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NETCALL plc

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30th JUNE 2002



NETCALL plc

Report & Financial Statements 2002

Contents

	Page
Directors' report	1 – 4
Independent auditors' report to the shareholders of Netcall plc	5 – 6
Consolidated profit and loss account	7
Consolidated balance sheet	8
Parent company balance sheet	9
Consolidated cash flow statement	10
Consolidated statement of total recognised gains and losses	11
Reconciliation of movements in consolidated shareholders' funds	11
Notes to the accounts	12 – 32

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30th June 2002.

Statement of directors' responsibilities

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 group and the company 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;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Activities

Netcall plc is the parent company of a group of companies which design, develop and market advanced technologies that help 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 7 and the notes on pages 12 to 21. The position of the group and the company at the end of the year is set out in the balance sheets on pages 8 and 9 and the notes on pages 22 to 32.

Dividends

The directors do not recommend the payment of a dividend.

Future prospects

Although the exact timing of the receipt of orders continues to be difficult to predict, the Board of Directors remains of the view that Netcall has proven the business benefits and effectiveness of Queuebuster TM and that Netcall is well placed to take advantage of the solid pipeline now established. Based on all the information available to the Board, at the time of approval of the financial statements, the Board of Directors continue to have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and therefore they continue to adopt the going concern basis in preparing the financial statements.

NETCALL plc

Directors' Report (continued)

Events occurring after the end of the year

Details of post balance sheet events are given in note 29.

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 £286,322 (2001 - £401,853). 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 26 days (2001 - 26 days).

Directors

The directors below held office throughout the year unless stated otherwise, and their interests in the company's shares at 30th June 2002 and 1st July 2001 were:

	2002		2001	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
R. Allsop	415,638	-	415,638	-
C. Brown (resigned 16 th July 2002)	-	-	-	-
B. Gowers	20,000	-	-	-
D. Rothschild	440,000	-	440,000	-
J. Rubins	4,650,000	750,000	4,581,110	748,242
J. Sutherland (appointed 7 th December 2001)	7,664	-	7,664	-

On 7th December 2001, J. Burnett and P. Warry resigned as directors of the company.

On 8th August 2002 the following directors increased their interests in the company's share capital, as a result of a share placing (note 29), to the following:

	2002	
	Beneficial	Non-beneficial
R. Allsop	815,638	-
B. Gowers	420,000	-
D. Rothschild	940,000	-
J. Rubins	7,100,000	1,300,000
J. Sutherland	17,664	-

Other than as stated above, there have been no changes in directors' interests in the company's shares from 30th June 2002 up to 7 November 2002.

NETCALL plc

Directors' Report (continued)

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

	Date Granted	At 1 st July 2001	Granted	Lapsed unexercised	At 30 th June 2002	Exercise Price	Exercisable
C. Brown	02/06/00	500,000	-	-	500,000	104p	before 02/06/10
J. Sutherland	03/12/00	200,000	-	-	200,000	73p	before 03/12/10
C. Brown	28/12/00	137,931	-	-	137,931	72.5p	before 28/12/10
D. Rothschild	28/12/00	137,931	-	-	137,931	72.5p	before 28/12/10
J. Rubins	28/12/00	137,931	-	-	137,931	72.5p	before 28/12/10
C. Brown	10/12/01	-	40,000	-	40,000	25p	before 10/12/11
D. Rothschild	10/12/01	-	150,000*	-	150,000	50p	before 10/12/11
D. Rothschild	10/12/01	-	150,000*	-	150,000	20p	before 10/12/11
J. Sutherland	10/12/01	-	100,000	-	100,000	20p	before 10/12/11
R. Allsop	15/02/02	-	100,000	-	100,000	20p	before 15/02/12
B. Gowers	15/02/02	-	200,000	-	200,000	20p	before 15/02/12

The share options in respect of directors who resign lapse upon resignation, with the exception of *.

The market price of the company's shares at 30th June 2002 was 5p and the range during the year ended 30th June 2002 was 4p to 31.5p.

