

15th March 2010

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

Netcall plc (AIM:NET), a leading provider of callback, auto-messaging contact and workforce management solutions, today announces its unaudited interim results for the six months ended 31 December 2009.

Financial Highlights

- Revenue £1.86 million (H1 FY09: £2.01 million).
- Revenues of a recurring nature increased to £1.6 million which now exceeds operational costs and improves visibility of future revenues.
- Gross profit margin remained stable at 89.3% (H1 FY09: 90%).
- Administrative costs, excluding non-operating items, decreased by 2.4% to £1.33 million (H1 FY09: £1.36 million).
- Profit before non-operating costs and tax was £0.35 million (H1 FY09: £0.54 million).
- The Company is now cash generative from revenues of a recurring nature only. Overall cash position decreased to £1.90 million (H1 FY09: £3.60 million) following the acquisition of Q-Max.

Operational Highlights

- Successful acquisition of Q-Max with integration on schedule and business performing well.
- Three month revenue contribution from Q-Max during the period.
- New Q-Max products launched.
- Second half of the year has begun well and expected to be ahead of the first half.
- Company pursuing plans with acquisitive growth strategy.
- Board confident of a successful outcome to the year.

Henrik Bang, CEO of Netcall, commented, “The most significant event in this period has been the acquisition in October 2009 and subsequent successful integration of Q-Max which has traded in line with expectations. Netcall continues to enjoy a strong financial position. Both Netcall and the newly acquired Q-Max were profitable in the trading period and the business is cash generative even before non-recurring revenues are taken into consideration.

“Netcall’s start to the second half of the year has been encouraging with early sales combined with a strong pipeline. It is expected that the full year results will show a bias towards the second half due to longer sales cycles relating to general market conditions. Furthermore the second half will show a full contribution from Q-Max having only contributed three months in the first half following its acquisition. Whilst market conditions remain challenging, the Board remains confident of a successful outcome to the year.”

For further enquiries, please contact:

Netcall plc

Henrik Bang, CEO
Michael Jackson, Chairman

Tel. +44 (0) 1480 495300

Evolution Securities

Robert Collins / Barry Saint - Corporate Finance
Tim Redfern – Corporate Broking

Tel. +44 (0) 20 7071 4300

ICIS Limited

Tom Moriarty / Caroline Evans-Jones

Tel. +44 (0) 20 7651 8688

About Netcall

Netcall is a U.K. company listed on the AIM market of the London Stock Exchange. Based near Cambridge, Netcall develops and supplies innovative communication and workforce management solutions to organisations of all sizes, including many blue-chip companies with global contact centre operations. As a leading specialist in callback, auto-messaging, contact solutions and work force management, Netcall helps organisations globally to increase profits and productivity while improving customer satisfaction and employee morale.

Solutions are deployed either onsite or as hosted managed services using Netcall's Intelligent Communications Platform (ICP). The company has more than a decade's experience owning and running a high-availability service platform co-located with international carriers. Netcall's customer list includes, Birmingham City Council, BT, BUPA, Cable & Wireless, Chelsea Building Society, DHL, First Direct, Halifax, Interflora, Lloyds TSB, McAfee, npower, Oracle, Prudential and RBS (The Royal Bank of Scotland Group), Standard Life.

Please visit www.netcall.com for more information.

Introduction

The Board has been encouraged by the strategic progress achieved during the first half of the year. The most significant event in this period has been the acquisition and successful integration of Q-Max, the business acquired in October 2009 for £2.5 million. Following the acquisition, cost synergies have been achieved and Q-Max has traded in line with expectations. In February 2010 the first new products were launched combining the two companies' technologies and capabilities; this has enhanced the opportunity to secure new customers and cross sell into the existing customer base, which has doubled in number as a result of the acquisition.

The Group continues to enjoy a strong financial position and both Netcall and Q-Max were profitable in the trading period. Recurring revenues remain strong and the Company is now at a point where it is generating cash based on revenues of a recurring nature only.

Financials

Revenue for the six months ended 31 December 2009 was £1.86 million (H1 FY09: £2.01 million). We were pleased to see that revenue of a recurring nature from our hosted platforms and maintenance & support agreements increased to £1.6 million, representing 87% of the Company's revenue and is expected to increase further in absolute terms with the impact of the Q-Max acquisition.

