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Netcall PLC

Annual report and accounts 2006

“We have been absolutely delighted with Netcall. The product is brilliant and ‘does exactly what it says on the tin’. Our customers are happier, our agents are more content and overall, we managed to improve our service level rate by a minimum of 10 per cent and reduce our caller abandonment rate by a minimum of 20 per cent, both without any extra staff! What more can I say — Netcall really is spot on!”

MORE TH>N

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“We are delighted this system is proving so popular with customers, and are pleased to be improving our customer support further still. After recently getting top marks in a Which? survey for our service, this further reinforces our commitment to our customers.”
Nildram

Financial Highlights

- Turnover up 11% to £3.13 million (2005: £2.82 million)
- Hosted services growth of 104% to £1.33 million (2005: £0.66 million)
- Gross margin increases to 86% (2005: 83%)
- Operating profits before exceptional items increases 180% to £0.42 million (2005: £0.15 million)
- Profit before tax margin at 12.5% (2005: 5.6%)

Operational Highlights

- Channel derived revenues grow strongly
- Five consecutive 6 month periods of hosted services revenue growth
- Broadening of customer base
- Strengthened management team

Ron Elder, Chairman of Netcall, commented:

“I am pleased to report that the change in strategy is continuing to prove a success with continued growth in hosted services revenue and margins. Following on from this I look forward to another successful year.”

Chairman's Statement

I am pleased to report that it has been another successful year for Netcall. The Company's trading performance has continued to improve. Turnover for the year was £3.13 million, an increase of 11.1% from last year (2005: £2.82 million). Most significantly, profit before tax rose by 147% to £391,900 (2005: £158,100). We have strengthened the executive team with key appointments in the leadership roles of the Sales and Marketing, Finance and Operations areas. As we continue to increase our presence within the market, we have now built a solid platform for future growth. It is particularly encouraging to see a growing market interest in the Company's innovative telephony solutions, primarily QueueBuster.

Hosted services revenues generated £1.33 million, an increase of 104% from 2005 (2005: £0.65 million). This is again encouraging and is an indication of the success of our strategy of focusing on providing a hosted service alternative to our customer premises solution, and we see customers increasingly turning to this solution.

Not only has hosted services made a significant contribution to revenues this year but it has also improved our gross margin. In conjunction with revenue growth gross profits have increased to £2.68 million from £2.35 million, an increase of 14.1%.

At 30th June 2006, the Company's cash position increased by 31% to £1.82 million (2005: £1.39 million).

During the year, we also set out to expand our distribution channels allowing more reach into an ever expanding market. We have experienced significant success in this area and have already seen new orders from these partners.

Following on from this year's positive results and achievements we look forward to another successful year where we can build upon our accomplishments further. I would like to take this opportunity to thank the Netcall team for their continued commitment as well as expressing my gratitude to our various partners who have continued to support our solutions.

Ron Elder, Chairman
19th September 2006



“We recognise just how frustrating it can be to be kept on hold and we are committed to providing a top class service, as well as always looking at new ways of improving our customer experience.

“This new call back tool is so successful that we have halved the number of callers hanging up before their call is answered. It has also resulted in an 82 per cent increase in calls being answered within 20 seconds — now that’s great customer service!”

Britannia

Chief Executive’s Review

During the year, Netcall has continued to make significant progress. The business has achieved substantial growth in its profitability resulting from key strategies focused on hosted services growth and growing revenues from our expanding distribution channels.

Netcall further broadened its customer base, mainly due to increased market acceptance of our flagship product QueueBuster which now saves millions of callers from more than 150 years of telephone queuing every year.

Financial results

Netcall continued to improve its financial performance with profits growing by 148% to £0.39 million (FY 2005: £0.16 million) corresponding to a profit margin of 12.5% (FY 2005: 5.6%). This result has been achieved through a combination of revenue growth and margin improvement while keeping a tight grip on expenses.

Revenues increased by 11.1% to £3.13 million (FY 2005: £2.82 million). Hosted services, which now have generated growth for five consecutive 6 month periods, delivered a 104% increase in revenues to £1.33 million, and as a result the Company achieved significant growth

in its recurring and annuity revenues. Revenue from channels grew by 82% reaching £1.15 million (FY 2005: £0.63 million).

The change in revenue mix resulted in a gross margin increase by 3 percentage points to 86% and an increase in gross profit of 14.1% to £2.68 million (FY 2005: £2.35 million).

During the year expenses increased by 3.0% to £2.28 million (FY 2005: £2.21 million). This increase was mainly due to investments in sales and marketing activities.