Substantial interests

At 7 November 2002 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
Friends Ivory & Sime plc	9,545,242 (16.83%)
Freeserve Investments Limited	2,500,000 (4.41%)
Herald Investment Trust plc	2,142,860 (3.78%)
Chocolate Fix Limited	2,000,000 (3.54%)

Derivatives and other financial instruments

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

a) Liquidity and interest rate risk

The group finances its operations primarily through the issue of share capital. A placing of shares occurred in August 2002 (note 29) which raised approximately £0.97 million net of placing expenses. This placing was undertaken to ensure adequate resources were in place for the year ended 30th June 2003 and beyond to enable the group to achieve its objectives. Funds from the issue of share capital are on deposit to maximise the interest obtained from them whilst at the same time 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.

NETCALL plc

Directors' Report (continued)

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 2002 this expenditure accounted for 4% of the group's operating costs (2001 - 7%). 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.

Directors

In accordance with the company's Articles of Association, Jeffrey Rubins retires by rotation and, being eligible, offers himself for re-election. James Sutherland, the director appointed during the year, offers himself for re-election.

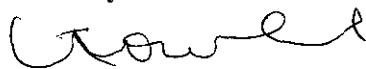
Auditors

A resolution to re-appoint Cassons as auditors for the ensuing year will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 7 November 2002.

Signed on behalf of the Board

L Towers
Secretary



Group Headquarters and
Registered Office:

10 Harding Way
St Ives
Cambridgeshire
PE27 3WR

NETCALL plc

Independent Auditors' Report to the Shareholders of Netcall plc

We have audited the financial statements of Netcall plc for the year ended 30th June 2002 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the reconciliation of movements in consolidated shareholders' funds and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the directors' report, 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 to you 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 read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 group's and the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider 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.

NETCALL plc

Independent Auditors' Report to the Shareholders of Netcall plc (continued)

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 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Cassons

*Chartered Accountants and
Registered Auditors*

Bow Chambers

8 Tib Lane

Manchester

M2 4JB

7 November 2002

NETCALL plc

Consolidated Profit and Loss Account

Year ended 30th June 2002

	Note	2002 £	2001 £
Turnover - continuing operations		861,231	652,888
- discontinued operations		-	23,000
		<hr/>	<hr/>
Cost of sales	3,4 4	861,231 (181,331)	675,888 (252,546)
		<hr/>	<hr/>
Gross profit		679,900	423,342
		<hr/>	<hr/>
Administration expenses	4	(2,745,779)	(3,749,551)
Other operating income		-	15,000
		<hr/>	<hr/>
Operating loss – continuing operations	4,6	(2,065,879)	(3,297,712)
– discontinued operations	4,6	-	(13,497)
		<hr/>	<hr/>
Loss on ordinary activities before interest		(2,065,879)	(3,311,209)
		<hr/>	<hr/>
Interest receivable	7	74,183	68,699
Amounts written off investments	8	(350,000)	(4,500,000)
Interest payable	9	(531)	(25,677)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(2,342,227)	(7,768,187)
		<hr/>	<hr/>
Tax on loss on ordinary activities	10	92,110	40,699
		<hr/>	<hr/>
Loss for the financial year		(2,250,117)	(7,727,488)
		<hr/>	<hr/>
Loss per ordinary share	12	(6.20p)	(23.26p)
		<hr/>	<hr/>
Diluted loss per ordinary share	12	(6.20p)	(23.63p)
		<hr/>	<hr/>

NETCALL plc

Consolidated Balance Sheet

30th June 2002

	Note	2002 £	2001 £
Fixed assets			
Intangible assets	13	19,315	14,743
Tangible assets	14	193,742	263,039
Investments	15	-	350,000
		<u>213,057</u>	<u>627,782</u>
Current assets			
Stocks	16	50,500	-
Debtors	17	335,492	503,049
Cash at bank and in hand		149,514	1,916,985
		<u>535,506</u>	<u>2,420,034</u>
Creditors: amounts falling due within one year			
Bank loans and overdrafts	20	34,031	123,667
Trade creditors		101,762	131,337
Other creditors including taxation and social security	18	300,477	243,901
		<u>436,270</u>	<u>498,905</u>
Net current assets		<u>99,236</u>	<u>1,921,129</u>
Total assets less current liabilities		<u>312,293</u>	<u>2,548,911</u>
Creditors: amounts falling due after more than one year	19	(393)	(2,291)
		<u>311,900</u>	<u>2,546,620</u>
Capital and reserves			
Called up share capital	23	1,814,513	1,814,513
Share premium account	24	14,516,680	14,518,380
Special and capital reserves	24	245,055	245,055
Profit and loss account	24	(16,264,348)	(14,031,328)
Equity shareholders' funds		<u>311,900</u>	<u>2,546,620</u>

