

19 March 2008

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

Netcall plc (AIM:NET), a leading provider of callback, auto-messaging and contact solutions, today announces interim results for the six months ended 31 December 2007.

Financial Highlights

- Turnover £1.69 million (H1 FY2007: £2.0 million)
- Gross profit margin 89% (H1 FY2007: 87%)
- Profit before share based charges and tax £282,900 (H1 FY2007: £429,000)
- Profit after tax up 80% to £675,700 (H1 FY2007: £375,100)
- Cash position up 37% to £2.73 million (H1 FY2007: £2.0 million)
- Recurring revenues £1.44 million (H1 FY2007: £1.39 million)

Operational Highlights

- Existing customers extended use of flagship product QueueBuster including Lloyds Bank and Aviva
- Added new blue chip customers including Interflora and Reuters
- Signing of a new strategic partnership with Cable & Wireless

Ron Elder, Chairman of Netcall, commented, “The demand for our products remains strong and we continue to gain traction in the market. Netcall has an increasingly substantial cash position and, given our robust cost management, strength of recurring revenues and our strong business prospects we look toward the second half with confidence.”

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Chairman's Statement

During the first half of this financial year Netcall has continued to expand its customer base. Whilst difficult market conditions meant that performance in the first half did not deliver the financial results we had anticipated, the Board believes the business fundamentals continue to be strong. We remain confident that, based on current business levels together with a strong pipeline and ongoing robust cost management, the Company will achieve a satisfactory outcome for the year.

Financials

Turnover for the six months ended 31st December 2007 declined by 16% to £1.69 million compared to the same period in 2006. The result was affected by a decline in licence sales with a number of customers delaying purchasing decisions. This included delays in projects via channel partners of which QueueBuster was an element. Service revenue showed marginal growth, with the hosted services business continuing to see an increase in its customer base. However, the lower activity levels principally amongst our financial services customers, has resulted in lower service revenues from a number of existing customers.

The underlying performance of the Company continues to strengthen. A key element of the Company's strategy is to develop a long term, predictable and recurring revenue stream. This resulted in a 3.2% increase in recurring Maintenance & Support and Services revenues. We continued our focus on cost control delivering an improved gross margin of 89% compared to 87% last year. Operating costs for the period were reduced by 4.2% to £1.29m compared to the same period in 2006.

The proportion of sales coming through our established sales channels was similar to that in the same period last year at 42%. New business won through these partners included contracts with Reuters and Prudential. It is also very encouraging to see the first revenues being generated from our third party hosted platform implemented in Cable & Wireless' environment which commenced operations in November 2007 following the signing of a new strategic partnership agreement.

The decline in revenue has affected profitability with the Company reporting profits before share based charges of £282,900 compared to £429,000 in the same period last year.

The Company has substantial trading tax losses which are available for offset against future taxable profits. With the Company's continuing increase in recurring revenues we have made an initial recognition of a deferred tax asset to reflect the recoverability of those trading tax losses in the foreseeable future. Under accounting convention this has resulted in a significant non-cash tax credit to the profit and loss account in this period.

Post tax profits achieved were £675,700 being an increase of 80% over the same period last year.

The Company has fully adopted IFRS with effect from the commencement of this financial year. Following this adoption there has been no material restatement of previously reported results.

The Company's cash position has improved significantly and remains strong with a cash balance at the half year-end of £2.7m, an increase of £0.8m compared to the same period in 2006. The cash position continues to grow since the end of the period, emphasising the cash generative nature of the business.

Operations

During the year, the Company broadened its customer base with the addition of several prestigious organisations including Interflora and Newcastle Building Society. We received additional orders from a number of our existing customers including Lloyds Bank and Aviva. This demonstrates the continued demand for our solution from major organisations that wish

to enhance customer service whilst at the same time improve levels of efficiency within their call centre operations. Additionally our products continue to show very strong performance metrics, with customers continuing to endorse our solutions as shown in the increasing number of case studies available from Netcall and our partners.

We are pleased to report that across our market sectors the business pipeline is healthy and given expected conversion rates, we are confident of a strong second half.

We continue to invest in our sales operation and, whilst this has led to an increase in fixed costs we believe this is a necessary and strategically important investment for the future benefit of the business.

Product development

To support sales, the main focus of product development during the period has been on making Netcall's product portfolio easier to use and integrate. We have achieved full Avaya compliance status during the period which is important given the predominance of Avaya technology in the call centre market. Additionally our platform has been successfully integrated into complex IP infrastructures supplied by CISCO and Alcatel-Lucent.

