



26 February 2009

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

Netcall plc (AIM:NET), a leading provider of callback, auto-messaging and contact solutions, today announces a positive set of interim results for the six months ended 31 December 2008.

Financial Highlights

- Revenue increased by 19% to £2.01 million (H1 FY2008: £1.69 million).
- Gross profit margin increased to 90% (H1 FY2008: 89%).
- Operating costs, excluding share-based charges, increased by 5% to £1.36 million (H1 FY2008: £1.29 million) with fixed costs declining by 7% to £1.18 million (H1 FY2008: £1.27 million).
- Profit before share-based charges and tax increased by 91% to £0.54 million (H1 FY2008: £0.28 million).
- Profit margin before share-based charges and tax of 27% (H1 FY2008: 17%).
- Cash position improved by 32% to £3.60 million (H1 FY2008: £2.73 million) after investing £0.45 million in share buy-back programme.

Operational Highlights

- Continued expansion of substantial customer base, including contracts in local government, financial services and telecoms sectors.
- Significant revenue growth from multiple industry verticals and continued steady demand from financial services.
- Proportion of revenues from distribution channels remained constant at 41% (H1 FY2008: 42%).
- Good start to second half with trading ahead of last year.

Henrik Bang, CEO of Netcall, commented, “The strong performance in the first half and the continued positive current trading, being ahead of last year, is very encouraging. The current economic conditions make capital investment decisions difficult to predict and consequently the timing of one off licence sales can make a significant variation to results. However, with a healthy pipeline and continued interest in our product offerings, combined with a resilient business model and strong financial fundamentals, we remain confident about the prospects for Netcall.

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Introduction

Netcall is pleased to report a significant improvement in trading for the first half of the financial year compared to the same period last year with revenue showing strong growth. Gross profit margin increased and with continued firm control on costs and cash flow, the period ended with a significant increase in both operating profits and cash balances.

The Board is encouraged to see that revenues from the Financial Services sector remained steady during very challenging market conditions, whilst the Group achieved significant growth from other non-financial verticals. We see the continued demand for our solutions as a demonstration of the strength of the Group's product offerings and an endorsement of the benefits Netcall continues to deliver to organisations adapting to a rapidly changing business environment.

The Group's fundamentals have continued to strengthen with an increasing cash balance, no debt and a high level of recurring revenues combined with strong product offerings and good organisational capabilities. Given these fundamentals the Board believes Netcall is well positioned for future growth.

While the Board remains sensibly cautious about the short term outlook, bearing in mind the current market conditions we are pleased to note that the second half has started well with current trading being ahead of last year.

Financials

Revenue for the six months ended 31 December 2008 increased by 19% to £2.01 million compared to the same period in 2007, with both our Product and Services revenues growing.

A continued focus on cost control resulted in the gross profit margin increasing to 90% compared to 89% in the same period in 2007. Operating costs for the period increased marginally by 5% to £1.36 million from £1.29 million with the fixed costs declining by 7% to £1.18 million. As a result operating costs showed a significant decrease from 77% to 68% of revenues.

The proportion of sales coming through our established sales channels remained steady at 41%, adding significant new names to our customer base. Furthermore the recurring nature of revenues from our hosted platforms and maintenance & support agreements increased and accounted for 74% of total revenue, continuing to provide good visibility.

The Group achieved an increase in operating profit before interest, share based charges and tax of 113% to £0.45 million compared with £0.21 million the previous year. With interest earnings of £0.09 million the adjusted operating profits (profits before share-based charges and tax) increased by 91% to £0.54 million compared with £0.28 million in the same period last year and as a result the adjusted operating profit margin increased from 17% to 27%.

Netcall's cash position grew by 32% to £3.60 million from £2.73 million as at 31 December 2007, reflecting the continued cash-generative nature of the business. During the period Netcall also invested £0.45 million in a share buy-back programme resulting in the Group purchasing and applying for cancellation of 3,750,206 ordinary shares of 5p each purchased at prices between 10.5p and 12.0p.