These financial statements were approved by the Board on 7 November 2002

Signed on behalf of the Board of Directors



B. Gowers
Director



D. Rothschild
Director

NETCALL plc

Parent Company Balance Sheet

30th June 2002

	Note	£	2002 £	£	2001 £
Fixed assets					
Intangible assets	13		19,315		14,743
Investments	15		639,899		989,899
			<u>659,214</u>		<u>1,004,642</u>
Current assets					
Debtors	17	10,171,934		8,793,875	
Cash at bank and in hand		121,583		1,886,284	
		<u>10,293,517</u>		<u>10,680,159</u>	
Creditors: amounts falling due within one year					
Bank loans and overdrafts	20	11,599		34,593	
Trade creditors		45,544		13,344	
Other creditors including taxation and social security	18	352,114		314,481	
		<u>409,257</u>		<u>362,418</u>	
Net current assets			<u>9,884,260</u>		<u>10,317,741</u>
Total assets less current liabilities			<u>10,543,474</u>		<u>11,322,383</u>
Capital and reserves					
Called up share capital	23		1,814,513		1,814,513
Share premium account	24		14,516,680		14,518,380
Special and capital reserves	24		496,396		496,396
Merger reserve	24		403,309		403,309
Profit and loss account	24		(6,687,424)		(5,910,215)
Equity shareholders' funds			<u>10,543,474</u>		<u>11,322,383</u>

These financial statements were approved by the Board on 7 November 2002
Signed on behalf of the Board of Directors


B. Gowers
Director


D. Rothschild
Director

NETCALL plc

Consolidated Cash Flow Statement

Year ended 30th June 2002

	2002		2001	
	£	£	£	£
Net cash outflow from operating activities		(1,804,224)		(3,002,029)
Returns on investments and servicing of finance				
Interest element of finance lease rental payments	(415)		(714)	
Loan interest paid	-		(20,941)	
Interest received	74,183		86,260	
Bank interest paid	(116)		(4,022)	
		73,652		60,583
Taxation		88,981		-
Capital expenditure and financial investment				
Payments to acquire intangible fixed assets	(7,822)		(9,054)	
Payments to acquire tangible fixed assets	(25,924)		(88,593)	
Payments to acquire fixed asset investments	-		(300,000)	
Receipts from sales of tangible fixed assets	787		15,799	
		(32,959)		(381,848)
Net cash outflow before use of liquid resources and financing		(1,674,550)		(3,323,294)
Management of liquid resources				
Net purchase of short term bank bonds		-		(1,270,000)
Sale of short term bank bonds		1,250,000		-
Financing				
Capital element of finance lease rental payments	(1,585)		(3,696)	
Issue of ordinary share capital	-		4,998,515	
Expenses of issue of ordinary share capital	(1,700)		(271,450)	
Payment of loan	-		(750,000)	
Receipt of loan	-		750,000	
		(3,285)		4,723,369
(Decrease) / increase in cash		(427,835)		130,075

Further information on the cash flow statement is given in note 28.

NETCALL plc

Year ended 30th June 2002

Consolidated Statement of Total Recognised Gains and Losses

	2002 £	2001 £
Loss for the financial year	(2,250,117)	(7,727,488)
Currency translation differences on foreign currency net investments	17,097	(56,805)
Share placing expenses	(1,700)	-
Total recognised gains and losses	<u>(2,234,720)</u>	<u>(7,784,293)</u>

Reconciliation of Movements in Consolidated Shareholders' Funds

	2002 £	2001 £
Loss for the financial year	(2,250,117)	(7,727,488)
Currency translation differences on foreign currency net investments	17,097	(56,805)
Share placing expenses	(1,700)	-
Issue of shares	-	4,727,065
Net reduction in shareholders' funds	<u>(2,234,720)</u>	<u>(3,057,228)</u>
Opening shareholders' funds	<u>2,546,620</u>	<u>5,603,848</u>
Closing shareholders' funds	<u>311,900</u>	<u>2,546,620</u>

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. The particular accounting policies adopted are described below.

a) Accounting convention

The financial statements are prepared under the historical cost convention.

b) 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.

c) 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 life up to a maximum of twenty years. The directors regard twenty years as a reasonable maximum for the estimated useful life of goodwill since it is difficult to make projections exceeding this period. Capitalised purchased goodwill in respect of subsidiaries is included within intangible fixed assets.