Operating profits before exceptional items increased by 180% to £0.42 million from £0.15 million. Exceptional items incurred in the year related to a provision required under UITF 17 (employee share schemes) and reorganisation costs. These were substantially offset by increased interest earnings generated from the strong cash position of the Company.

As a result of the Company’s trading performance, the cash position improved by 31% to £1.82 million (FY 2005: £1.39 million).

Chief Executive's Review continued

Review of Operation

Netcall's flagship product, QueueBuster, enables customers in a call centre queue to choose the option of receiving a return call without losing their place in the queue. QueueBuster continues to give excellent performance, as reported by our customers, in both sales and customer support environments, confirming that the product delivers high customer and agent satisfaction with substantial productivity improvements.

Throughout the year there has been an increase in the number of new customers, including several blue chip companies, who benefited from using our products, either having purchased directly from Netcall or via distribution partners. We entered into the Government sector with new customers including London Boroughs of Waltham Forest and Islington and also secured numerous other corporate customers including ATEC, Cheshire Building Society, Coventry Building Society, Invesco Perpetual and Nildram. In addition, several customers increased their commitments with Netcall and our products including BT, More Than and npower.

In conjunction with the increase in customer base, the average revenue per customer using our hosted services offering also increased. As the hosted service business model is maturing, we have in this financial year seen a preference to deploy this solution compared to the QueueBuster product model where Netcall's technology is installed on the customer's premises. The flexibility of the hosted model in terms of usage, scalability and ease of implementation means that many customers prefer this model and are prepared to pay a premium over the QueueBuster product model. In line with our strategy the hosted services model provides a stable recurring and higher revenue stream compared to that of the QueueBuster product model which is a larger upfront revenue component but a lower total value.

The focus on expanding our market reach via channel partners resulted in new distribution agreements being signed including an agreement with Cable & Wireless. This has already led to the securing of new customers. During the year the growth in revenues from distribution channels was especially strong for the hosted service business.

“QueueBuster has revolutionised our business, producing customer and agent satisfaction ratings beyond explanation. Customers using the system are happier because they don’t have to queue any more — QueueBuster can queue for them. It gives us a distinct business advantage in terms of customer service. Customers repeatedly ask why more call centres don’t offer QueueBuster.”

npower

As part of the ongoing transformation of Netcall, the management team has been strengthened. In addition, the Company undertook a market repositioning initiative increasing our product offerings and positioning Netcall to support our key strategies.

Strategy

Netcall's ambition is to continue to increase the market acceptance of its products, primarily QueueBuster, and to utilise our distribution partnerships in supporting this. By continuing to execute our key strategies we believe that the Company will further improve its financial performance and its long-term health, resulting in increased shareholder value.

Current Trading

The directors believe that the outlook for the Company is positive and that the new financial year has started satisfactorily. The hosted service business has to date continued to show significant year on year growth.

Officers and professional advisers

Chairman

Ron Elder[^] (56) 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 (47) 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.

Directors:

R Allsop
R Elder
B Gowers
H P Bang

Secretary:

A K Pearson-Hurrell

Registered office:

10 Harding Way
St Ives
Cambridgeshire
PE27 3WR

Bankers:

National Westminster Bank PLC
7 Cornhill
Bury St Edmunds
Suffolk
IP33 1AX

Brian Gowers^{^*} (63) 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[^] (63) joined the Board in 1987. He is commercial director of AIM-listed Tricorn Group PLC, chairman of Malvaire 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

Nominated advisers and brokers:

Evolution Securities Ltd.
100 Wood Street
London
EC2V 7AN

Auditors:

Deloitte & Touche LLP
Chartered Accountants
Cambridge

Registrars and transfer office:

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3BR

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30th June 2006.

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.

Business review

Details of the group's performance are given in the consolidated profit and loss account on page 14.

The position of the group and the Company at the end of the year is set out in the balance sheets on pages 16 and 17. A review of the Group's performance for the year ended 30th June 2006 and future developments is contained in the Chairman's Statement and the Chief Executive's Review. The Chief Executive's report contains specific sections headed Financial Results and Review of Operations which comment on the key elements required to be covered in an enhanced business review.

Future prospects

The Company anticipates future growth to derive primarily from the sale of services and other usage-based offerings. Additionally, product sales will also continue to contribute to this growth driven by specific customer requirements. This increased focus on hosted services reflects the Company's strategic response to the evolving demands of its target markets. The shift, as anticipated, is impacting on the recognition of revenue which is occurring more evenly over the period of the customers' usage.

