



6 FEBRUARY 2006

NETCALL PLC

("Netcall" or "the Company")

INTERIM RESULTS FOR 6 MONTHS ENDED 31st DECEMBER 2005

Netcall provides telephony solutions, including its innovative flagship product QueueBuster™, which enables call centres to manage call queuing, reduce costs and enhance customer service.

HIGHLIGHTS

Financial

- Sales of £1.59 million (H1 FY2005: £1.43 million), representing year-on-year growth of 11.2%
- Gross profit of £1.36 million (H1 FY2005: £1.16 million), an increase of 17.3%
- Gross margin improved 5% to 86% (H1 FY2005: 81%)
- Profit before tax up approximately 200% to £149,100 (H1 FY2005: £50,600)
- Cash position of £1.7 million (H1 FY2005: £1.1 million)

Operational

- Increased sales led by continuing strong growth in the Hosted Service .
- Increasing visibility of revenue stream
- Launch of enhanced product range and new branding
- New customers and repeat orders from customers in the Financial, Telecommunications and Government sectors

Ron Elder, Chairman of Netcall, commented:

“These results represent another positive step forward in the performance of the Company. To an extent, much of the progress made is foundation building for the future, no more so than in the hosted services side of the business which is showing real potential. This success and a move towards a more robust business model will serve to enhance the predictability of the revenue stream. Based on this change and significant market interest, we look forward to a successful outcome for the year.”

CHAIRMAN’S STATEMENT

Results

We are pleased to report that we have made another positive step forward during the first half of the current financial year. This has resulted in an improvement in business fundamentals and, importantly, the fourth consecutive half of growing profits which is evidence of the improving health of the business. Of particular note, our hosted service offering has continued to gain market traction in the half. This is a great endorsement of the underlying technology and service offering that will underpin our stability and future growth.

Turnover for the 6 months ended 31 December 2005 was £1.59 million, compared to £1.43 million in the corresponding period in 2004, an increase of 11.2%. Growth in turnover was to a large degree the result of a significant increase in services revenue which showed an increase of 112% in comparison with the same period last year and which has grown for the fourth consecutive half year.

During this half year the gross margin achieved was similar to that achieved in the second half of last year. This sustained margin reflects a year on year margin improvement of 5% and resulted in gross profits increasing by 17.3% to £1.36m (2004: £1.16m).

Operating costs increased by 10.5% reflecting an increased level of investment in marketing, which included product re-branding, and costs associated with the re-organisation of operations.

These figures are encouraging and show that we have been able to generate increased profits from a stable cost base. Accordingly, profits before tax increased by 195% from £50,000 in H1 FY2005 to £149,000 in the first half of FY2006.

Earnings per share were 0.2p (FY2005: 0.1p). Our cash position remains strong, with £1.7m of cash as at 31st December 2005 as a result of the cash generative nature of the business.

Operational Review

QueueBuster

The main area of progress in the half was the increase in contribution to sales of the hosted version of QueueBuster. This is due to the addition of new customers as well as the requirement from existing customers for increased capacity. During the first half we have continued to see significant levels of interest in this solution. The significant benefits of using the hosted service are such that many new customers are now taking advantage of the flexibility associated with this solution. New hosted service customers included those from the Financial, Telecommunications and Government sectors.

Launch of QueueBuster Version 3

In addition, we launched in the half a new version of our flagship product, QueueBuster, which has a number of enhanced features and functionality, all aimed at helping businesses to roll out a solution that fits their needs while continuing to increase staff productivity and improve customer satisfaction. QueueBuster Version 3 is, we believe, the most advanced solution currently available both as a hosted service and as a solution installed “in house” at a customer’s premises. QueueBuster Version 3 offers a fully managed system, creating an easy-to-install and low-risk solution for businesses. This enables businesses to choose a solution which best matches their needs.

In November, we also launched our Intelligent Communications Platform™ (ICP) which incorporates a series of enhanced products including Netcall CallMeBack, InTouch and Identifier. They are designed for organisations of any size and provide flexible ways to boost call handling efficiency as well as improving customer service.

Based on run rate revenues from hosted services and the contracted revenue relating to existing maintenance contracts, we currently have visibility of approximately £1.0m for the remainder of the financial year.

Expansion of channel sales operation

We continue to see the growth in revenues generated through our channels as being key to enabling the Company to best leverage its technology. I am pleased to report that during this half growth in channel generated service revenues contributed a significant proportion of the overall increase over the

second half of last year. Overall sales through our channels represented 24% of the companies total revenues.

New branding and marketing campaign

In conjunction with the expansion of our sales channel operation and the launching of new products we have focused resources on the marketing and branding of our product offerings. The new branding provides much greater clarity as to the benefits to customers of employing Netcall technology. It is accompanied by a new corporate and product identity and logos, and currently we are executing a number of marketing related activities to stimulate lead generation and sales.