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

d) Turnover

Turnover is the amount receivable by the group for goods and services supplied, excluding VAT. The first year's income from the system supply agreements arises from installation of the system, and maintenance-support and licence income for the first year of the agreement. This is recognised on delivery of the system to the customer. Maintenance-support and licence income for subsequent years, contracted for in the system supply agreement, is spread over those years.

NETCALL plc

Notes to the Accounts

Year Ended 30th June 2002

1. Accounting policies (continued)

e) Tangible fixed assets

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

Fixtures, fittings and equipment	15% - 20% per annum
----------------------------------	---------------------

f) Intangible fixed assets

Depreciation is provided on cost to write off purchased domain names over a five year period, this being the estimated useful economic lives of the assets.

g) Investments

Investments are stated at cost less provision for any impairment, except for minority shareholdings in unquoted companies which are valued at £nil.

h) Stocks

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

i) Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. 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.

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

j) Deferred taxation

Deferred taxation 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 the financial statements.

Deferred tax assets and liabilities are not discounted.

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

1. Accounting policies (continued)

k) Foreign exchange

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. These translation differences 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.

l) Research and development

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

m) 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.

2. Goodwill

The cumulative amount of goodwill charged to reserves as a matter of accounting policy prior to the implementation of Financial Reporting Standard 10 is £1,006,512 (2001 - £1,006,512).

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

3. Segmental analysis

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

(i) Turnover	2002	2001
	£	£
Class of business:		
Installed solutions	432,649	348,515
Telephony services	427,018	294,034
Bespoke software development	-	7,500
Commission and sundry income	1,564	2,839
	<hr/>	<hr/>
	861,231	652,888
	<hr/>	<hr/>
Corporate finance fee income *	-	23,000
	<hr/>	<hr/>
	861,231	675,888
	<hr/>	<hr/>

* Discontinued operations

Geographical analysis by destination:	2002	2001
	£	£
United Kingdom	808,114	407,496
North America	36,290	44,400
Europe	13,959	27,451
Rest of the World	2,868	196,541
	<hr/>	<hr/>
	861,231	675,888
	<hr/>	<hr/>

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

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

3. (ii) Operating loss

Class of business:

The analyses at note 4 show the split of the group's operating loss between its continuing and discontinued activities, as detailed above. The directors consider that these represent the classes of business of the group.

	2002	2001
	£	£
Geographical analysis by origin:		
United Kingdom	(1,948,689)	(3,056,793)
North America	(117,190)	(254,416)
	<hr/>	<hr/>
	(2,065,879)	(3,311,209)
	=====	=====

(iii) Net assets

Class of business:

The group's net assets relate to its continuing activities as detailed above.

Geographical location:	2002	2001
	£	£
United Kingdom	298,471	2,515,588
North America	13,429	31,032
	<hr/>	<hr/>
	311,900	2,546,620
	=====	=====

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

4. Analyses of continuing and discontinued operations

	2002 Continuing £	2002 Discontinued £	2002 Total £
Turnover	861,231	-	861,231
Cost of sales	(181,331)	-	(181,331)
Gross profit	679,900	-	679,900
Administration expenses	(2,745,779)	-	(2,745,779)
Other operating income	-	-	-
Operating (loss)/profit	<u>(2,065,879)</u>	<u>-</u>	<u>(2,065,879)</u>
	=====	=====	=====
	2001 Continuing £	2001 Discontinued £	2001 Total £
Turnover	652,888	23,000	675,888
Cost of sales	(252,546)	-	(252,546)
Gross profit	400,342	23,000	423,342
Administration expenses	(3,698,054)	(51,497)	(3,749,551)
Other operating income	-	15,000	15,000
Operating loss	<u>(3,297,712)</u>	<u>(13,497)</u>	<u>(3,311,209)</u>
	=====	=====	=====