The Board believes that this annuity style revenue will,

over time, stabilise the Company's revenue streams across a broader customer base and, with the lower initial entry cost for its customers, provide greater opportunity to expand its customer base. It is the Board's opinion that this strategy, together with the continued development of sales channels, will generate sustainable revenues and profitability.

Dividends

The directors do not recommend the payment of a dividend (2005 — £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 £307,300 (2005 — £285,900). It is group policy to write off all this expenditure as incurred.

Supplier payment policy

The group undertakes to make payments to suppliers for goods and services supplied within the normal credit periods agreed with those suppliers; it does not follow a specific code, or apply a standard payment practice. The proportion of trade creditors at the year end to amounts supplied during the year gives an average payment term of 48 days (2005 — 34 days).

Political and charitable contributions

There were no political or charitable contributions in the year (2005 — nil).

Directors and their interests

The directors who held office at 30th June 2006 had the following beneficial interests in the Company's shares at 30th June 2006 and 1st July 2005:

Directors' report continued

	Ordinary shares of 5p each 30th June 2006 Number	Ordinary shares of 5p each 1st July 2005 Number
R Allsop	1,000,000	958,638
R Elder	80,000	80,000
B Gowers	420,000	420,000
H P Bang	100,000	—

In accordance with the Company's Articles of Association, B Gowers retires by rotation and offers himself for re-election.

Directors who held office at 30th June 2006 had the following interests in share options over ordinary shares of 5p each:

	At 1st July 2005	Granted	Lapsed/ Cancelled 30th June 2006	At 30th June 2006	Exercise price	Exercisable
R Allsop	100,000	—	—	100,000	20.0p	Before 15.02.12
	100,000	—	—	100,000	10.0p	Before 19.12.12 ⁽¹⁾
B Gowers	200,000	—	—	200,000	20.0p	Before 15.02.12
	1,000,000	—	—	1,000,000	10.0p	Before 19.12.12 ⁽¹⁾
R Elder	250,000	—	—	250,000	24.0p	Before 24.05.14 ⁽²⁾
H P 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	—	25.0p	Before 28/02/14
	250,000	—	250,000	—	25.0p	Before 01/03/14
	500,000	—	500,000	—	22.0p	Before 02/07/14
	500,000	—	500,000	—	22.0p	Before 03/07/14
	1,000,000	—	1,000,000	—	22.0p	Before 04/07/14
	—	300,000	—	300,000	5.0p	Before 05.03.16 ⁽³⁾
	—	720,000	—	720,000	5.0p	Before 05.03.16 ⁽⁴⁾
	—	350,000	—	350,000	5.0p	Before 05.03.16 ⁽⁵⁾
	—	550,000	—	550,000	5.0p	Before 05.03.16 ⁽⁶⁾
	—	250,000	—	250,000	5.0p	Before 05.03.16 ⁽⁷⁾

(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 or 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 or 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 30 pence or 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 35 pence or a sale of the business.
- (5) 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 or a sale of the business.

- (6) 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 or a sale of the business.
- (7) 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 50 pence or a sale of the business

The market price of the Company's shares at 30th June 2006 was 13.62p and the range during the year ended 30th June 2006 was 11.25p to 19.25p.

Substantial interests

At 7th September 2006 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	% of issued
Gartmore Investment Management	8,724,649	13.22%
Bluehone Investors LLP	8,540,247	12.94%
J Rubins	5,008,206	7.59%
Portside Holdings	3,500,000	5.3%
Edenfield Investments Limited	2,841,362	4.32%
J Patoff	2,707,215	4.12%
Committed Capital (UK) Limited	2,000,000	3.04%

Directors' report continued

Financial risk management objectives and policies

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. 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

Expenditure of the group's US subsidiary Netcall Telecom Inc is denominated in US dollars. In the year ended 30th June 2006 expenditure accounted for nil% of the group's operating costs (2005 — 0.7%). The group financed its net investment of Netcall Telecom Inc by means of sterling funds.

Overseas sales to customers 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

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the group in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

United Kingdom company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with UK GAAP of the state of affairs of the Company and the group and of the profit or loss of the group for that period and comply with UK GAAP and the Companies Act 1985. 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.

Corporate governance

The Company is listed on AIM and is therefore not required to comply with the provisions of the Financial Reporting Council July 2003 Combined Code. Nevertheless, the Board is committed to high standards of Corporate Governance incorporating best practice for a group of this size.

