NETCALL plc

Report & Financial Statements 1997

Contents

NETCALL plc

Notice of Annual General Meeting

Notice is hereby given that the Thirteenth Annual General Meeting of Netcall plc will be held at Tricorn House, Five Ways, Hagley Road, Birmingham, B16 8TP on Tuesday, 2nd December 1997 at 11.00 a.m. to consider the following resolutions of which resolutions 1-4 will be proposed as ordinary resolutions and resolution 5 will be proposed as a special resolution:

1. To receive and consider the Directors' Report and Accounts for the year ended 30th June 1997 and the Auditors' Report thereon.

2. To re-elect as a director Jeffrey Rubins, who retires by rotation in accordance with the Articles of Association.

3. To re-appoint Casson Beckman as auditors and to authorise the directors to fix their remuneration.

Special Business

4. That, for the purposes of and pursuant to Section 80 of the Companies Act 1985, the Directors for the Company be and they are hereby generally and unconditionally authorised and empowered to exercise all the powers of the Company to allot relevant securities (as defined in Section 80) up to an aggregate nominal amount of £539,654 to such persons, at such times and upon such terms and conditions as they may determine (subject always to the articles of association of the Company) provided that this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the annual general meeting of the Company to be held in 1998 and provided further that the Company may before such expiry make any offer, agreement or arrangements which would or might require relevant securities to be allotted after such expiry and the Directors of the Company may then allot relevant securities pursuant to any such offer, agreement or arrangements as if the authority and power hereby conferred had not expired.

5. That, pursuant to Section 95(1) of the Companies Act 1985, the Directors of the Company be and they are hereby authorised and empowered to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) pursuant to the general authority and power conferred by the resolution numbered 4 in this notice of meeting as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment, provided that this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the annual general meeting of the Company to be held in 1998 and provided further that this authority and power shall be limited:

   (a) to the allotment of equity securities pursuant to a rights issue or similar offer to ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate or as nearly as practicable (and taking into account any prohibitions against or difficulties concerning the making of an offer or allotment to shareholders whose registered address or place of residence is overseas and subject to such exclusions as the Directors of the Company may deem necessary or expedient to deal with fractional entitlements or record dates) to the respective numbers of ordinary shares held by them; and

   (b) to the allotment (otherwise than pursuant to paragraph (a) above) for cash of equity securities up to an aggregate nominal value of £75,361.

By Order of the Board
M.P. Robertson, Secretary

Tricorn House, Five Ways, Hagley Road
Birmingham, B16 8TP

4th November 1997

Notes:

(i) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the company. The instrument appointing a proxy should be lodged at the Transfer Office not less than 48 hours before the time fixed for the meeting.

(ii) Copies of directors' contracts of service and statements of transactions by directors in the share capital of the company will be available for inspection at the company's registered office during normal business hours from the date of this notice until the date of the Annual General Meeting when they will also be available.

Directors and Officers

Directors:	Jeffrey Rubins, FCA (Chairman) Roger Allsop John G.R.W. Burnett David B. Robson
Secretary:	Michael P. Robertson, CA
Group Headquarters and Registered Office:	Tricorn House Five Ways Hagley Road Birmingham B16 8TP
Registration details:	The company is registered in England Company number 01812912
Auditors:	Casson Beckman Bow Chambers 8 Tib Lane Manchester M2 4JB
Registrars and Transfer Office:	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Bankers:	Lloyds Bank Plc PO Box 44 125 Colmore Row Birmingham B3 3AD
Solicitors:	Halliwell Landau St. James's Court Brown Street Manchester M2 2JF
Nominated Advisors and Brokers	Teather & Greenwood 12-20 Camomile Street London EC3A 7NN

NETCALL plc

Chairman's Statement

The first full year's trading as a focused technology group has seen all main objectives achieved, with the Group making the essential investment to ensure that our software technology is internationally represented and that it is proven and operational in a broad spread of businesses. This crucial stage has provided user feedback, endorsement, routes to market and initial revenue and our substantial investment in product development and market position is now being rewarded by recognition from major international companies.

With the change of direction of the Group and the decision taken to focus on Netcall Technologies Limited, a programme of non core asset disposals was implemented and this has now almost been completed. Whilst the majority of those disposals have realized cost or a surplus over book value, it has been necessary to make a provision in the accounts of £177,500 comprising the expected cost of assigning the lease on our Birmingham head office, which is now surplus to requirements, and the loss incurred since the year end in disposing of the remaining unquoted investments. Two other, 'one-off', items have increased the total reported loss for the year of £1,322,761, the cost of joining The Alternative Investment Market £45,400, and a write off of goodwill £79,567. When these are deducted a figure of £1,020,294 is left, the majority of which represents the planned expenditure at Netcall Technologies Limited.