Operations

We continued the expansion of our substantial customer base, including contracts in local government, financial services and telecoms sectors. Furthermore we received additional orders from a number of existing customers broadening their use of our solutions.

During the period we experienced encouraging demand from all sectors, with non-financial verticals demonstrating strong revenue growth. Netcall's product offerings continued to bring benefits to customers who, in the current environment, are seeking ways to reduce costs and increase operational efficiencies while continuing to provide high levels of customer service. Where already installed, our product continued to show strong performance metrics on both our customer premises and hosted platforms.

The Board is encouraged by a healthy and growing pipeline and while conversion rates are more volatile than in the past, this pipeline gives us confidence in the Group's future performance and ability to deliver long term growth.

Board Changes

On 29 January 2009, Netcall announced that Ron Elder was standing down from the Board with immediate effect in order to pursue other interests. The Board would like to thank Ron for his contribution and wishes him every success with his future endeavours. Following Ron's retirement from the Board, Roger Allsop, non-executive director, was appointed non-executive Chairman with immediate effect. Netcall intends to make new appointments to the Board as soon as it is practicable.

Outlook

The strong performance in the first half and the continued positive current trading, being ahead of last year, is very encouraging. The current economic conditions make capital investment decisions difficult to predict and consequently the timing of one off licence sales can make a significant variation to results. However, with a healthy pipeline and continued interest in our product offerings, combined with a resilient business model and strong financial fundamentals, we remain confident about the prospects for Netcall.

Condensed Consolidated Interim Income Statement

	6 months to 31 December 2008 (unaudited) £'000	6 months to 31 December 2007 (unaudited) £'000	Year to 30 June 2008 (audited) £'000
Continuing operations			
Revenue	2,014.5	1,690.7	3,600.5
Cost of sales	(202.2)	(185.7)	(386.6)
Gross profit	1,812.3	1,505.0	3,213.9
Administrative costs before share-based payment charges	(1,360.8)	(1,293.4)	(2,643.1)
Share-based payment charges	(100.7)	(150.0)	(200.0)
Total administrative expenses	(1,461.5)	(1,443.4)	(2,843.1)
Profit before share-based charges	451.5	211.6	570.8
Share-based charges	(100.7)	(150.0)	(200.0)
Profit before interest and tax	350.8	61.6	370.8
Finance costs receivable	87.8	71.3	138.6
Profit before tax	438.6	132.9	509.4
Income tax expense (note 4)	-	542.8	560.0
Profit for the period	438.6	675.7	1,069.4
Profit before share based charges and tax	539.3	282.9	709.4
Earnings per share total and continuing:			
Basic earnings per share	0.67	1.02	1.62
Diluted earnings per share	0.67	0.96	1.61

Condensed Consolidated Interim Balance Sheet

	31 December 2008 (unaudited) £'000	31 December 2007 (unaudited) £'000	30 June 2008 (audited) £'000
Assets			
<i>Non-current assets</i>			
Intangible assets	27.9	5.2	37.9
Property, plant and equipment	68.9	123.0	69.7
Deferred tax asset	560.0	542.8	560.0
	656.8	671.0	667.6
<i>Current assets</i>			
Inventories	60.7	116.5	77.6
Trade and other receivables	999.7	1,205.4	1,534.1
Cash and cash equivalents	3,599.4	2,731.7	2,915.3
	4,659.8	4,053.6	4,527.0
Total assets	5,316.6	4,724.6	5,194.6
<i>Equity</i>			
Share capital	3,130.0	3,302.5	3,302.5
Share premium account	2.4	2.4	2.4
Capital redemption reserve	187.5	-	-
Employee share schemes reserve	503.3	440.9	441.0
Profit and loss account	229.7	(242.2)	201.4
Total equity	4,052.9	3,503.6	3,947.3
<i>Current liabilities</i>			
Trade and other payables	1,263.7	1,221.0	1,247.3
Total equity and liabilities	5,316.6	4,724.6	5,194.6