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

5. Information regarding directors and employees	2002	2001
	£	£
Directors' emoluments:		
For services as directors	571,878	570,193
	=====	=====
Highest paid director's emoluments:		
For services as director	158,189	151,677
	=====	=====
Aggregate gains made by directors on the exercise of share options were £nil (2001 - £nil).		
Employee costs during the year:	£	£
Wages and salaries	1,495,699	1,693,892
Social security costs	153,199	188,907
	=====	=====
	1,648,898	1,882,799
	=====	=====
Average number of persons employed:	No	No
Customer services	3	5
Sales and marketing	7	11
Development and technical support	10	13
Administration	4	3
Directors	8	4
	=====	=====
	32	36
	=====	=====
6. Operating loss	2002	2001
	£	£
Operating loss is after charging/(crediting):		
Research and development costs	286,322	401,853
Rentals under operating leases:		
Other operating leases	59,210	107,328
Depreciation of intangible fixed assets	3,250	1,824
Depreciation of tangible fixed assets:		
Own assets	93,516	101,901
Assets held under finance leases and hire purchase contracts	918	3,250
Profit on sale of fixed assets	-	(4,247)
Auditors' remuneration:		
Audit	29,186	32,200
Other services	690	13,765
Exceptional costs – reorganisation costs	35,571	186,025
	=====	=====

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

6 Operating loss (continued)

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

7. Interest receivable	2002 £	2001 £
Short term deposits	74,183	57,998
Loans	-	10,701
	<hr/> 74,183	<hr/> 68,699
	=====	=====

8. Amounts written off investments

The directors have made a decision to value any minority shareholdings in unquoted companies at £nil (see note 15).

In the previous year the company wrote-off its investment in Telepost Inc as it was in the process of being liquidated. The directors believe that the liquidation has now been completed. The investment had consisted of the acquisition of a 19.9% shareholding in Telepost Inc. in May 2000 from Freeserve plc, funded by the issue of 2,500,000 5p ordinary shares in Netcall plc at £1.80. There were no cash effects arising from the write-off.

9. Interest payable	2002 £	2001 £
Bank loans and overdrafts	116	4,022
Other loans	-	20,941
Finance charges – finance leases and hire purchase contracts	415	714
	<hr/> 531	<hr/> 25,667
	=====	=====

10. Tax on loss on ordinary activities

	2002 £	2001 £
UK corporation tax – current year	(43,831)	(40,699)
Tax under-provided in previous years	(48,279)	-
	<hr/> (92,110)	<hr/> (40,699)
	=====	=====

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

10. Tax on loss on ordinary activities (continued)

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

No corporation tax is payable due to the tax losses incurred of £379,689 (2001 - £581,214), which are available to carry forward against future trading profits. Due to the accumulated tax losses there is no provision for deferred taxation.

No potential deferred tax asset has been recognised in the financial statements as recoverability is not considered likely at present.

11. 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 £ 777,209 (2001 - £5,147,453).

12. Loss per ordinary share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares.

	2002 £	2001 £
Loss for the financial year	(2,250,117)	(7,727,488)
Basic and diluted earnings attributable to ordinary shareholders	(2,250,117)	(7,727,488)
Weighted average number of ordinary shares	36,290,267	33,222,442
Effect of dilutive share options	-	(528,223)
Adjusted weighted average number of ordinary shares	36,290,267	32,694,219
Loss per ordinary share	(6.20p)	(23.26p)
Diluted loss per ordinary share	(6.20p)	(23.63p)

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

12. Loss per ordinary share (continued)

An adjusted earnings per share figure has been calculated in addition to the earnings per share required by FRS14, "Earnings per share" and is based on losses excluding the effect of the exceptional charges. It has been calculated to allow the shareholders to gain a clearer understanding of the trading performance of the group. Details are set out below:

	2002 £	2001 £
Loss for the financial year	(2,250,117)	(7,727,488)
Exceptional reorganisation costs	35,571	186,025
Exceptional write off of investment	350,000	4,500,000
	=====	=====
Adjusted loss	(1,864,546)	(3,041,463)
	=====	=====