The achievements at Netcall Technologies Limited, since its acquisition in March 1996, have been considerable. WeBX™ has been designed, developed and successfully launched with pilot systems installed at Bull Information Systems, ICL and InfoBank in December 1996. Further systems comprising WeBX™ have been supplied to other leading organizations including Flatiron Publishing, publishers of Computer Telephony Magazine, Novell Inc. and Perot Systems in the United States of America.

In May 1997, Netcall Technologies Limited announced Someone™, an innovative telephony service which enables any organization large or small, whether or not it even owns a computer let alone maintains constant access to the Internet, to be immediately linked by a normal telephone call to a potential customer viewing their web page or directory entry on the World Wide Web. Revenue will be earned from this service by way of sign on fees and telephony charges. Since that announcement, stringent testing has been taking place in the UK prior to the launch in the United States of America now planned for November 1997.

The importance of this development, based on Netcall's HyperPhone Link™, can be measured by the quality and depth of interest expressed in Someone™ and the level of serious negotiations currently being conducted with telecommunications companies wishing to license the technology and the number of Internet directories, guides and electronic commerce organizations intending to become re-sellers. This reinforces the Board's view that our confidence in Someone's™ potential to become a major contributor to Group profits in the near future is fully justified.

The transition from a diversified investment group to a technology company focusing on CTI has not been achieved without considerable effort on behalf of every member of staff and on your behalf I would like to thank them for all their support.

Netcall has achieved the key aspects of its business strategy utilizing its own resources thus retaining ownership of its Intellectual Property. It is now poised to capitalise on its substantial investment.

Jeffrey Rubins

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30th June 1997.

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 financial statements 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. They 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 whose principal activity is the development, supply and maintenance of computer telephony software.

Review of developments
Details of the group's performance are given in the consolidated profit and loss account on page 9 and the notes on pages 14 to 19. The position of the group and the company at the end of the year is set out in the balance sheets on pages 10 and 11 and the notes on pages 20 to 28.

In accordance with its aim of becoming a focused technology group, the company disposed of a substantial proportion of its investment in Winchester Trust Limited as detailed in note 2(a) to the accounts. Since the year end the balance of this holding has been sold.

Research and development
The group continues an active programme of research and development in its subsidiary company Netcall Technologies Limited. The costs in the year amounted to £221,337 (1996 - £126,100). In addition, expenditure on sales and marketing of new products which is necessarily incurred in advance of sales revenues, has been substantial.

Dividends
The directors do not recommend the payment of a dividend.

Directors' Report (continued)

Going concern
After making enquiries, the Board of Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Future prospects
The directors consider that the group is well placed to continue to perform satisfactorily given a favourable trading climate.

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 75 days, whereas the proportion of average month end trade creditor balances to amounts supplied during the year gives an average payment term of 37 days.

Directors
The directors listed below held office throughout the year unless otherwise stated and their interests in the company's shares at 30th June 1997 and 1996, or date of appointment, were:

		1997		1996	
		Beneficial	**Non-beneficial**	**Beneficial**	**Non-beneficial**
J. Rubins		3,878,206	1,355,129	3,878,206	1,355,129
K. Billings	(resigned 17.9.96)	-	-	-	-
R. Allsop		515,638	-	415,638	-
J. Burnett		1,875,000	-	1,950,000	-
D. Robson		-	-	-	-
P. Dawe	(appointed 5.9.96) (resigned 2.7.97)	500,000	-	-	-

Directors' interests in share options are:

	Date Granted	At 1st July 1996	Exercised in the year	At 30th June 1997	Exercise price	Exercisable from date granted
K. Billings	16/1/90	200,000	200,000	-	15p	between 2 and 7 years
R. Allsop	16/1/90	100,000	100,000	-	15p	between 2 and 7 years
J. Rubins	2/10/92	200,000	-	200,000	15p	between 2 and 7 years
J. Burnett	5/03/96	1,267,500	-	1,267,500	20p	between 1 and 3 years
J. Burnett	5/03/96	1,267,500	-	1,267,500	50p	between 2 and 5 years
D. Robson	5/03/96	1,155,000	-	1,155,000	20p	between 1 and 3 years
D. Robson	5/03/96	455,000	-	455,000	50p	between 2 and 5 years

Under the terms of the acquisition of Netcall Technologies Limited, Messrs. Burnett and Robson will be entitled to a maximum of 1,950,000 and 700,000 further shares respectively in Netcall plc if performance targets in the year ended 30th June 1999 are achieved.