- The Board meets eleven times a year; it comprises one executive and three non-executives (one of whom is the chairman); it is responsible for setting and monitoring strategy, reviewing trading performance, ensuring adequate funding, formulating policy on key issues and reporting to shareholders. The Board has access to independent advice, the cost of which is borne by the Company.
- The Audit Committee meets at least twice a year; it consists of the Chairman and one non-executive director; the executive director attends the meetings by invitation only; it meets the external auditors at least once a year. It reviews the half year and annual accounts prior to submission to the Board for consideration, monitors the Company's controls ensuring integrity of the financial information reported to shareholders.
- The Remuneration Committee consists of the Chairman and the two non-executive directors and meets at least twice annually. Its principal functions are to determine the Company policy for executive remuneration and reward and the granting of share options to employees.
- Internal Control is maintained by a system of financial controls designed to meet the particular needs of a group of this size to provide appropriate assurance against misstatement or loss. The Board does not consider it appropriate to set up an Internal Audit function given the size and nature of the business at

this time.

- International Financial Reporting Standards are required to be adopted by the group in the financial year commencing 1st July 2007; earlier adoption is not required as the Group is AIM listed.

Auditors

In the case of each of the persons who are directors of the Company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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
and signed on behalf of the Board


H P Bang
Director

Independent auditors' report to the members of Netcall PLC

We have audited the group and individual Company financial statements (the 'financial statements') of Netcall PLC for the year ended 30th June 2006 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the reconciliation of movements in consolidated shareholders' funds, the balance sheets, the consolidated cash flow statement and the related notes 1 to 25. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We report to you on the consistency of the directors' report 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 other transactions 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.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual Company's affairs as at 30th June 2006 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the directors' report is consistent with the financial statements.


Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Cambridge

United Kingdom

19th September 2006

Consolidated Profit and Loss Account

Year ended 30th June 2006

	Note	2006 £'000	2005 £'000
Turnover	2	3,134.5	2,822.1
Cost of sales		(449.9)	(469.1)
Gross profit		2,684.6	2,353.0
Administrative expenses			
Exceptional items	4	(78.7)	(21.2)
Other	4	(2,279.2)	(2,211.8)
		(2,357.9)	(2,233.0)
Other operating income		11.0	7.9
Operating profit	2,4	337.7	127.9
before exceptional items		416.4	149.1
exceptional items		(78.7)	(21.2)
Interest receivable	5	63.6	44.6
Interest payable and similar charges	6	(9.4)	(14.4)
Profit on ordinary activities before taxation		391.9	158.1
Tax on profit on ordinary activities	7	—	—
Profit for the financial year	18	391.9	158.1
Earnings per share			
Basic	9	0.6p	0.2p
Diluted	9	0.6p	0.2p

All activities derive from continuing operations.

Consolidated Statement of Total Recognised Gains and Losses

Year ended 30th June 2006

	2006 £'000	2005 £'000
Profit for the financial year	391.9	158.1
Currency translation differences on foreign currency net investments	0.1	(0.3)
Total recognised gains and losses for the year	392.0	157.8

Reconciliation of Movements in Consolidated Shareholders' Funds

Year ended 30th June 2006

	2006 £'000	2005 £'000
Profit for the financial year	391.9	158.1
Currency translation differences on foreign currency net investments	0.1	(0.3)
New shares issued	16.8	14.6
UITF 17 adjustment re employee share schemes	29.9	—
Net addition to shareholders' funds	438.7	172.4
Opening shareholders' funds	1,359.2	1,186.8
Closing shareholders' funds	1,797.9	1,359.2

Consolidated Balance Sheet

30th June 2006

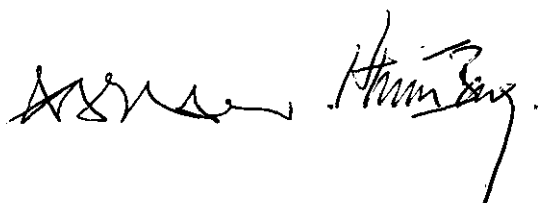
	Note	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	10	154.3	172.3
Investments	11	—	—
		154.3	172.3
Current assets			
Stocks	12	62.2	19.5
Debtors	13	1,052.5	1,079.3
Cash at bank and in hand		1,819.5	1,393.4
		2,934.2	2,492.2
Creditors: amounts falling due within one year	14	(1,233.1)	(1,217.8)
Net current assets		1,701.1	1,274.4
Total assets less current liabilities		1,855.4	1,446.7
Creditors: amounts falling due after more than one year	15	(57.5)	(87.5)
Net assets		1,797.9	1,359.2
Capital and reserves			
Called up share capital	17	3,297.1	3,285.5
Share premium account	18	15,125.2	15,120.0
Special and capital reserves	18	245.1	245.1
Employee share schemes reserve	18	29.9	—
Profit and loss account	18	(16,899.4)	(17,291.4)
Equity shareholders' funds		1,797.9	1,359.2

These financial statements were approved by the Board of directors on 19th September 2006.

