

NETCALL PLC

(“Netcall” or “the Company”)

INTERIM RESULTS FOR 6 MONTHS ENDED 31st DECEMBER 2006

Netcall plc (NET), a leading provider of call-back auto messaging and contact solutions today announces interim results for the six months ended 31st December 2006.

HIGHLIGHTS

Financial

- Sales of £2.0 million (H1 FY2006: £1.59 million), representing year-on-year growth of 26%
- Gross profit of £1.74 million (H1 FY2006: £1.36 million), an increase of 28%
- Profit before tax up by 192% to £375,100 (H1 FY2006: £128,300)
- 6th consecutive half year growth in profits
- Cash position of £2.0 million (H1 FY2006: £1.7 million)

Operational

- Continued focus on hosted services results in 6th consecutive six month period growth in this area of the business, providing the Group with more consistent and visible earnings
- Continued expansion of distribution channels which now contributes 41% of revenues

Ron Elder, Chairman of Netcall, commented:

“Today’s results represent another successful period for Netcall and are a real endorsement of the implementation of a focused growth strategy. The Company has continued to develop and enhance its market position and product offering and moved further towards a hosted services business model, all of which has had a positive effect on profits. The combination of an enhanced channel distribution network and greater revenue visibility gives me confidence in a successful outcome for the year reflecting continued growth.”

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INTERIM RESULTS FOR THE HALF YEAR ENDED 31st DECEMBER 2006

CHAIRMAN'S STATEMENT

Results

I am pleased to report that we have continued to make significant progress during the first half of the current financial year with profits growing for the sixth consecutive half. This growth is a result of an increasing demand for our innovative technology and service offering, combined with a focused business development strategy and underpinned by a robust business model.

Turnover for the six months ended 31st December 2006 increased by 26% to £2.0 million compared to £1.59 million from the same period in 2005. The increase has been largely influenced by service revenues which continue to make a significant contribution to turnover, having increased by 69%. It also represents the sixth consecutive sixth-month period of hosted service growth.

The gross margin for the period increased slightly compared to that of the equivalent period in 2005. This, combined with the growth in revenues, has resulted in an increase in gross profits of 28% compared to the same period in 2005.

We have maintained firm control of operating costs and as a result these have increased by only 9% compared to the same period in 2005.

Following the adoption of FRS 20, in line with current reporting standards, the Company has changed its accounting policy with respect to equity-settled share-based payments provided to employees under the Company's share option plan. This has resulted in an exceptional charge of £53,900 in the period and a prior year adjustment. The comparators have been restated to reflect this as set out in note 4 of the Interim Statement.

The excellent performance in sales coupled with maintaining a keen eye on costs has generated a very encouraging increase of 192% in profit before tax to £375,100 compared with £128,300 for the same period last year. This sixth consecutive half year period of growth not only shows the strength of the business model but also emphasises the potential of the business to generate significant returns in the future. This is further underpinned by increased revenue visibility.

Earnings per share were 0.6p (H1 FY2006: 0.2p). Our cash position remains strong with £2.0m of cash as at 31st December 2006 as a result of the cash generative nature of the business.

Operational Review

Growth of QueueBuster

QueueBuster, our flagship product, enables customers in a call centre queue to choose the option of receiving a return call without losing their place in the queue. Our product roadmap, which in due course will enhance our product offering includes interactive messaging and call routing solutions.

Hosted Services Growth

Hosted services continue to grow in popularity with service revenue customers now contributing 45% to total revenues, in the same period last year they represented 34%. This is the sixth consecutive six month period of growth. The increase in average revenue per customer and growth in number of customers using the hosted service offering has contributed to this upward trend.

Expansion of Channel Partnerships

As part of our business growth strategy we have continued to increase the proportion of revenues derived from channel partnerships, which now contributes 41%, to total revenues compared to 24% in 2005. This represents a growth in revenues generated through our partnerships of 93% over the same period last year. In October 2006 we announced that we had joined the Avaya Developer *Connection* program, which involves the promotion and co-marketing of Netcall's products. In November 2006 we also announced a strategic OEM partnership agreement with Affiniti, which offers QueueBuster as a hosted service under the Affiniti OpenQueue Brand.

Outlook

Today's results represent another successful period for Netcall and are a real endorsement of the implementation of a focused growth strategy. The Company has continued to develop and enhance its market position and product offering and moved further towards a hosted services business model, all of which has had a positive effect on profits. The combination of an enhanced channel distribution network and greater revenue visibility gives me confidence in a successful outcome for the year reflecting continued growth.