In accordance with the company's Articles of Association, Mr. J Rubins retires by rotation and, being eligible, offers himself for re-election.

Directors' Report (continued)

Other matter
Ashley Hayman, a partner in the group's auditors, Casson Beckman, is a trustee of a trust which holds greater than 1% of the issued share capital of Netcall plc. Mr. Hayman has not been involved in the audits of any of the group companies.

Auditors
A resolution to reappoint Casson Beckman as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 28th October 1997.

Signed on behalf of the Board

M.P. Robertson
Secretary

NETCALL plc

Auditors' Report to the Shareholders of Netcall plc

We have audited the financial statements on pages 9 to 28 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 14 to 16.

Respective responsibilities of directors and auditors

As described on page 5, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 mis-statement, 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 of the state of the affairs of the group and the company at 30th June 1997 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Casson Beckman
Chartered Accountants and
Registered Auditors
Bow Chambers
8 Tib Lane
Manchester
M2 4JB

29th October 1997

NETCALL plc

Consolidated Profit and Loss Account

Year ended 30th June 1997

	Note	1997 £	1996 £
Turnover - continuing operations		477,456	514,030
- discontinued operations		14,000	100,065
	3	491,456	614,095
Administration and other operating expenses		1,782,190	731,115
Costs of admission to Alternative Investment Market		45,400	-
		1,827,590	731,115
Operating loss - continuing operations	5	(1,336,134)	(117,020)
Profit on sale of investments	6	45,000	81,544
Loss on deemed disposal of subsidiary		(31,074)	-
Loss on ordinary activities before interest		(1,322,208)	(35,476)
Interest receivable	7	28,249	24,433
Interest payable	8	(28,802)	(12,193)
Loss on ordinary activities before taxation		(1,322,761)	(23,236)
Tax on loss on ordinary activities	9	500	-
Loss for the financial year		(1,322,261)	(23,236)
Loss per ordinary share	11	(9.30p)	(0.19p)

NETCALL plc

Consolidated Balance Sheet

30th June 1997

	Note	1997 £	1997 £	1996 £	1996 £
Fixed assets					
Tangible assets	12		467,166		978,169
Investments	13		-		5,000
			467,166		983,169
Current assets					
Stocks		18,079		6,592	
Debtors due within one year	14	394,386		274,044	
Debtors due after more than one year	14	199,778		214,778	
Investments	15	167,375		236,500	
Cash at bank and in hand		12,856		84,056	
		792,474		815,970	
Creditors: amounts falling due within one year					
Bank loans and overdrafts	18	188,410		282,722	
Trade creditors		147,416		60,453	
Other creditors including taxation and social security	16	265,824		125,414	
		601,650		468,589	
Net current assets			190,824		347,381
Total assets less current liabilities			657,990		1,330,550
Creditors: amounts falling due after more than one year	17		(87,258)		(223,804)
			570,732		1,106,746
Capital and reserves					
Called up share capital	19		753,613		672,818
Special and capital reserves	20		870,940		165,488
Profit and loss account	20		(1,053,821)		268,440
Equity shareholders' funds			570,732		1,106,746

These financial statements were approved by the Board on 28th October 1997.
Signed on behalf of the Board of Directors

J. Rubins
Director

NETCALL plc

Parent Company Balance Sheet

30th June 1997

	Note	1997 £	1997 £	1996 £	1996 £
Fixed assets					
Tangible assets	12		82,933		82,933
Investments	13		634,107		940,576
			717,040		1,023,509
Current assets					
Debtors due within one year	14	1,627,712		621,722	
Debtors due after more than one year	14	135,000		150,000	
Investments	15	167,375		236,500	
Cash at bank and in hand		12,745		83,932	
		1,942,832		1,092,154	
Creditors: amounts falling due within one year					
Trade creditors		4,679		-	
Other creditors including taxation and social security	16	289,464		238,940	
		294,143		238,940	
Net current assets			1,648,689		853,214
Total assets less current liabilities			2,365,729		1,876,723
Capital and reserves					
Called up share capital	19		753,613		672,818
Special and capital reserves	20		1,122,281		496,396
Merger reserve	20		403,309		403,309
Revaluation reserve	20		74,321		74,321
Profit and loss account	20		12,205		229,879
Equity shareholders' funds			2,365,729		1,876,723

These financial statements were approved by the Board on 28th October 1997.
Signed on behalf of the Board of Directors