Signed on behalf of the Board of directors

R Elder
Director

H P Bang
Director



Company Balance Sheet

30th June 2006

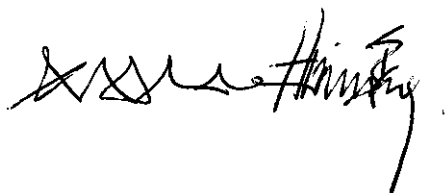
	Note	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	10	9.4	20.3
Investments	11	633.9	633.9
		643.3	654.2
Current assets			
Debtors	13	9,303.3	10,058.7
Cash at bank and in hand		1,711.0	1,180.6
		11,014.3	11,239.3
Creditors: amounts falling due within one year	14	(274.1)	(387.6)
Net current assets		10,740.2	10,851.7
Total assets less current liabilities being net assets		11,383.5	11,505.9
Capital and reserves			
Called up share capital	17	3,297.1	3,285.5
Share premium account	18	15,125.2	15,120.0
Special and capital reserves	18	496.4	496.4
Merger reserve	18	403.3	403.3
Employee share schemes reserve	18	29.9	—
Profit and loss account	18	(7,968.4)	(7,799.3)
Equity shareholders' funds		11,383.5	11,505.9

These financial statements were approved by the Board of directors on 19th September 2006.

Signed on behalf of the Board of directors

R Elder
Director

H P Bang
Director



Consolidated Cash Flow Statement

Year ended 30th June 2006

	Note	2006		2005	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	19		468.7		208.0
Returns on investments and servicing of finance					
Bank interest received		63.6		44.6	
Interest on bank loans and overdrafts		(9.4)		(13.7)	
Other interest		—		(0.7)	
Net cash inflow from returns on investments and servicing of finance			54.2		30.2
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(83.6)		(86.3)	
Net cash outflow from capital expenditure and financial investment			(83.6)		(86.3)
Net cash inflow before financing			439.3		151.9
Financing					
Repayment of bank loan		(30.0)		(30.0)	
Issue of new shares		16.8		14.6	
Net cash outflow from financing			(13.2)		(15.4)
Increase in cash	20,21		426.1		136.5

Notes to the Accounts

Year ended 30th June 2006

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. The Company has adopted in the year FRS 21 — Events after the balance sheet date and FRS 25 — Financial instruments disclosure and presentation; no restatement of the comparatives was necessary.

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

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life. Provision is made for any impairment.

Goodwill arising on acquisitions in the year ended 31st December 1997 and earlier periods was written off to the reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

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.

Turnover

Turnover is the amount receivable by the group for goods and services supplied, excluding VAT.

Product

Product revenue is recognised upon delivery and acceptance by the customer.

Support and maintenance

Support and maintenance revenues are spread over the period of the supply agreement.

Service

Service revenues are recognised over the periods defined in the service agreement.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

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

Notes to the Accounts continued

Year ended 30th June 2006

Investments

Investments are stated at cost less provision for any impairment.

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.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance.

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.

Share-based compensation

Where share options are granted at an exercise price less than the market value of the Company's shares at the date of grant, a compensation expense equivalent to the amount of the discount is recognised over the vesting period of such options.

2. Segmental analysis

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

	2006 £'000	2005 £'000
i) Turnover		
Class of business		
Product	1,807.7	2,172.0
Services	1,326.8	650.1
	3,134.5	2,822.1
Geographical analysis by destination		
United Kingdom	2,961.5	2,412.5
Rest of Europe	142.5	316.5
North America	23.3	55.2
Rest of the World	7.2	37.9
	3,134.5	2,822.1
Geographical analysis by origin		
United Kingdom	3,134.5	2,817.8
North America	—	4.3
	3,134.5	2,822.1
ii) Operating profit	2006 £'000	2005 £'000
Geographical analysis by origin		
United Kingdom	337.8	139.4
North America	(0.1)	(11.5)
	337.7	127.9
iii) Net assets	2006 £'000	2005 £'000
Geographical location		
United Kingdom	1,848.8	1,409.9
North America	(50.9)	(50.7)
	1,797.9	1,359.2

A split of operating profit 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 2006

3. Information regarding directors and employees

	2006 £'000	2005 £'000
Directors' remuneration		
Emoluments	253.8	320.0

Included in the above directors' emoluments are fees paid to a third party which comprise £10,000 (2005 — £30,000) paid to R J Associates Limited under an agreement to provide the group with the services of Mr R Elder (as director).