Gross profit margin remained stable at 89.3% compared to 90% in the same period in H1 FY09. Operating costs for the period decreased by 2.4% to £1.33 million from £1.36 million after absorbing Q-Max's operating costs.

The Group generated 19% operating profit margin (H1 FY09: 22%), corresponding to an operating profit before interest, non-operating costs and tax of £0.33 million compared with £0.45 million the previous year. With interest income declining to £0.01 million due to lower interest rates and less cash being held after the Q-Max acquisition, the adjusted operating profit (before non-operating costs and tax) was £0.35 million compared with £0.54 million in the same period last year.

The Group continues to generate cash. As a result of the Q-Max acquisition, the overall cash position decreased to £1.90 million from £3.60 million as at 31 December 2008.

Q-Max acquisition

The acquisition of Q-Max is a significant step in the development of Netcall. It broadens the Company's technology offering, moves Netcall deeper into the core of contact centre operations and gives Netcall increased access to the SME market place. Within the contact centre environment, staff costs represent 60-70% of overall operational costs so it is crucial that contact centres are able to optimise staffing levels to operate effectively. Q-Max workforce management software allows contact centres to effectively manage staffing levels and thus realise productivity and efficiency gains. As well as adding 130 new customers to Netcall's existing customer base, it also opens up a new segment of the market to Netcall. This is the growing SME contact centre market where it is estimated that approximately 30% of operators do not currently employ workforce management software.

Growth Strategy

Netcall operates in a fragmented market place and the Board continues to assess opportunities for industry consolidation. With a strong financial footing and an established market position, the Board believes that Netcall is well positioned to take advantage of opportunities that may arise. The Company continues to pursue an acquisitive growth strategy with a view to increasing critical mass, achieving greater market penetration and delivering long term shareholder value.

Outlook

Netcall's start to the second half of the year has been encouraging with early sales combined with a strong pipeline. It is expected that the full year results will show a bias towards the second half due to longer sales cycles relating to general market conditions. Furthermore the second half will show a full contribution from Q-Max having only contributed three months in the first half following its acquisition. Whilst market conditions remain challenging, the Board remains confident of a successful outcome to the year.

Condensed Consolidated Interim Income Statement

	6 months to 31 December 2009 (unaudited) £'000	6 months to 31 December 2008 (unaudited) £'000	Year to 30 June 2009 (audited) £'000
Continuing operations			
Revenue	1,860.1	2,014.5	3,931.1
Cost of sales	(198.9)	(202.2)	(405.2)
Gross profit	1,661.2	1,812.3.0	3,525.9
Administrative costs before non operating costs	(1,328.4)	(1,360.8)	(2,693.4)
Non operating costs			
Share-based payment charges	(100.0)	(100.7)	(221.0)
Amortisation of intangible assets acquired	(50.0)	-	-
Acquisition costs	(92.7)	-	-
Total non operating costs	(242.7)	(100.7)	(221.0)
Total administrative expenses	(1,571.1)	(1,461.5)	(2,914.4)
Profit before non operating costs	332.8	451.5	832.5
Non operating costs	(242.7)	(100.7)	(221.0)
Profit before interest and tax	90.1	350.8	611.5
Finance costs receivable	12.3	87.8	143.2
Profit before tax	102.4	438.6	754.7
Income tax (note 4)	3.5	-	-
Profit for the period	105.9	438.6	754.7
Attributable to shareholders of Netcall plc	105.9	438.6	754.7
Profit before non operating costs and tax	345.1	539.3	975.7
Earnings per share total and continuing:			
Basic earnings per share	0.17	0.67	1.18
Diluted earnings per share	0.17	0.67	1.17