	2002		2001	
	Basic p	Diluted p	Basic P	Diluted p
Basic loss per ordinary share	(6.20)	(6.20)	(23.26)	(23.63)
Exceptional reorganisation costs	0.10	0.10	0.56	0.57
Exceptional write off of investment	0.96	0.96	13.54	13.77
	=====	=====	=====	=====
Adjusted loss per ordinary share	(5.14)	(5.14)	(9.16)	(9.29)
	=====	=====	=====	=====

13. Intangible fixed assets

	Domain names £
Group and company	
Cost	
At 1 st July 2001	17,893
Additions	7,822

At 30 th June 2002	25,715

Accumulated depreciation	
At 1 st July 2001	3,150
Charge for the year	3,250

At 30 th June 2002	6,400

Net book value	
At 30 th June 2002	19,315
	=====
At 30 th June 2001	14,743
	=====

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

14. Tangible fixed assets

	Fixtures, fittings and equipment £
Group	
Cost	
At 1 st July 2001	637,065
Additions	25,924
Disposals	(1,275)
	<hr/>
At 30 th June 2002	661,714
	<hr/>
Accumulated depreciation	
At 1 st July 2001	374,026
Charge for the year	94,434
Disposals	(488)
	<hr/>
At 30 th June 2002	467,972
	<hr/>
Net book value	
At 30 th June 2002	193,742
	<hr/>
At 30 th June 2001	263,039
	<hr/>

The net book value includes £400 (2001 - £1,318) in respect of assets held under finance leases and hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £918 (2001 - £3,250).

Tangible fixed assets include assets with a cost of £241,186 (2001 - £108,370), whose net book value is £nil. These assets are still in use by the group.

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

15. Investments

Group	Subsidiary Undertakings £	Other £	Total £
Cost			
At 1 st July 2001	-	4,850,000	4,850,000
Write-off	-	(4,500,000)	(4,500,000)
At 30 th June 2002	-	350,000	350,000
Provision			
At 1 st July 2001	-	4,500,000	4,500,000
Provision for the year	-	350,000	350,000
Release on write-off	-	(4,500,000)	(4,500,000)
At 30 th June 2002	-	350,000	350,000
Net book value			
At 30 th June 2002	-	-	-
	=====	=====	=====
At 30 th June 2001	-	350,000	350,000
	=====	=====	=====
 Company	 Subsidiary Undertakings £	 Other £	 Total £
Cost			
At 1 st July 2001	921,022	4,850,000	5,771,022
Write-off	(251,100)	(4,500,000)	(4,751,100)
At 30 th June 2002	669,922	350,000	1,019,922
Provision			
At 1 st July 2001	281,123	4,500,000	4,781,123
Charge for year	-	350,000	350,000
Release on write-off	(251,100)	(4,500,000)	(4,751,100)
At 30 th June 2002	30,023	350,000	380,023
Net book value			
At 30 th June 2002	639,899	-	639,899
	=====	=====	=====
At 30 th June 2001	639,899	350,000	989,899
	=====	=====	=====

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

15. Investments (continued)

During the year two dormant subsidiary undertakings were disposed of. There were no cash effects arising from these disposals.

During the previous year the company acquired a 10.5% shareholding in All4U Limited, a company incorporated in England. The cost of this investment was funded by the simultaneous issue to All4U Limited of 400,000 new shares in Netcall plc. All4U Limited trades as a recruitment intermediary. The company's total shareholding in All4U Limited is 12.9%.

The directors have made a decision to value any minority shareholdings in unquoted companies at £nil.

All subsidiary undertakings are wholly owned and registered in England except Netcall Telecom Inc., which is incorporated in the USA. Eight subsidiaries are non-trading, the others trade as follows:

	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.

16. Stocks

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Finished goods and goods for resale	50,500	-	-	-

17. Debtors

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Trade debtors – due within one year	213,485	286,273	-	-
Amounts owed by subsidiary undertakings	-	-	10,126,608	8,715,055
Other debtors	64,139	90,637	13,110	37,114
Prepayments and accrued income	57,868	126,139	32,216	41,706
	<u>335,492</u>	<u>503,049</u>	<u>10,171,934</u>	<u>8,793,875</u>

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

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

18. Other creditors including taxation and social security	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Taxation and social security	75,201	75,825	12,232	17,558
Obligations under finance leases and hire purchase contracts (see note 21)	1,806	1,493	-	-
Accruals and deferred income	148,667	166,583	52,534	79,575
Amounts owed to subsidiary undertakings	-	-	217,348	217,348
Directors current accounts	3,810	-	-	-
Other creditors	993	-	-	-
Advance payments for share capital (see note 29)	70,000	-	70,000	-
	<u>300,477</u>	<u>243,901</u>	<u>352,114</u>	<u>314,481</u>

The directors current account balance is unsecured and interest-free. There is no set date for repayment.