Outlook

The demand for our products remains strong and we continue to gain traction in the market. Whilst we have seen a general broadening of the customer base, difficult macro-economic conditions have had a negative effect on business levels in the first half. It is possible that these conditions will also affect the current trading period.

Netcall has an increasingly substantial cash position and, given its robust cost management, strength of recurring revenues and its strong business prospects we look toward the second half with confidence. Accordingly, at this stage we expect profits will be in line with market expectations, with the Company remaining on track to achieve its goals and focused on the delivery of shareholder value.

Condensed Consolidated Interim Income Statement

	6 months to 31 December 2007 (unaudited) £'000	6 months to 31 December 2006 (unaudited) £'000	Year to 30 June 2007 (audited) £'000
Continuing operations			
Revenue	1,690.7	2,006.5	4,112.3
Products	779.3	1,097.1	2,107.3
Services	911.4	909.4	2,005.0
Cost of sales	(185.7)	(265.0)	(535.2)
Gross profit	1,505.0	1,741.5	3,577.1
Administrative costs before share based payment charges	(1,293.4)	(1,350.1)	(2,765.4)
Share based payment charges	(150.0)	(53.9)	(131.4)
Total administrative expenses	(1443.4)	(1,404.0)	(2,896.8)
Profit before interest and tax	61.6	337.5	680.3
Finance costs receivable	71.3	41.2	92.0
Finance costs payable	-	(3.6)	(5.3)
Profit before tax	132.9	375.1	767.0
Income tax expense (note 5)	542.8	-	-
Profit for the period	675.7	375.1	767.0
Profit before share based charges, interest and tax	211.6	391.4	811.7
Profit before share based charges and tax	282.9	429.0	898.4
Earnings per share total and continuing:			
Basic earnings per share	1.02	0.6	1.16
Diluted earnings per share	0.96	0.6	1.12

Condensed Consolidated Interim Balance Sheet

	31 December 2007 (unaudited) £'000	31 December 2006 (unaudited) £'000	30 June 2007 (audited) £'000
Fixed assets			
Property, plant and equipment	123.0	139.9	157.9
Intangible assets	5.2	19.7	0.6
Deferred tax asset	542.8	-	-
	<u>671.0</u>	<u>159.6</u>	<u>158.5</u>
Current assets			
Inventories	116.5	45.9	38.1
Trade and other receivables	1,205.4	1,443.8	1,622.8
Cash and cash equivalents	2,731.7	2,001.0	2,360.5
	<u>4,053.6</u>	<u>3,490.7</u>	<u>4,021.4</u>
Total current assets			
	<u>4,724.6</u>	<u>3,650.3</u>	<u>4,179.9</u>
Total assets	<u><u>4,724.6</u></u>	<u><u>3,650.3</u></u>	<u><u>4,179.9</u></u>
LIABILITIES			
Current liabilities			
Trade and other payables	1,221.0	1,346.9	1,502.0
Current portion of long term borrowings	-	30.0	-
	<u>1,221.0</u>	<u>1,376.9</u>	<u>1,502.0</u>
Non-current liabilities			
Long-term borrowings	-	42.5	-
	<u>-</u>	<u>42.5</u>	<u>-</u>
Total liabilities	<u>1221.0</u>	<u>1,419.4</u>	<u>1,502.0</u>
Net assets	<u><u>3,503.6</u></u>	<u><u>2,230.9</u></u>	<u><u>2,677.9</u></u>
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	3,302.5	3,299.9	3,302.5
Share premium account	2.4	15,126.4	2.4
Special and capital reserve	-	245.1	-
Employee share schemes reserve	440.9	213.4	290.9
Profit and loss account	(242.2)	(16,653.9)	(917.9)
	<u>3,503.6</u>	<u>2,230.9</u>	<u>2,677.9</u>
Total equity	<u><u>3,503.6</u></u>	<u><u>2,230.9</u></u>	<u><u>2,677.9</u></u>

Condensed Consolidated Interim Cash Flow Statement

	6 months to 31 December 2007 (unaudited)	6 months to 31 December 2006 (unaudited)	Year to 30 June 2007 (audited)
	£'000	£'000	£'000
Cash generated from operations	304.9	197.7	642.3
Interest paid	-	(3.6)	(5.3)
Net cash from operating activities	304.9	194.1	637.0
Cash flows from investing activities			
Purchase of property, plant and equipment	(3.3)	(9.0)	(48.3)
Purchase of intangible assets	(1.7)	(33.8)	(33.8)
Interest received	71.3	41.2	92.0
Net cash used in investing activities	66.3	(1.6)	9.9
Cash flows from financing activities			
Proceeds from issue of share capital	-	4.0	(18.4)
Repayment of long-term borrowings	-	(15.0)	(87.5)
Net cash used in financing activities	-	(11.0)	(105.9)
Net increase in cash and cash equivalents	371.2	181.5	541.0
Cash and cash equivalents at beginning of period	2,360.5	1,819.5	1,819.5
Cash and cash equivalents at end of period	2,731.7	2,001.0	2,360.5

Notes to the Condensed Consolidated Interim Financial Statements

1. Nature of operations and general information

Netcall plc and subsidiaries' ('the Group') principal activities include the design, development and marketing of advanced technologies that enable businesses to integrate and manage telephony efficiently.