J. Rubins
Director

NETCALL plc

Consolidated Cash Flow Statement

Year ended 30th June 1997

	1997		1996	
	£	£	£	£
Net cash outflow from operating activities		(956,644)		(20,370)
Returns on investments and servicing of finance				
Interest element of finance lease rental payments	(16,801)		(3,220)	
Loan interest paid	(4,200)		(5,118)	
Interest received	28,249		24,433	
Bank interest paid	(7,802)		(3,855)	
		(554)		12,240
Taxation received		1,891		56,883
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	(134,895)		(43,346)	
Receipts from sales of tangible fixed assets	89,967		18,772	
Payments to acquire investments	-		(11,510)	
Receipts from sales of investments	67,000		155,984	
		22,072		119,900
Acquisitions and disposals				
Deemed disposal of subsidiary undertaking	290,654		-	
Purchase of subsidiary undertaking	-		(51,356)	
Bank overdraft transferred on deemed disposal of subsidiary	17,422		-	
		308,076		(51,356)
Net cash (outflow)/ inflow before financing		(625,159)		117,297
Financing				
Capital element of finance lease rental payments	(76,935)		(34,289)	
Issue of ordinary share capital	706,680		-	
Repayment of loans	(26,843)		(155,469)	
Repayment of loan stock	-		(250,000)	
		602,902		(439,758)
Decrease in cash		(22,257)		(322,461)

Further information on the cash flow statement is given in note 25.

Year ended 30th June 1997

Statement of Total Recognised Gains and Losses

	1997 £	1996 £
Loss for the financial year	(1,322,261)	(23,236)

Reconciliation of Movements in Shareholders' Funds

	1997 £	1996 £
Loss for the financial year	(1,322,261)	(23,236)
Issue of shares	706,680	400,000
Goodwill transferred to profit and loss account in respect of deemed disposal of subsidiary	79,567	-
Goodwill written off	-	(627,335)
Net reduction in shareholders' funds	(536,014)	(250,571)
Opening shareholders' funds	1,106,746	1,357,317
Closing shareholders' funds	570,732	1,106,746

Notes to the Accounts

Year ended 30th June 1997

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 as modified by the revaluation of investment properties (see e) below.

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.

Goodwill on consolidation, being the excess of consideration paid over the fair value of separable net assets acquired, is written off to reserves in the year in which it arises.

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) Turnover

Turnover represents commissions, fees and income receivable from customers, excluding VAT. Annual earnings from lease purchase contracts, hire purchase contracts, and mortgages are calculated using either the "sum of the digits" method or the actual variable interest rate so as to give a constant periodic rate of return on the group's net investment.

d) 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
Motor vehicles	25% per annum

1. Accounting policies (continued)

e) Investment properties

No depreciation is provided in respect of freehold and long leasehold investment properties which are held for their investment potential rather than for consumption in the operations of the company. This represents a departure from the requirement to provide depreciation on any fixed asset which has a limited useful economic life. The departure is necessary for the financial statements to show a true and fair view. In accordance with SSAP19 the valuations of the properties are considered annually and the aggregate surplus or deficit, if any, is transferred to the investment revaluation reserve.

f) Investments

Investments are stated at cost less provision for any permanent diminution in value.

g) Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less all further costs to completion and all relevant selling and distribution costs.

h) Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. Finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

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

i) Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Provision is made to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. However no provision is necessary in these accounts.

Notes to the Accounts

Year ended 30th June 1997

1. Accounting policies (continued)

j) 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.

k) Research and Development

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

2. Disposals and Goodwill

a) Winchester Trust Limited.

Winchester Trust Limited was a wholly owned subsidiary at 1st July 1996. On 31st August 1996, 800,000 shares representing 40% of the issued share capital in Winchester Trust Limited were sold for £120,000. Following a share issue by Winchester Trust Limited on 6th November 1996, Netcall plc's shareholding was diluted to 28%, and the subsidiary was deemed to have been disposed of on that date. Netcall plc sold a further 806,000 shares for a consideration of £160,654 in April 1997.

The results of Winchester Trust Limited have been consolidated up to the date of deemed disposal and have been shown under discontinued operations. Comparative figures have been restated. The loss to the group arising from the disposal was £31,074 after taking account of profits of Winchester Trust Limited already recognised in the group's profit and loss account and goodwill of £79,567 which had been written off directly to capital reserves on acquisition of Winchester Trust Limited. The cash effects of the disposal are given in note 25(e). The remaining investment in Winchester Trust Limited which represents 9% of its issued share capital at 30th June 1997 has been treated in the accounts as a current asset investment.

b) Warrior P.C.I. Limited

Prior to its acquisition by Netcall plc, Netcall Technologies Limited held 50% of the issued ordinary share capital of Warrior P.C.I. Limited. As a result of its acquisition by Netcall plc, it was required under the terms of the joint venture agreement with the other 50% shareholder of Warrior P.C.I Limited, to sell its shareholding to that shareholder.

