	147,880	144,872	209,121
Deferred revenue	663,645	523,078	726,040
Other creditors including taxation and social security	387,278	150,657	334,637
	<u>1,198,803</u>	<u>818,607</u>	<u>1,269,798</u>
Net current assets	<u>1,205,037</u>	<u>(21,430)</u>	<u>1,150,968</u>
Total assets less current Liabilities	1,339,862	163,950	1,304,236
Creditors: amounts falling due after one year	102,500	-	117,500
	<u>1,237,362</u>	<u>163,950</u>	<u>1,186,736</u>
Capital and Reserves			
Called up share capital	3,275,464	2,836,514	3,275,464
Share premium account	15,115,483	14,458,444	15,115,483
Special and capital reserves	245,055	245,055	245,055
Profit and Loss Account	<u>(17,398,640)</u>	<u>(17,376,063)</u>	<u>(17,449,266)</u>
	<u>1,237,362</u>	<u>163,950</u>	<u>1,186,736</u>

NETCALL PLC
INTERIM RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2004

NETCALL PLC
Consolidated Cash Flow

	Six Months to 31st Dec 2004 £	Six Months to 31st Dec 2003 £	Year Ended 30th June 2004 £
Net cash outflow from operating activities	(158,772)	(88,984)	(221,838)
Returns on investments and servicing of finance	2,712	521	15,461
Capital expenditure and financial investment	(17,269)	(36,911)	(58,066)
Cash outflow before management of liquid resources and financing	<u>(173,329)</u>	<u>(125,374)</u>	<u>(264,443)</u>
Management of liquid resources	-	-	-
Financing	(15,000)	-	1,243,005
Increase/ (Decrease) in cash	<u>(188,329)</u>	<u>(125,374)</u>	<u>978,562</u>

NETCALL PLC
INTERIM RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2004

NETCALL PLC
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 2004.
 - (b) Statutory accounts in respect of the year to 30 June 2004 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 2003 and 31 December 2004 have not been delivered to the Registrar of Companies.
2. The Board has not declared an interim dividend to shareholders (2003: 0 pence per share).
3. The profit per ordinary share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of 65,509,270 ordinary shares in issue during the six months ended 31 December 2004 (31 December 2003: 56,730,267 and 30 June 2004: 60,005,122).
4. Administration and other operating expenses includes £16,000 relating to reorganization costs (31 December 2003: £nil and 30 June 2004: £65,721).

Copies of this interim report are being sent to all shareholders on the Register of Members on the 31st January. 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: www.netcall.com.

Visit www.netcall.com for further information.