Ron Elder

Chairman

6th February 2007

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Six Months to 31st Dec 2006</i>	<i>Six Months to 31st Dec 2005</i>	<i>Year Ended 30th June 2006</i>
	<i>Unaudited</i>	<i>Unaudited as restated see note 4</i>	<i>Audited as restated see note 4</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Turnover	2006.5	1,592.7	3,134.5
Product	1,097.1	1,053.9	1,807.7
Services	909.4	538.8	1,326.8
Cost of sales	(265.0)	(228.1)	(449.9)
Gross profit	1,741.5	1,364.6	2,684.6
Administrative expenses			
FRS 20 Share option charges	(53.9)	(20.8)	(65.5)
Other	(1,350.1)	(1,239.4)	(2,317.0)
	(1,404.0)	(1,260.2)	(2,382.5)
Operating profit	337.5	104.4	302.1
Interest receivable	41.2	28.9	63.6
Interest payable	(3.6)	(5.0)	(9.4)
Profit before taxation	375.1	128.3	356.3
Taxation	—	—	—
Net profit	375.1	128.3	356.3
Net profit before interest and share option charges	391.4	104.4	367.6
Net profit before share option charges	429.0	149.1	421.8
Profit per ordinary share	0.6p	0.2p	0.5p

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CONSOLIDATED BALANCE SHEET

	As at 31st Dec 2006 <i>Unaudited</i> £000	As at 31st Dec 2005 <i>Unaudited as restated see note 4</i> £000	As at 30th June 2006 <i>Audited as restated see note 4</i> £000
Fixed assets			
Intangible assets	—	—	—
Tangible assets	159.6	189.0	154.3
	159.6	189.0	154.3
Current assets			
Stock	45.9	18.2	62.2
Debtors due within one year	1,443.8	1,023.9	1,052.5
Cash at bank and in hand	2,001.0	1,735.7	1,819.5
	3,490.7	2,777.8	2,934.2
Creditors: amounts falling due within one year			
Trade creditors	157.9	297.4	306.1
Accruals and deferred revenue	981.3	878.8	766.4
Other creditors including taxation and social security	237.7	203.9	160.6
	1,376.9	1,380.1	1,233.1
Net current assets	2,113.8	1,397.7	1,701.1
Total assets less current liabilities	2,273.4	1,586.7	1,855.4
Creditors: amounts falling due after one year	42.5	72.5	57.5
	2,230.9	1,514.2	1,797.9
Capital and reserves			
Called up share capital	3,299.9	3,289.6	3,297.1
Share premium account	15,126.4	15,121.7	15,125.2
Special and capital reserves	245.1	245.1	245.1
Employee share schemes reserve	213.4	114.8	159.5
Profit and loss account	(16,653.9)	(17,257.0)	(17,029.0)
	2,230.9	1,514.2	1,797.9
	2,230.9	1,514.2	1,797.9

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CONSOLIDATED CASH FLOW

	<i>Six Months to 31st Dec 2006</i>	<i>Six Months to 31st Dec 2005</i>	<i>Year Ended 30th June 2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Net cash inflow from operating activities	197.7	388.6	468.7
Returns on investments and servicing of finance	37.6	21.9	54.2
Capital expenditure and financial investment	(42.8)	(59.1)	(83.6)
Cash inflow before financing	192.5	351.4	439.3
Financing	(11.0)	(9.2)	(13.2)
Increase in cash	181.5	342.2	426.1

NETCALL PLC

NOTES TO THE INTERIM STATEMENT

1. For the purposes of Section 240 of the Companies Act 1985:
 - (a) 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 2006 with the exception of the accounting for share options. FRS 20 “Share Based Payments” is applicable for the first time and has a prior year impact which is detailed in note 4.
 - (b) Statutory accounts in respect of the year to 30th June 2006 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 2006 and 31st December 2005 have not been audited nor delivered to the Registrar of Companies.
2. Interim Dividend
The Board has not declared an interim dividend to shareholders (2005: 0 pence per share).
3. Profit per Share
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 65,996,699 ordinary shares in issue during the six months ended 31st December 2005 (31st December 2005: 65,790,936 and 30th June 2006: 65,813,224).
4. Implementation of FRS 20 “Share-based payment”
The Group has applied the requirements of FRS 20 “Share-Based Payments”. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1st July 2005.

The Group issues equity-settled share based payments to certain employees and directors. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group’s estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

Impact of restatement

The impact of implementing FRS 20 "Share-Based Payments" on the comparative financial statements is set out below.

Profit and Loss Account

	<i>Six Months to 31st Dec 2005</i>	<i>Year Ended 30th June 2006</i>
	<i>£000</i>	<i>£000</i>
Administrative expenses as previously stated	1,249.9	2,357.9
Other operating income	(10.5)	(11.0)
Share-based payment additional charge	20.8	35.6
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Administrative expenses as restated	1,260.2	2,382.5
	<hr/>	<hr/>
Share-based charges	20.8	65.5
Other	1,239.4	2,317.0
	<hr/>	<hr/>
Profit per share — basic and diluted (pence) as previously stated	0.2	0.6
Share-based payment charge	—	0.1
	<hr/>	<hr/>
Profit per share — basic and diluted (pence) as restated	0.2	0.5
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Balance Sheet

	<i>As at 31st Dec 2005</i>	<i>As at 30th June 2006</i>
	<i>£000</i>	<i>£000</i>
Profit and loss account as previously stated	(17,142.2)	(16,899.4)
Share-based payment additional charge	(114.8)	(129.6)
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Profit and loss account as restated	(17,257.0)	(17,029.0)
	<hr/>	<hr/>
Share option reserve as previously stated	0.0	29.9
Share-based payment additional charge	20.8	35.6
Share-based payment prior year adjustment	94.0	94.0
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Share option reserve as restated	114.8	159.5
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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**