	2006 £'000	2005 £'000
Highest paid director		
Emoluments	193.8	260.0

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

	Group		Company	
	2006 No.	2005 No.	2006 No.	2005 No.
Average number of employees, including directors:				
Customer services	3	3	—	—
Sales and marketing	7	7	—	—
Development and technical support	7	8	—	—
Administration	5	5	2.5	2.5
	22	23	2.5	2.5
	£'000	£'000	£'000	£'000
Staff costs incurred during the year:				
Wages and salaries	1,350.6	1,354.0	252.4	334.1
Social security costs	148.7	156.1	26.9	38.3
	1,499.3	1,510.1	279.3	372.4

4. Operating profit

	2006 £'000	2005 £'000
Operating profit is after charging:		
Research and development costs	307.3	285.9
Rentals under operating leases		
Other operating leases	35.0	35.0
Plant and machinery	11.8	10.6
Depreciation of tangible fixed assets		
Owned assets	85.6	67.2
Auditors' remuneration for audit services		
Group	5.9	6.4
Company	21.8	17.5
Auditors' remuneration for non-audit services		
Group	—	—
Company	6.3	8.4
Exceptional items		
Reorganisation costs	48.8	21.2
UITF 17 Employee share scheme charges	29.9	—

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

5. Interest receivable

	2006 £'000	2005 £'000
Bank interest	63.6	44.6

6. Interest payable and similar charges

	2006 £'000	2005 £'000
Bank loans and overdrafts	9.4	13.7
Other	—	0.7
	9.4	14.4

Notes to the Accounts continued

Year ended 30th June 2006

7. Tax on profit on ordinary activities

	2006 £'000	2005 £'000
United Kingdom corporation tax at 30% (2005 — 30%) based on the result for the year	—	—
Tax on profit on ordinary activities	—	—

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2005 — 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:

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	391.9	158.1
Tax on profit on ordinary activities at standard rate	117.6	47.4
Factors affecting credit for the year:		
Expenses not deductible for tax purposes	6.6	1.4
Capital allowances in deficit of depreciation	25.1	0.4
Utilisation of tax losses	(149.6)	(53.7)
Movement in short-term timing differences	0.3	4.1
Other deferred tax movements	—	0.4
Group current tax charge for period	—	—

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 30th June 2006 is £3,026,400 (2005 — £3,136,300). 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 £2,012,300 (2005 — £2,012,300) 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 30th June 2006 is £824,700 (2005 — £776,600). The asset would be recovered if the Company makes taxable income in the future. The Company also has an unprovided deferred tax asset of £2,012,300 (2005 — £2,012,300) in respect of capital losses. This asset can be recovered against suitable capital gains in the future.

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 £169,100 (2005 — £311,800).

9. Earnings per share

Earnings per share has been calculated in accordance with Financial Reporting Standard 22 (FRS 22). The calculation of earnings per share is based on the profit attributable to equity shareholders of £391,900 (2005 — £158,100) and 65,813,224 (2005 — 65,592,187) shares being the weighted average of the number of shares in issue during that period.

The diluted earnings per share is based on a weighted average of 66,166,558 (2005 — 65,777,775) shares after allowing for the exercise of share options. For 2005, the diluted profit per share, as presented, equals the basic profit per share as FRS 22 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share.

Notes to the Accounts continued

Year ended 30th June 2006

10. Tangible fixed assets

Group	Domain names £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1st July 2005	64.1	530.6	594.7
Additions	—	83.6	83.6
Disposals	—	(314.0)	(314.0)
At 30th June 2006	64.1	300.2	364.3
Accumulated depreciation			
At 1st July 2005	43.8	378.6	422.4
Charge for the year	10.9	74.7	85.6
Disposals	—	(298.0)	(298.0)
At 30th June 2006	54.7	155.3	210.0
Net book value			
At 30th June 2006	9.4	144.9	154.3
At 30th June 2005	20.3	152.0	172.3