Outlook

These results represent another positive step forward in the performance of the Company. To an extent, much of the progress made is foundation building for the future, no more so than in the hosted services side of the business which is showing real potential. This success and a move towards a more robust business model will serve to enhance the predictability of the revenue stream. Based on this change and significant market interest, we look forward to a successful outcome for the year.

Ron Elder

Chairman

6 February 2006

NETCALL PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Six Months to 31st Dec 2005 £'000	Six Months to 31st Dec 2004 £'000	Year Ended 30th June 2005 £'000
Turnover	1,592.7	1,432.0	2,822.1
Product	1,053.9	1,178.5	2,172.0
Services	538.8	253.5	650.1
Cost of Sales	(228.1)	(269.4)	(469.1)
Gross profit	1,364.6	1,162.6	2,353.0
Administrative expenses	(1249.9)	(1,130.8)	(2,233.0)
Other operating income	10.5	-	7.9
Operating profit before Interest	125.2	31.8	127.9
Interest receivable	28.9	20.8	44.6
Interest payable	(5.0)	(2.0)	(14.4)
Profit before taxation	149.1	50.6	158.1
Taxation	-	-	-
Net profit	149.1	50.6	158.1
Profit per ordinary share	0.2p	0.1p	0.2p

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CONSOLIDATED BALANCE SHEET

	As at 31st Dec 2005 £'000	As at 31st Dec 2004 £'000	As at 30th June 2005 £'000
Fixed Assets			
Intangible assets	-	26.3	-
Tangible assets	189.0	108.5	172.4
	<u>189.0</u>	<u>134.8</u>	<u>172.4</u>
Current assets			
Stock	18.2	96.0	19.5
Debtors due within one year	1,023.9	1,239.3	1,079.3
Cash at bank and in hand	1,735.7	1,068.5	1,393.4
	<u>2,777.8</u>	<u>2,403.8</u>	<u>2,492.2</u>
Creditors: amounts falling due within one year			
Trade creditors	297.4	147.9	128.6
Deferred revenue	629.2	663.6	233.1
Other creditors including taxation and social security	453.5	387.2	856.2
	<u>1,380.1</u>	<u>1,198.7</u>	<u>1,217.9</u>
Net current assets	<u>1,397.7</u>	<u>1,205.1</u>	<u>1,274.3</u>
Total assets less current liabilities	1,586.7	1,339.9	1,446.7
Creditors: amounts falling due after one year	72.5	102.5	87.5
	<u>1,514.2</u>	<u>1,237.4</u>	<u>1,359.2</u>
Capital and Reserves			
Called up share capital	3,289.6	3,275.5	3,285.6
Share premium account	15,121.8	15,115.5	15,120.0
Special and capital reserves	245.0	245.0	245.0
Profit and Loss Account	(17,142.2)	(17,398.6)	(17,291.4)
	<u>1,514.2</u>	<u>1,237.4</u>	<u>1,359.2</u>

CONSOLIDATED CASH FLOW

	Six Months to 31st Dec 2005 £'000	Six Months to 31st Dec 2004 £'000	Year Ended 30th June 2005 £'000
Net cash outflow from operating activities	388.6	(158.8)	208.1
Returns on investments and servicing of finance	21.9	2.7	30.1
Capital expenditure and financial investment	(59.1)	(17.2)	(86.3)
Cash outflow before financing	<u>351.4</u>	<u>(173.3)</u>	<u>151.9</u>
Financing	<u>(9.2)</u>	<u>(15.0)</u>	<u>(15.4)</u>
Increase/ (Decrease) in cash	<u>342.2</u>	<u>(188.3)</u>	<u>136.5</u>

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Notes to the Interim Statement

- For the purposes of Section 240 of the Companies Act 1985:
 - This Interim report does not constitute a set of statutory accounts. The interim financial information has been prepared on the basis of the accounting policies which were applied in preparation of the annual financial statements to 30th June 2005. The results for the six months to 31st December 2004 have been restated to the reporting utilised in the audited results for the year ended 30th June 2005
 - Statutory accounts in respect of the year to 30th June 2005 have been delivered to the Registrar of Companies and those accounts were subject to an unqualified report by the Auditors. Accounts for the six month period ended 31st December 2004 and 31st December 2005 have not been delivered to the Registrar of Companies.
- The Board has not declared an interim dividend to shareholders (2004: 0 pence per share).

3. The profit per ordinary share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of 65,790,936 ordinary shares in issue during the six months ended 31st December 2005 (31st December 2004: 65,509,270 and 30th June 2005: 65,592,187).

4. Administration and other operating expenses includes £48,500 relating to reorganisation costs (31st December 2004: £16,000 and 30th June 2005: £21,160).

Copies of this interim report are being sent to all shareholders on the Register of Members on the 6th February. Further copies of the Interim Statement are available from the Registered Office of the Company: 10 Harding Way, St. Ives, Cambridgeshire, PE27 3WR and from the Company's web site: **www.netcall.com**

Visit www.netcall.com for further information.