Netcall plc is the Group's ultimate parent company. It is incorporated and domiciled in Great Britain. The address of Netcall plc's registered office, which is also its principal place of business, is 10 Harding Way, St Ives, Cambridgeshire, United Kingdom, PE27 3WR. Netcall plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

These consolidated condensed interim financial statements have been approved for issue by the Board of Directors 19th March 2008.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 30 June 2007, prepared under UK GAAP, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under s237(2) or s237(3) of the Companies Act 1985.

2. Dividend

The Board has not declared an interim dividend to shareholders (2006: 0 pence per share).

3. Accounting policies

Basis of preparation

These interim condensed consolidated financial statements (the interim financial statements) are for the six months ended 31 December 2007. They have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS as adopted by the European Union (EU) and are effective at 30 June 2008 or are expected to be adopted and effective at 30 June 2008, our first annual reporting date at which we are required to use IFRS adopted by the EU.

These interim financial statements have been prepared under the historical cost convention.

Netcall plc's consolidated financial statements were prepared in accordance with United Kingdom Accounting Standards (UK GAAP) until 30 June 2007. The date of transition to IFRS was 1 July 2006. The comparative figures have been reclassified as a result of adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules, presented and explained in note 6.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

4. Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. For the six months ended 31 December 2007 this was 66,050,937 (31 December 2006: 65,996,699 and 30 June 2007: 66,014,672).

The calculation of diluted earnings per share is based on the basic earnings per share, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares. This is based on a dilutive weighted average number of shares of 70,719,528 at 31 December 2007 (31 December 2006: 68,482,553 and 30 June 2007: 68,500,526).

5. Income tax expense

	6 months to 31 December 2007 £'000	6 months to 31 December 2006 £'000	Year to 30 June 2007 £'000
Current tax charge	-	-	-
<i>Deferred tax</i>			
Deferred tax credit - initial recognition	560.0	-	-
Movement in period	(17.2)	-	-
Deferred tax credit	<u>542.8</u>	-	-
Total tax charge	<u><u>542.8</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The tax charge on underlying business performance is calculated by reference to the estimated effective tax rate for the full year. No tax liability or tax charge is expected to arise due to trading losses brought forward which can be utilised in the period for which no deferred tax asset has previously been recognised.

6. Explanation of transition to IFRS

As stated in the Basis of Preparation, these are the Group's first interim financial statements for part of the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below. The transition to IFRS has not resulted in any remeasurement adjustments and a reconciliation of profit and equity is therefore not included.

Reclassification of intangible assets

Under UK GAAP domain names and software costs were recognised within tangible fixed assets. Under IFRS this asset category relates specifically to property, plant and equipment. The domain names and software costs have therefore been reclassified in these IFRS interim financial statements and recognised within non current intangible assets.

	UK GAAP £'000	Reclassifi- cation £'000	IFRS £'000
At 1 July 2006			
Non-current assets			
Property, plant and equipment	154.3	(9.4)	144.9
Intangible assets	-	9.4	9.4
At 31 December 2006			
Non-current assets			
Property, plant and equipment	159.6	(19.7)	139.9
Intangible assets	-	19.7	19.7
At 30 June 2007			
Non-current assets			
Property, plant and equipment	158.5	(0.6)	157.9
Intangible assets	-	0.6	0.6

Explanation of adjustments to the cash flow statement

The definition of cash is narrower under UK GAAP than under IAS 7 "Cash Flow Statements". Under IFRS highly liquid investments, readily convertible to a known amount of cash and with an insignificant risk of changes in value, are regarded as cash equivalents. The cash flow statement in the last UK GAAP financial statements reported movements in cash. The cash flow statement in these IFRS interim financial statements report movements in cash and cash equivalents.

Cash and cash equivalents under IFRS include some investments that were recorded as liquid investments under UK GAAP. Cash and cash equivalents includes £2,000,000 at 30 June 2007 which was accounted for as liquid resources under UK GAAP.