Company	Domain names £'000
Cost	
At 1st July 2005 and at 30th June 2006	64.1
Accumulated depreciation	
At 1st July 2005	43.8
Charge for the year	10.9
At 30th June 2006	54.7
Net book value	
At 30th June 2006	9.4
At 30th June 2005	20.3

11. Investments held as fixed assets

Group	Subsidiary undertakings £'000	Other £'000	Total £'000
Cost			
At 1st July 2005 and at 30th June 2006	—	350.0	350.0
Provision			
At 1st July 2005 and at 30th June 2006	—	350.0	350.0
Net book value			
At 30th June 2005 and at 30th June 2006	—	—	—
Company			
Cost			
At 1st July 2005 and at 30th June 2006	669.9	350.0	1,019.9
Provision			
At 1st July 2005 and at 30th June 2006	36.0	350.0	386.0
Net book value			
At 30th June 2005 and at 30th June 2006	633.9	—	633.9

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 in the USA.
----------------------	------------------------------------------------

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.

12. Stocks

	Group	
	2006 £'000	2005 £'000
Finished goods and goods for resale	62.2	19.5

Notes to the Accounts continued

Year ended 30th June 2006

13. Debtors

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Trade debtors	832.5	968.8	—	—
Amounts owed by subsidiary undertakings	—	—	9,253.9	10,023.8
Corporation tax recoverable	—	32.2	—	—
VAT	0.9	6.9	0.9	6.9
Other debtors	24.6	8.4	20.3	4.2
Prepayments and accrued income	194.5	63.0	28.2	23.8
	1,052.5	1,079.3	9,303.3	10,058.7

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

14. Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank loan (see note 15)	30.0	30.0	—	—
Amounts owed to subsidiary undertakings	—	—	217.4	217.3
Trade creditors	306.1	128.6	—	21.6
Taxation and social security	130.6	203.1	9.4	30.7
Accruals and deferred income	766.4	856.1	47.3	118.0
	1,233.1	1,217.8	274.1	387.6

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

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank loan	57.5	87.5	—	—

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 £27,500 is repayable between two and five years.

16. Financial instruments

The group's policies regarding derivatives and financial instruments are set out in the directors' report on page 7 and the accounting policies on page 19.

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 2006, the group borrowings comprised a bank loan of £87,500 (2005 — £117,500).

The maturity profile of financial liabilities is dealt with in note 15.

b) Interest rate profile

The group's financial liabilities as disclosed in notes 14 and 15 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 7.2% (2005 — 7.4%).

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 (2005 — £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 currency of the group is Sterling. 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.

	2006 £'000	2005 £'000
US Dollar	(44.6)	13.3
Euro	31.2	7.2

Notes to the Accounts continued

Year ended 30th June 2006

17. Called up share capital

	2006 £'000	2005 £'000
Authorised		
80,000,000 ordinary shares of 5p each	4,000.0	4,000.0
Called up, allotted and fully paid		
65,942,603 (2005 — 65,710,936) ordinary shares of 5p each	3,297.1	3,285.5

During the year as a result of share option exercises, 231,667 ordinary shares of 5p each were issued for proceeds of £16,796, resulting in a premium of £5,212.

Share options outstanding at 30th June 2006 were:

Number of shares under option	Exercise price	Exercise period
<i>EMI share option scheme</i>		
81,667	7.25p	19.12.03 – 19.12.12
108,334	7.25p	19.12.04 – 19.12.12
163,333	7.25p	19.12.05 – 19.12.12
400,000	25.00p	26.02.04 – 26.02.14
<i>Unapproved share option scheme</i>		
25,001	25.00p	19.12.02 – 19.02.08
24,999	25.00p	19.12.03 – 19.02.08
25,000	25.00p	19.12.04 – 19.02.08
<i>Individual share option agreements</i>		
2,100,000	10.00p	Before 19.12.12
100,000	20.00p	10.12.03 – 10.12.11
300,000	20.00p	15.02.04 – 15.02.12
250,000	24.00p	Before 24.05.14
2,170,000	5.00p	Before 05.03.16
<u>5,748,334</u>		

18. Reserves

Group	Share premium account £'000	Special and capital reserves £'000	Merger reserve £'000	Employee share scheme reserve £'000	Profit and loss account £'000
At 1st July 2005	15,120.0	245.1	—	—	(17,291.4)
Profit for the year	—	—	—	—	391.9
Foreign exchange translation differences	—	—	—	—	0.1
UITF 17 Employee Share Schemes	—	—	—	29.9	—
Issue of shares	5.2	—	—	—	—
At 30th June 2006	15,125.2	245.1	—	29.9	(16,899.4)
Company					
At 1st July 2005	15,120.0	496.4	403.3	—	(7,799.3)
Loss for the year	—	—	—	—	(169.1)
UITF 17 Employee Share Schemes	—	—	—	29.9	—
Issue of shares	5.2	—	—	—	—
At 30th June 2006	15,125.2	496.4	403.3	29.9	(7,968.4)

