

24 SEPTEMBER 2004

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

Preliminary Results for Year Ended 30 June 2004

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

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 £1.65 million (2003: £1.1 million)
- Cash position of £1.26 million (2003: £0.28 million)

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 the start of the new financial year
- 4 new on-site implementations of QueueBuster plus 12 new orders for QueueBuster service

Ron Elder, Chairman of Netcall, commented:

“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.”

NETCALL PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2004

ENQUIRIES

Netcall plc (www.netcall.com)
Ron Elder, Chairman
Henrik Bang, Chief Executive

Tel. +44(0)1480 495300

ICIS
Archie Berens
Caroline Evans-Jones

Tel. +44 (0)20 7651 8688

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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 £2.41 million, slightly ahead of last year (2003: £2.39 million). Margins held steady and as a result, gross profits were £1.94 million, compared to last year's figure of £1.88 million. However, increased expenses in anticipation of rising sales increased loss on ordinary activities before taxation, as expected, to £0.83 million (2003: £0.33 million). 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 re-organisational costs of £65,721.

An exercise of options by Committed Capital Pty Ltd raised £1.1 million 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 £1.65 million (2003: £1.1 million) 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.

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.

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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.

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
24 September 2004

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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 £1.26 million as at 30 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, 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.

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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' 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 30 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.

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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
24 September 2004

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PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2004

NETCALL PLC

Consolidated Profit and Loss Account
Year ended 30 June 2004

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

All activities derive from continuing operations.

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Consolidated Statement of Total Recognised Gains and Losses
Years ended 30 June 2004

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

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Consolidated Balance Sheet
At 30 June 2004

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

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Consolidated Cash Flow Statement
Year ended 30 June 2004

	2004	2003
	£	£
Net cash outflow from operating activities	(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
Bank interest paid	(589)	(100)
Other interest	<u>(2,788)</u>	<u>(2,248)</u>
Net cash inflow from returns on investments and servicing of finance	15,461	12,173
Taxation repaid	-	-
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(58,686)	(72,319)
Receipts from sales of tangible fixed assets	<u>620</u>	<u>-</u>
Net cash outflow from capital expenditure and financial investment	<u>(58,066)</u>	<u>(72,319)</u>
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
Expenses of issue of ordinary share capital	<u>(200,000)</u>	<u>(58,236)</u>
Net cash inflow from financing	<u>1,243,005</u>	<u>962,050</u>
Increase in cash	<u>978,562</u>	<u>177,827</u>

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Notes to the Accounts

1. Analysis of turnover

	2004	2003
Analysis of turnover by 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
	<u>2,414,211</u>	<u>2,387,203</u>

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

Geographical analysis of turnover by destination:

	2004	2003
	£	£
United Kingdom	2,135,605	2,370,288
North America	88,870	7,540
Rest of Europe	187,511	6,520
Rest of World	2,225	2,855
	<u>2,414,211</u>	<u>2,387,203</u>

2. Tax on loss on ordinary activities

The corporation tax receivable in 2004 arose from the availability of a tax credit of Netcall Telecom Limited's expenditure on research and development activities.

3. 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 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.

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4. The Directors do not recommend payment of a dividend.
5. The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 30 June 2004 or 2003. The financial information for the year ended 30 June 2003 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s237(2) or (3) Companies Act 1985. The statutory accounts for the year ended 30 June 2004 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's Annual General Meeting.

The financial information is prepared on the basis of accounting policies as stated in the previous year.

6. Copies of the full statutory accounts will be despatched to shareholders in due course. Further copies will be available from the Registered Office of the Company at 10 Harding Way, St Ives, Cambs PE27 3WR.