The shareholding was sold for £50,000 on 5th November 1996.

c) Goodwill

The cumulative amount of goodwill charged to reserves is £976,512 (1996- £1,056,079).

Notes to the Accounts

Year ended 30th June 1997

3. Analysis of turnover

Analysis of turnover by class of business	1997 £	1996 £
Corporate fee income	105,570	241,730
Management services	117,670	179,120
Rental income	31,625	64,893
Aircraft mortgage finance	-	53,976
Supply and maintenance of computer software/hardware	233,517	69,956
Commission income	3,074	4,420
	491,456	614,095

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

Statement of Standard Accounting Practice Number 25, Segmental Accounting, requires detailed information in respect of trading activities within a group where these activities are diverse. The directors are of the opinion that the disclosure of the information required by this standard would be seriously prejudicial to the interests of the group and therefore the information has not been included within these financial statements.

4. Information regarding directors and employees

	1997 £	1996 £
Directors' emoluments:		
For services as directors	238,389	172,860
Gains made on exercise of share options	40,000	-
Highest paid director's emoluments:		
For services as director	85,252	60,388

Employee costs during the year:	£	£
Wages and salaries	416,855	291,854
Social security costs	44,209	31,296
	461,064	323,150

Average number of persons employed:	No	No
Sales staff	15	3
Management and administration	8	8
	23	11

Notes to the Accounts

Year ended 30th June 1997

5. Operating loss

	1997 £	1996 £
Operating loss is after charging/(crediting):		
Research and development costs	221,337	126,100
Rentals under operating leases:		
Hire of plant and machinery	1,328	706
Other operating leases	59,126	58,070
Depreciation of tangible fixed assets:		
Own assets	39,191	16,385
Assets held under finance leases and hire purchase contracts	52,971	12,245
Loss/(profit) on sale of fixed assets	5,196	(1,303)
Auditors' remuneration:		
Audit	8,750	10,750
Other services	5,000	5,000
Exceptional charges:		
Write down of investment (note 15)	112,500	-
Rent provision	50,000	-

The rent provision arises from the company's decision to reduce the floor space it occupies at its premises and let the space made available. The company is committed to pay rent in accordance with a lease on the premises for a number of years at a level in excess of that which the directors expect to be able to let this space. The provision represents the future shortfall to the end of the lease.

Administration and other operating expenses cannot be split into those relating to continuing operations and those relating to acquisitions and discontinued operations. The operating loss is therefore disclosed as arising solely from continuing operations.

6. Profit on sale of investments

	1997 £	1996 £
Profit on investments and stocks held for dealing	-	3,626
Profit on disposal of associated company investment, net of profits already recognised in the group accounts	-	77,918
Profit on disposal of shareholding in Warrior PCI Limited	45,000	-
	45,000	81,544

7. Interest receivable

	1997 £	1996 £
Short term deposits	889	1,602
Loans	27,360	22,831
	28,249	24,433

Notes to the Accounts

Year ended 30th June 1997

8. Interest payable

Bank overdraft	7,803	3,855
Loan stock	-	994
Other loans	4,200	4,124
Finance charges - finance leases and hire purchase contracts	16,799	3,220
	28,802	12,193

9. Tax on loss on ordinary activities

	1997	1996
	£	£
Adjustment to prior years' tax provisions	500	-

There is no liability to United Kingdom corporation tax on the results for the year (1996 - £nil).

10. Profit 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 £217,674 (1996 - profit of £296,643).

11. Loss per ordinary share

The calculation of loss per ordinary share is based on a loss of £1,322,261 (1996 loss of £23,236) and on an average of 14,214,874 (1996 - 12,123,028) ordinary shares in issue during the year.

Notes to the Accounts

Year ended 30th June 1997

12. Tangible fixed assets

GROUP	Investment properties	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1st July 1996	746,933	159,322	167,574	1,073,829
Additions	-	146,691	101,631	248,322
Deemed disposals	(572,000)	-	-	(572,000)
Disposals	(92,000)	-	(8,750)	(100,750)
At 30th June 1997	82,933	306,013	260,455	649,401
Accumulated depreciation				
At 1st July 1996	-	48,584	47,076	95,660
Charge for the year	-	38,047	54,115	92,162
Deemed disposals	-	-	-	-
Disposals	-	-	(5,587)	(5,587)
At 30th June 1997	-	86,631	95,604	182,235
Net book value				
At 30th June 1997	82,933	219,382	164,851	467,166
At 30th June 1996	746,933	110,738	120,498	978,169

COMPANY	Investment properties
	£
Cost or valuation	
At 1st July 1996 and 30th June 1997	82,933
Depreciation	
At 1st July 1996 and 30th June 1997	-
Net book value	
At 30th June 1996 and 30th June 1997	82,933
Comparable amounts determined according to the historical cost convention	
Cost	8,612
Accumulated depreciation	860
Net book value	
At 30th June 1997	7,752
At 30th June 1996	7,924

12. Tangible fixed assets (continued)

Investment properties are stated at their valuations on acquisition of subsidiaries plus subsequent additions at cost. The directors have considered the value at 30th June 1997 and have found no cause to amend their valuations.