19. Creditors: amounts falling due after more than one year	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Obligations under finance leases and hire purchase contracts (see note 21)	<u>393</u>	<u>2,291</u>	<u>-</u>	<u>-</u>

20. Borrowings	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Bank loans and overdrafts	<u>34,031</u>	<u>123,667</u>	<u>11,599</u>	<u>34,593</u>

All borrowings are repayable within one year or on demand.

The bank overdrafts are secured by fixed and floating charges on the assets of the group companies, and by a charge dated 23 June 1998 over a Corporate Bond bank account of £20,000.

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

21. Obligations under finance leases and hire purchase contracts

	Group	
	2002	2001
	£	£
Obligations under finance leases and hire purchase contracts	2,199	3,784
	=====	=====
Analysis of repayments:		
Within one year or on demand	1,806	1,493
Between one and two years	393	1,806
Between two and five years	-	485
	-----	-----
	2,199	3,784
	=====	=====

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

22. Financial instruments

The group's policies regarding derivatives and financial instruments are set out in the directors' report on pages 1 to 4 and the accounting policies on pages 12 to 14.

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

(a) Maturity profile of financial liabilities

The maturity profile of financial liabilities is dealt with in notes 20 and 21.

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

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

22. Financial instruments (continued)

(b) Interest rate profile

The group's financial liabilities as disclosed in notes 20 and 21 are all denominated in sterling. Borrowings per note 20 were on floating interest rates, based on bank base rates. Obligations under finance leases and hire purchase contracts per note 21 are on fixed interest rates.

The group's financial assets comprise cash at bank and in hand, fixed asset investments and trade debtors due after more than one year 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 at the same time 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. The directors have made a decision to value any minority shareholdings in unquoted companies at £nil.

(d) Hedging

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

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

22. Financial instruments (continued)

(e) Currency profile

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

	2002 £	2001 £
US \$	(9,622)	(13,570)

23. Called up share capital

	2002 £	2001 £
Authorised		
49,884,000 ordinary shares of 5p each	2,494,200	2,494,200
Called up, allotted and fully paid		
36,290,267 ordinary shares of 5p each	1,814,513	1,814,513

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

23. Called up share capital (continued)

Share options outstanding at 30th June 2002 were:

Date granted	Number of ordinary shares of 5p each	Exercise price	Exercisable
17 th October 1996	55,000	50p	before 17 th October 2003
26 th March 1997	100,000	75p	before 26 th March 2004
22 nd December 1997	55,000	65p	before 22 nd December 2004
20 th March 1999	15,000	60p	before 20 th March 2006
2 nd November 1999	30,000	130p	before 2 nd November 2006
2 nd June 2000	500,000	104p	before 2 nd June 2010
4 th July 2000	95,000	143p	before 4 th July 2007
4 th December 2000	136,986	73p	before 4 th December 2007
4 th December 2000	63,014	73p	before 4 th December 2010
28 th December 2000	827,584	72.5p	before 28 th December 2010
14 th February 2001	90,000	56.5p	before 14 th February 2008
10 th December 2001	250,000	20p	before 10 th December 2011
10 th December 2001	150,000	50p	before 10 th December 2011
10 th December 2001	40,000	25p	before 10 th December 2011
19 th December 2001	142,500	25p	before 19 th February 2008
15 th February 2002	300,000	20p	before 15 th February 2012

24. Reserves

	Share premium £	Special and capital reserves £	Merger reserve £	Profit and loss Account £
Group				
At 1st July 2001	14,518,380	245,055	-	(14,031,328)
Loss for the year	-	-	-	(2,250,117)
Foreign exchange translation differences	-	-	-	17,097
Share placing costs	(1,700)	-	-	-
At 30th June 2002	14,516,680	245,055	-	(16,264,348)
Company				
At 1st July 2001	14,518,380	496,396	403,309	(5,910,215)
Loss for the year	-	-	-	(777,209)
Share placing costs	(1,700)	-	-	-
At 30th June 2002	14,516,680	496,396	403,309	(6,687,424)