Condensed Consolidated Interim Balance Sheet

	31 December 2009 (unaudited) £'000	31 December 2008 (unaudited) £'000	30 June 2009 (audited) £'000
Assets			
<i>Non-current assets</i>			
Intangible assets	2,946.8	27.9	33.2
Property, plant and equipment	74.4	68.9	62.6
Deferred tax asset	560.0	560.0	560.0
	3,581.2	656.8	655.8
<i>Current assets</i>			
Inventories	30.6	60.7	28.8
Trade and other receivables	1,055.0	999.7	1,056.5
Cash and cash equivalents	1,903.0	3,599.4	4,162.8
	2,988.6	4,659.8	5,248.1
Total assets	6,569.8	5,316.6	5,903.9
<i>Equity</i>			
Share capital	3,209.9	3,130.0	3,130.0
Share premium account	222.5	2.4	2.4
Capital redemption reserve	187.5	187.5	187.5
Employee share schemes reserve	327.0	503.3	227.0
Profit and loss account	1,048.3	229.7	942.4
Total equity	4,995.2	4,052.9	4,489.3
<i>Current liabilities</i>			
Trade and other payables	1,574.6	1,263.7	1,414.6
Total equity and liabilities	6,569.8	5,316.6	5,903.9

Condensed Consolidated Interim Statement of Changes in Equity
31 December 2009

Equity attributable to equity holders of Netcall plc:

	Share capital	Share premium account	Capital redemption reserve	Employee share schemes reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2008	3,302.5	2.4	-	441.0	201.4	3,947.3
Increase in equity reserve in relation to options issued	-	-	-	100.7	-	100.7
Allotment of shares and transfer of reserves following exercise and cancellation 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)
Transactions with owners	(172.5)	-	187.5	62.3	(410.3)	(333.0)
Profit and total comprehensive income for the period	-	-	-	-	438.6	438.6
Balance at 31 December 2008	3,130.0	2.4	187.5	503.3	229.7	4,052.9
Increase in equity reserve in relation to options issued	-	-	-	120.3	-	120.3
Allotment of shares and transfer of reserves following exercise and cancellation of share options	-	-	-	(396.6)	396.6	-
Transactions with owners	-	-	-	(276.3)	396.6	120.3
Profit and total comprehensive income for the period	-	-	-	-	316.1	316.1
Balance at 30 June 2009	3,130.0	2.4	187.5	227.0	942.4	4,489.3
Increase in equity reserve in relation to options issued	-	-	-	100.0	-	100.0
Allotment of shares and transfer of reserves following issue of shares	79.9	220.1	-	-	-	300.0
Transactions with owners	79.9	220.1	-	100.0	-	400.0
Profit and total comprehensive income for the period	-	-	-	-	105.9	105.9
Balance at 31 December 2009	3209.9	222.5	187.5	327.0	1,048.3	4,995.2

Condensed Consolidated Interim Cash Flow Statement

	6 months to 31 December 2009 (unaudited) £'000	6 months to 31 December 2008 (unaudited) £'000	Year to 30 June 2009 (audited) £'000
Cash flow from operating activities			
Profit for the year	105.9	438.6	754.7
Adjusted for:			
Depreciation and amortisation	70.6	24.4	52.5
Share based expense	100.0	100.7	221.0
Acquisition costs	92.7	-	-
Finance income	(12.3)	(87.8)	(143.2)
Income tax credit	(3.5)	-	-
Operating cash flow before movements in working capital	353.4	475.9	885.0
Net movement in working capital	(509.2)	570.8	693.7
Cash generated from operations	(155.8)	1,046.7	1,578.7
Interest paid	-	-	-
Net cash from operating activities	(155.8)	1,046.7	1,578.7
Investing activities			
Additions to property, plant and equipment	(18.9)	(16.1)	(25.0)
Purchase of intangible assets	(2.3)	(0.6)	(15.9)
Costs of subsidiary acquisition	(92.7)	-	-
Acquisition of subsidiary, net of cash received	(2,002.4)	-	-
Proceeds from disposal of tangible assets	-	-	0.2
Interest received	12.3	87.8	143.2
Net cash (outflow)/inflow from investing activities	(2,104.0)	71.1	102.5
Financing activities			
Proceeds from share issues	-	15.0	15.0
Purchase of own shares	-	(448.7)	(448.7)
Net cash used in financing activities	-	(433.7)	(433.7)
Net (decrease)/increase in cash and cash equivalents	(2,259.8)	684.1	1,247.5
Cash and cash equivalents at beginning of period	4,162.8	2,915.3	2,915.3
Cash and cash equivalents at end of period	1,903.0	3,599.4	4,162.8

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 services 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 London Stock Exchange's AIM.