The deemed disposals of investment properties result from the deemed disposal of Winchester Trust Limited which owns them (see note 2 to the accounts).

The net book value of investment properties comprises freehold properties of £82,933.

The net book value of fixtures, fittings and equipment, and motor vehicles includes £211,918 (1996 - £146,144) in respect of assets held under finance leases and hire purchase contracts.

13. Investments

	Subsidiary undertakings £	Other investments £	Total £
GROUP			
At 1st July 1996	-	5,000	5,000
Disposals	-	(5,000)	(5,000)
At 30th June 1997	-	-	-
COMPANY			
At 1st July 1996	940,576	-	940,576
Transfer to current asset investments	(60,375)	-	(60,375)
Disposals	(246,094)	-	(246,094)
At 30th June 1997	634,107	-	634,107

All subsidiary undertakings are wholly owned and registered in England. Nine subsidiaries are non-trading, the others trade as follows:

	Main activity
Netcall Technologies Limited	Development, supply and maintenance of computer telephony software.
A.C. Leasing Limited	Managing capital equipment leasing contracts and providing management services.

Notes to the Accounts

Year ended 30th June 1997

14. Debtors

	Group 1997 £	Group 1996 £	Company 1997 £	Company 1996 £
Trade debtors - due within one year	131,479	68,773	27,805	
Loan receivables - due within one year	17,740	22,740	-	-
- due after more than one year	135,000	150,000	135,000	150,000
Amounts owed by subsidiary undertakings	-	-	1,448,010	498,088
Amounts owed by associated undertakings	-	10,078	-	-
Tax recoverable	-	1,391	-	1,391
Secured loans	40,000	40,000	40,000	40,000
Other debtors - due within one year	119,619	98,944	83,737	62,445
- due after more than one year	64,778	64,778	-	-
Prepayments and accrued income	85,548	32,118	28,160	19,798
	594,164	488,822	1,762,712	771,722
Due within one year	394,386	274,044	1,627,712	621,722
Due after more than one year	199,778	214,778	135,000	150,000
	594,164	488,822	1,762,712	771,722

15. Investments held as current assets

Group and Company	Unlisted investments £
Cost	
At 1st July 1996	236,500
Transfer from fixed asset investments	60,375
Disposals	(17,000)
At 30th June 1997	279,875
Provisions for permanent diminution in value	
Provided in year	(112,500)
At 30th June 1997	(112,500)
Net book value	
At 30th June 1997	167,375
At 30th June 1996	236,500

15. Investments held as current assets (continued)

The provision has been made to write down the carrying amount of one of the unlisted investments to the value at which it was disposed of after the year end.

The investments represent holdings of less than 10% of the issued share capital in three companies. In two of these companies, Mr. Rubins is by way of these investments, a non-executive director. Apart from the original purchase and disposal of these shares, there have not been any other transactions between the companies.

Mr. Rubins and Mr. Allsop remain executive directors in Winchester Trust Limited which was previously a subsidiary company (see note 2). Transactions between the group and Winchester Trust Limited are shown in note 23.

16. Other creditors including taxation and social security

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Taxation and social security	28,651	17,193	7,414	6,130
Obligations under finance leases and hire purchase contracts	83,530	58,840	-	-
Accruals and deferred income	97,758	49,381	14,703	9,569
Amounts owed to subsidiary undertakings	-	-	217,347	223,241
Other creditors	55,885	-	50,000	-
	265,824	125,414	289,464	238,940

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

	1997	1996
Bank loans	-	148,348
Obligations under finance leases and hire purchase contracts	87,258	75,456
	87,258	223,804

18. Borrowings

	1997	1996
Bank overdraft	188,410	237,353
Bank loans	-	193,717
Obligations under finance leases and hire purchase contracts	170,788	134,296
	359,198	565,366

Notes to the Accounts

Year ended 30th June 1997

18. Borrowings (continued)

Analysis of repayments:	Group 1997 £	Group 1996 £
Within one year or on demand	271,940	341,562
Between one and two years	72,081	87,684
Between two and five years	15,177	136,120
	359,198	565,366

The bank loans and overdrafts are secured by fixed and floating charges on the assets of the group companies.