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

25. Operating lease commitments

At 30th June 2002 the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2002 £	Other 2002 £	Land and buildings 2001 £	Other 2001 £
Leases which expire:				
Within one year	-	-	-	11,483
Within two to five years	-	20,869	-	13,608
After five years	30,000	-	30,000	-
	<u>30,000</u>	<u>20,869</u>	<u>30,000</u>	<u>25,091</u>
	=====	=====	=====	=====

26. Contingent liabilities

- (i) Certain group companies are party to a group VAT registration. The company's contingent liability in respect thereof at 30th June 2002 was £15,336 (2001 - £nil).
- (ii) 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 2002 was £22,432 (2001 £89,074).

27. Related party transactions

Included within accruals and deferred income at the balance sheet date is an amount of £nil (2001 - £10,908) which is payable to Cambridge Tele.Com Limited. This amount was payable in respect of services provided under a consultancy agreement to Netcall Telecom Limited by Mr J Burnett. Mr J. Burnett, a director of Cambridge Tele.Com Limited, is a former director of Netcall plc.

During the year Netcall Telecom Limited paid a total of £64,871 (2001 - £10,908) to Cambridge Tele.com Limited and Mr J Burnett in respect of consultancy services provided.

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

27. Related party transactions (continued)

Included within other creditors including taxation and social security at the balance sheet date is an amount of £3,810 which is due to Mr D. Rothschild, a director. This balance is unsecured and interest-free. There is no set date for repayment.

During the year the company paid £15,000 (2001 - £13,436) to Malvair Properties Limited, a company of which Mr R Allsop, a director of Netcall plc, is a director. This amount was payable in respect of services provided to the company.

During the year the company paid £24,071 (2001 - £8,486) to Capitel Limited, a company of which Mr B Gowers, a director of Netcall plc, is a director. This amount was payable in respect of services provided to the company.

28. Cash flow statement

a) Reconciliation of operating loss to net cash outflow from operating activities	2002	2001
	£	£
Operating loss	(2,065,879)	(3,311,209)
Depreciation charges	97,684	106,975
Profit on sale of tangible fixed assets	-	(4,247)
Increase in stocks	(50,500)	-
Decrease in debtors	170,689	519,252
Increase/(decrease) in creditors	26,685	(255,995)
Other non-cash items	17,097	(56,805)
Net cash outflow from operating activities	(1,804,224)	(3,002,029)
b) Reconciliation of net cash flow to movement in net funds	£	
Decrease in cash in the period	(427,835)	
Cash used to repay finance leases and hire purchase contracts	1,585	
Cash used to decrease liquid resources	(1,250,000)	
Movement in net funds in the period	(1,676,250)	
Net funds at 1st July 2001	1,789,534	
Net funds at 30th June 2002	113,284	

NETCALL plc

Notes to the Accounts

Year ended 30th June 2002

28. Cash flow statement (continued)

c) Analysis of changes in net funds	At 1st July 2001 £	Cash flows £	At 30 th June 2002 £
Cash at bank and in hand	646,985	(517,471)	129,514
Bank overdrafts	(123,667)	89,636	(34,031)
		(427,835)	
Debt due within one year	(1,493)	(313)	(1,806)
Debt due after one year	(2,291)	1,898	(393)
Short term bank bonds	1,270,000	(1,250,000)	20,000
Total	<u>1,789,534</u> =====	<u>(1,676,250)</u> =====	<u>113,284</u> =====

Cash at bank and in hand in the consolidated balance sheet includes the above short term bank bonds of £20,000 (2001 - £1,270,000). 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".

29. Post balance sheet events

On 8th August 2002 the company raised £1.012 million (£970,000 net of placing expenses) through a placing of 20,240,000 new ordinary shares at 5p per share. The net proceeds of the placing will be used to provide working capital for the group.

The decision was taken in July 2002 to make the position of chief financial officer redundant and Dr Caroline Brown left the company and resigned as a director at that time. Dr Brown has made a claim against the company. Discussions are taking place between the respective legal advisers. No provision in respect of this matter has been made in these accounts.