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Employee share schemes reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 July 2007	3,302.5	2.4	-	290.9	(917.9)	2,677.9
Profit and total recognised income and expense for the period	-	-	-	-	675.7	675.7
Increase in equity reserve in relation to options issued	-	-	-	150.0	-	150.0
Balance at 31 December 2007	3,302.5	2.4	-	440.9	(242.2)	3,503.6
Increase in equity reserve in relation to options issued	-	-	-	50.0	-	50.0
Reclassification following lapse of options	-	-	-	(49.9)	49.9	-
Profit for the period	-	-	-	-	393.7	393.7
Balance at 30 June 2008	3,302.5	2.4	-	441.0	201.4	3,947.3
Profit and total recognised income and expense for the period	-	-	-	-	438.6	438.6
Increase in equity reserve in relation to options issued	-	-	-	100.7	-	100.7
Allotment of shares and transfer of reserves following exercise of share options	15.0	-	-	(38.4)	38.4	15.0
Purchase of and cancellation of shares	(187.5)	-	187.5	-	(448.7)	(448.7)
Balance at 31 December 2008	3,130.0	2.4	187.5	503.3	229.7	4,052.9

Condensed Consolidated Interim Cash Flow Statement

	6 months to 31 December 2008 (unaudited) £'000	6 months to 31 December 2007 (unaudited) £'000	Year to 30 June 2008 (audited) £'000
Cash generated from operations	1,046.7	304.9	434.7
Interest paid	-	-	-
Net cash from operating activities	1,046.7	304.9	434.7
Investing activities			
Additions to property, plant and equipment	(16.1)	(3.3)	(6.2)
Purchase of intangible assets	(0.6)	(1.7)	(12.3)
Interest received	87.8	71.3	138.6
Cash inflow from investing activities	71.1	66.3	120.1
Financing activities			
Proceeds from share issues	15.0	-	-
Purchase of own shares	(448.7)	-	-
Net cash used in financing activities	(433.7)	-	-
Net increase in cash and cash equivalents	684.1	371.2	554.8
Cash and cash equivalents at beginning of period	2,915.3	2,360.5	2,360.5
Cash and cash equivalents at end of period	3,599.4	2,731.7	2,915.3

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 on 25 February 2009.

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 2008, prepared under IFRS, 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. Accounting policies

Basis of preparation

These interim condensed consolidated financial statements (the interim financial statements) are for the six months ended 31 December 2008. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2008.

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

These consolidated interim financial statements have been prepared in accordance with the accounting policies set out in the Group's 30 June 2008 statutory accounts, which are based on the recognition and measurement principles of IFRS as adopted by the European Union.

No changes to accounting policies are expected for the year ended 30 June 2009.

3. Earnings per share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Netcall plc divided by the weighted average number of shares in issue during the year. For the six months ended 31 December 2008 this was 65,255,944 (31 December 2007: 66,050,937 and 30 June 2008: 66,050,937).

The calculation of diluted earnings per share is based on the profits attributable to the shareholders of Netcall plc divided by the weighted average number of shares in issue during the year, as adjusted by dilutive share options of 65,365,889 at 31 December 2008 (31 December 2007: 70,719,528 and 30 June 2008: 66,463,922).

4. Income tax expense

	6 months to 31 December 2008 £'000	6 months to 31 December 2007 £'000	Year to 30 June 2008 £'000
Current tax charge	-	-	-
<i>Deferred tax</i>			
Deferred tax credit - initial recognition	151.0	560.0	560.0
Movement in period	<u>(151.0)</u>	<u>(17.2)</u>	<u>-</u>
Deferred tax credit	-	542.8	560.0
Total tax charge	<u>-</u>	<u>542.8</u>	<u>560.0</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.

5. Share buy back

The Group purchased and applied for cancellation 3,750,206 ordinary shares of 5p each (31 December 2007: nil shares) at prices between 10.5p and 12.0p.

6. Dividends

The Directors do not recommend the payment of a dividend (2008: nil).