The bank loans were repayable by instalments at interest rates of 2.5% - 3.0% above bank base rates.

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

19. Called up share capital

	1997 £	1996 £
Authorised		
49,884,000 ordinary shares of 5p each	2,494,200	2,494,200
Allotted and fully paid		
15,072,261 (1996 - 13,456,361) ordinary shares of 5p each	753,613	672,818

During the year 1,615,900 ordinary shares of 5p each were issued for a consideration of £706,680, which included the exercise of 350,000 15p options, and 340,000 share options were granted to members of staff.

Share options outstanding at 30th June 1997 were:

Date granted	Number of ordinary shares of 5p each	Exercise price	Exercisable from date granted
2nd October 1992	200,000	15p	between 2 and 7 years
5th March 1996	3,082,000	20p	between 1 and 3 years
5th March 1996	2,002,000	50p	between 2 and 5 years
8th May 1996	145,000	30p	between 1 and 7 years
17th October 1996	140,000	50p	between 1 and 7 years
26th March 1997	200,000	75p	between 1 and 7 years

20. Reserves

	Share premium	Special and capital reserves	Merger reserve	Revaluation reserve	Profit and loss account
	£	£	£	£	£
GROUP					
At 1st July 1996	-	165,488	-	-	268,440
Loss for the year	-	-	-	-	(1,322,261)
Goodwill written back	-	79,567	-	-	-
Premium on share issue	625,885	-	-	-	-
At 30th June 1997	625,885	245,055	-	-	(1,053,821)
COMPANY					
At 1st July 1996	-	496,396	403,309	74,321	229,879
Loss for the year	-	-	-	-	(217,674)
Premium on share issue	625,885	-	-	-	-
At 30th June 1997	625,885	496,396	403,309	74,321	12,205

21. Operating lease commitments

At 30th June 1997 the group was committed to making the following payments during the next year in respect of operating leases.

Leases which expire:	1997 £
Within two to five years	2,125
After five years	62,555

22. Contingent liabilities

(i) Certain group companies are party to a group VAT registration. The company's contingent liability in respect thereof at 30th June 1997 was £nil (1996 £nil).

(ii) The company has given a guarantee to Lloyds Bank plc up to a maximum of £150,000 to secure the borrowings of a subsidiary undertaking.

(iii) The company continues to act as guarantor for the lease obligations of Harnbury Holdings Limited, which includes rents of £30,750 per annum on a 15 year term commencing 24th June 1992. A fee is received for giving this guarantee.

Notes to the Accounts

Year ended 30th June 1997

23. Related party transactions

During the year A.C. Leasing Limited charged Winchester Trust Limited, a company which had previously been a subsidiary, £10,000 for management services. Winchester Trust Limited was also charged £7,860 in respect of interest on a loan by Netcall plc. Messrs Rubins and Allsop, directors of Netcall plc are also directors of Winchester Trust Limited.

The company made a loan of £25,000 to Searchwell Limited a subsidiary of Winchester Trust Limited. The loan was for two months and bore no interest.

24. Transactions involving directors

During July 1996 the company sold 1.8 million warrants to subscribe for shares in Winchester Trust Limited at 20p each. Of these, 500,000 were purchased by each of Messrs Rubins and Allsop for which they each paid £5,000.

On the 3rd February 1997 the company received a loan of £140,000 for three months bearing interest at 12% pa, from a trust in which Mr. Rubins is a trustee and an ultimate beneficiary. The loan was repaid on 28th April 1997.

25. Cash flow statement

a) **Reconciliation of operating loss to net cash outflow from operating activities**	**1997 £**	**1996 £**
Operating loss	(1,336,134)	(117,020)
Depreciation charges	92,162	28,630
Loss/(profit) on sale of tangible fixed assets	5,196	(1,303)
Write down of investment	112,500	-
Increase in stocks	(11,487)	(6,592)
(Increase)/decrease in debtors	(120,104)	632,550
Increase/(decrease) in creditors	301,223	(556,635)
Net cash outflow from operating activities	(956,644)	(20,370)