19. Reconciliation of operating profit to net cash inflow from operating activities

	2006 £'000	2005 £'000
Operating profit	337.7	127.9
Depreciation charge	85.6	67.2
UITF 17 Employee share scheme charge	29.9	—
Loss on sale of fixed assets	8.2	—
Loss on transfer of fixed assets to stock	7.9	—
Decrease/(increase) in stocks	(42.7)	110.9
Decrease/(increase) in debtors	26.8	(45.8)
Increase/(decrease) in creditors	15.3	(52.2)
Net cash inflow from operating activities	468.7	208.0

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

	2006 £'000	2005 £'000
Increase in cash in the year	426.1	136.5
Cash outflow from decrease in bank loans	30.0	30.0
Movement in net funds in the year	456.1	166.5
Net funds at 1st July 2005	1,275.9	1,109.4
Net funds at 30th June 2006	1,732.0	1,275.9

Notes to the Accounts continued

Year ended 30th June 2006

21. Analysis of changes in net funds

	At 1st July 2005 £'000	Cash flows £'000	Other non-cash changes £'000	At 30th June 2006 £'000
Cash at bank and in hand	1,393.4	426.1	—	1,819.5
Debt due after one year — bank loan	(87.5)	—	30.0	(57.5)
Debt due within one year — bank loan	(30.0)	30.0	(30.0)	(30.0)
Net funds	1,275.9	456.1	—	1,732.0

22. Operating lease commitments

At 30th June 2006 the group was committed to making the following annual payments in respect of operating leases:

	Land and buildings		Other	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Leases which expire:				
Within one year	—	—	—	3.1
Within two to five years	—	—	—	2.8
After five years	35.0	35.0	—	—
	35.0	35.0	—	5.9

At 30th June 2006 the Company had no operating lease commitments (2005 — nil).

23. Capital commitments

At 30th June 2006 neither the Company nor the group had any capital commitments contracted but not provided for.

24. 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 2006 was £87,500 (2005 — £117,500).

25. 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 the group made sales to Netcall Asia Pacific PTY Ltd of £6,950 (2005 - £42,910). Netcall Asia Pacific PTY Ltd is considered a related party by virtue of R Elder having been a director of Committed Capital (UK) Ltd, a Company which is under the same control as Netcall Asia Pacific PTY Ltd. During the year, Mr R Elder ceased to be a director of Committed Capital (UK) Ltd and therefore the related party relationship no longer exists.

During the year the group made sales to Cambridge Tele.com Limited of £39,294 (2005 — £46,507) and paid reseller commission of £6,645 (2005 — £13,530). Cambridge Tele.com Limited is a related party through the fact that Mr J Burnett is a director of Cambridge Tele.com and his daughter was a director of Netcall Telecom Limited, for part of the year. Her directorship ceased during the year. At the year end the amount due from Cambridge Tele.com Limited was £7,943 (2005 — £12,670).

Notice of Annual General Meeting

Notice is hereby given that the 2006 Annual General Meeting of Netcall PLC will be held at 11 a.m. on 16th November 2006 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 2006 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 Brian Gowers as a director who retires by rotation in accordance with the Articles of Association.

Special business

Resolution 4: 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, 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 5: To consider and, if thought fit, pass the following as a special resolution:

"THAT, subject to the passing of the previous Resolution 4, 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

A K Pearson-Hurrell

Secretary

10 Harding Way

St Ives

Cambridgeshire

PE27 3WR

29th September 2006

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 16th November 2006.
- 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 16th November 2006

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 16th 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 2006 together with the reports of the directors and auditors thereon.		
2 To reappoint Deloitte & Touche LLP as auditors and to authorise the directors to determine their remuneration.		
3 To re-elect Brian Gowers as a director who retires by rotation in accordance with the Articles of Association.		
4 To authorise the directors to allot relevant securities.		
Special Resolution		
5 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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**THE REGISTRAR
NEVILLE REGISTRARS LIMITED
NEVILLE HOUSE
18 LAUREL LANE
HALESOWEN
WEST MIDLANDS
B63 3BR**

First fold

Third fold
and tuck in flap
opposite