These consolidated condensed interim financial statements have been approved for issue by the Board of Directors on 15 March 2010.

These condensed consolidated interim financial statements have been prepared using the recognition and measurement principles of International Financial Reporting Standards ('IFRS') as adopted by the European Union and as issued by the International Accounting Standards Board. They do not include all of the information required for full annual financial statements as defined in Section 434 of the Companies Act 2006, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2009. The auditors' report on those financial statements was unqualified and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006. The Consolidated Financial Statements have been filed with the Registrar of Companies and are available on the Group's website, www.netcall.com.

2. Accounting policies

Basis of preparation

The accounting policies applied by the Group are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2009, except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007), IFRS 3 Business Combinations (Revised 2008) and IFRS 8 Operating Segments.

The adoption of IAS 1 Presentation of Financial Statements (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. IAS 1 Presentation of Financial Statements (Revised 2007) affects the presentation of owner changes in equity.

The adoption of IFRS 3 Business Combinations (Revised 2008) has meant that the costs incurred on the acquisition during the period have been expensed.

The Directors believe that the Group has only one segment and therefore there has been no additional disclosure under IFRS 8 Operating Segments in the interim financial statements.

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

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 2009 this was 63,003,252 (31 December 2008: 62,255,944 and 30 June 2009: 63,924,700).

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 63,627,198 at 31 December 2008 (31 December 2008: 65,365,889 and 30 June 2009: 64,410,811).

4. Income tax

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. The tax credit relates to the deferred tax liability recognised on the separable intangibles recognised on the acquisition of Q-Max which is released to the income statement to match the amortisation charge in the period.

5. Share buy back

The Group purchased and applied for cancellation of nil ordinary shares of 5p each (31 December 2008: 3,750,206 shares at prices between 10.5p and 12.0p).

6. Dividends

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

7. Acquisition

On 6 October the Group acquired the entire issued share capital of Q-Max Systems Limited (a company incorporated in England & Wales) and the software IP rights owned through partnerships by the shareholders of Q-Max Systems Limited ("Q-Max").

Q-Max provides workforce management software predominately to UK contact centres.

The net assets and liabilities acquired were as follows;

	Book value £'000	Fair Value adjustments at acquisition £'000	Fair value on acquisition £'000
<i>Non current assets</i>			
Property, plant and equipment	1.6	(1.6)	-
Intangible assets	2,223.0	500.0	2,723.0
	<u>2,224.6</u>	<u>498.4</u>	<u>2,723.0</u>
<i>Current assets</i>			
Trade and other receivables	124.9	29.1	154.0
Cash and cash equivalents	224.0	-	224.0
<i>Current liabilities</i>			
Trade and other payables	(201.8)	-	(201.8)
Deferred revenues	(93.7)	(390.9)	(484.6)
Deferred tax liability	-	(140.0)	(140.0)
Net assets acquired	2,278.0	(3.4)	2,274.6
Goodwill			251.8
Consideration paid			2,526.4
<i>Satisfied by</i>			
Initial cash consideration			2,223.0
Cash repayment of surplus working capital			3.4
Issue of Netcall plc shares			<u>300.0</u>
Total purchase consideration			<u>2,526.4</u>

The fair value adjustments have been made to align Q-Max's revenue and cost recognition policies with those of the Group.

The Group has separable recognised intangible assets totalling £2,723,000 which are customer contracts and software, both of which are being amortised over their estimated economic lives of 10 and 15 years respectively. The customer contracts have been valued at £500,000 and the software has been valued £2,223,000.

Goodwill of £251,800 represents the excess of the purchase price over the fair value of the net tangible assets acquired. The goodwill arising on the acquisition is largely attributable to synergies anticipated to be associated with being part of the group.

As part of the consideration of Q-Max, the Group agreed to pay additional consideration

against surplus working capital above an agreed threshold (on the basis of Q-Max's accounting policies) that was retained in the business at completion. Following a completion accounts review process an amount of £3,400 was repaid to the vendors of Q-Max in relation to surplus working capital.

The costs incurred in the acquisition of Q-Max of £92,700 have been charged against the profit and loss for the period.