Notes to the Accounts

Year ended 30th June 1997

25. Cash flow statement (continued)

b) Reconciliation of net cash flow to movement in net debt

	£
Decrease in cash in the period	(22,257)
Cash inflow from net increase in secured loans	(9,649)
Cash inflow on disposal of investment	(17,000)
Change in net debt resulting from cashflows	(48,906)
Loans disposed of with subsidiary	166,874
Reclassification of investment	60,375
Diminution in value of investment	(112,500)
Movement in net debt in the period	65,843
Net debt at 1st July 1996	(244,810)
Net debt at 30th June 1997	(178,967)

c) Analysis of changes in net debt

	At 1st July 1996	Cash Flows	Disposal	Other changes	At 30th June 1997
	£	£	£	£	£
Cash at bank and in hand	84,056	(71,200)	-	-	12,856
Bank overdrafts	(237,353)	48,943	-	-	(188,410)
		(22,257)			
Debt due within one year	(104,209)	(24,690)	45,369	-	(83,530)
Debt due after one year	(223,804)	15,041	121,505	-	(87,258)
		(31,906)			
Current asset investments	236,500	(17,000)	-	(52,125)	167,375
Total	(244,810)	(48,906)	166,874	(52,125)	(178,967)

Notes to the Accounts

Year ended 30th June 1997

25. Cash flow statement (continued)

d) Major non-cash transactions

During the year the company entered into hire purchase and finance lease agreements in respect of assets with a total capital value at the inception of the leases of £122,931.

e) Disposal of subsidiary undertaking

	1997
	£
Net assets disposed of	
Tangible fixed assets	572,000
Debtors	13,371
Overdraft	(17,422)
Loans	(166,874)
Creditors	(98,539)
	302,536
Satisfied by	
Investment retained	60,375
Cash received	290,654
Loss on disposal	31,074
Goodwill on acquisition of Winchester Trust Limited written back to the profit and loss account	(79,567)
	302,536

The cash flow statement of the group includes cash flows in respect of the subsidiary undertaking disposed of during the year comprising:

	1997	1996
	£	£
Net operating cash flows	(92,909)	152,043
Returns on investment and servicing of finance	-	3,764
Capital expenditure	88,067	(49,668)

NETCALL plc

Group Financial Record

Profit and loss account summary	1993 £	1994 £	1995 £	1996 £	1997 £
Turnover	341,683	379,263	314,571	614,095	491,456
Operating profit/(loss)	(33,949)	34,101	(115,396)	(117,020)	(1,336,134)
Other and exceptional items	31,250	24,380	-	-	-
Share of profits of associated undertakings	-	21,946	24,636	-	-
Interest receivable	(63,748)	45,290	45,307	24,433	28,249
Rental income (included in turnover from 1996)	22,279	26,928	-	-	-
Profit/(loss) on investments	137,388	24,428	35,759	81,544	45,000
Loss on disposal of subsidiary	-	-	-	-	31,074
Profit/(loss) on ordinary activities before taxation	93,220	177,073	(55,559)	(23,236)	(1,322,761)
Profit/(loss) for the financial year	116,197	178,834	(55,559)	(23,236)	(1,322,261)
Earnings/(loss) per ordinary share	1.01p	1.56p	(0.49p)	(0.19p)	(9.30p)

Balance sheet summary					
Fixed assets (including associates)	847,571	834,431	827,657	983,169	467,166
Net current assets	928,633	1,070,422	725,261	347,381	190,824
Total assets less current liabilities	1,776,204	1,904,853	1,552,918	1,330,550	657,990
Long term liabilities and charges	(542,162)	(491,977)	(195,601)	(223,804)	(87,258)
Capital employed	1,234,042	1,412,876	1,357,317	1,106,746	570,732

NETCALL plc

Form of proxy for Annual General Meeting

I/We ....
Block letters please

being (a) member(s) of Netcall plc hereby appoint the Chairman of the meeting, or failing him*

....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday 2nd December 1997 and at any adjournment thereof.

* If it is desired to appoint as proxy any other person, delete the Chairman of the meeting and insert the name of your proxy; the alteration must be initialled.

ORDINARY BUSINESS	FOR	AGAINST
1. To approve Directors' Report and Accounts and Auditors' Report. (Resolution No. 1)		
2. To elect Jeffrey Rubins as a Director. (Resolution No. 2)		
3. To reappoint the Auditors. (Resolution No. 3)		
4. To give Directors power to issue shares pursuant to Section 80 of the Companies Act 1985. (Resolution No. 4)		
5. To give Directors power to issue shares pursuant to Section 95 of the Companies Act 1985. (Resolution No. 5)		

Signature .... Date ....

Please indicate in the appropriate space the manner in which the proxy is to vote. Unless otherwise indicated, the proxy will exercise discretion as to how to vote or whether to abstain from voting.

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 3DA, 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.

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First fold

THE REGISTRARS,
NEVILLE REGISTRARS LIMITED,
18 LAUREL LANE,
HALESOWEN,
WEST MIDLANDS,
B63 3DA

Third fold
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