

19 September 2006

**NETCALL PLC**  
**(“Netcall” or “the Company”)**

**Preliminary Results for Year Ended 30 June 2006**

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

**HIGHLIGHTS**

**Financial Highlights**

- Turnover up 11% to £3.13million (2005: £2.82 million)
- Hosted services growth of 102% to £1.33 million (2005: £0.66 million)
- Gross margin increases to 86% (2005: 83%)
- Operating profits before exceptional items increases 180% to £0.42 million (2005: £0.15 million)
- Profit before tax margin at 12.5% (2005: 5.6%)

**Operational Highlights**

- Revenue from distribution channels achieving strong growth
- 5 consecutive 6 month periods of hosted services revenue growth
- Broadening of customer base
- Strengthened management team

Ron Elder, Chairman of Netcall, commented:

*“Today’s results are evidence of Netcall’s achievements over the last year, which has seen the Company enhancing its presence within the market leading to increased interest in the Company’s solutions. I am also pleased to report that the change in strategy is continuing to prove a success with continued growth in hosted services revenue and margins. Following on from this I look forward to another successful year.”*

**ENQUIRIES**

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## NETCALL PLC

### PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2006

#### **Chairman's Statement**

I am pleased to report that this has been another successful year for Netcall. The Company's trading performance has continued to improve. Turnover for the year was £3.13 million, an increase of 11.1% from last year (2005: £2.82 million). Most significantly, profit before tax rose by 148% to £391,900 (2005: £158,100). We have strengthened the executive team with key appointments in the leadership roles of the Sales and Marketing, Finance and Operations areas. As we continue to increase our presence within the market we have now built a solid platform for future growth. It is particularly encouraging to see a growing market interest in the company's innovative telephony solutions, primarily QueueBuster.

Hosted services revenues generated £1.33 million, an increase of 104% from 2005 (2005: £0.65 million). This is again encouraging and is an indication of the success of our strategy of focusing on providing a hosted service alternative to our customer premises solution, and we see customers increasingly turning to this solution.

Not only has hosted services made a significant contribution to revenues this year but it has also improved our gross margin. In conjunction with revenue growth gross profits have increased to £2.68 million from £2.35 million, an increase of 14.1%.

At 30 June 2006, the Company's cash position increased by 31% to £1.82 million, (2005: £1.39 million).

During the year, we also set out to expand our distribution channels allowing more reach into an ever expanding market. We have experienced significant success in this area and have already seen new orders from these partners.

Following on from this year's positive results and achievements we look forward to another successful year where we can build upon our accomplishments further. I would like to take this opportunity to thank the Netcall team for their continued commitment as well as expressing my gratitude to our various partners who have continued to support our solutions.

**Ron Elder, Chairman**

**19 September 2006**

# NETCALL PLC

## PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2006

### Chief Executive's Review

During the year, Netcall has continued to make significant progress. The business has achieved substantial growth in its profitability resulting from key strategies focused on hosted services growth and growing revenues from our expanding distribution channels.

Netcall further broadened its customer base, mainly due to increased market acceptance of our flagship product QueueBuster which now saves millions of callers from more than 150 years of telephone queuing every year.

### *Financial Results*

Netcall continued to improve its financial performance with profits growing by 148% to £0.39 million (FY 2005: £0.16 million) corresponding to a profit margin of 12.5% (FY 2005: 5.6%). This result has been achieved through a combination of revenue growth and margin improvement while keeping a tight grip on expenses.

Revenues increased by 11.1% to £3.13 million (FY 2005: £2.82 million). Hosted services, which now have generated growth for 5 consecutive 6 month periods, delivered a 102% increase in revenues to £1.33 million, and as a result the Company achieved significant growth in its recurring and annuity revenues. Revenue from channels grew by 82% reaching £1.15 million (FY 2005: £0.63 million).

The change in revenue mix resulted in a gross margin increase by 3 percentage points to 86% and an increase in gross profit of 14.1% to £2.68 million (FY 2005: £2.35 million).

During the year expenses increased by 3.0% to £2.28 million (FY 2005: £2.21 million). This increase was mainly due to investments in sales and marketing activities.

Operating profits before exceptional items increased by 180% to £0.42 million from £0.15 million. Exceptional items incurred in the year related to a provision required under UITF 17 (employee share schemes) and reorganisation costs. These were substantially offset by increased interest earnings generated from the strong cash position of the company.

As a result of the Company's trading performance, the cash position improved by 31% to £1.82 million (FY2005: £1.39 million).

### *Review of Operation*

Netcall's flagship product, QueueBuster, enables customers in a call centre queue to choose the option of receiving a return call without losing their place in the queue. QueueBuster continues to give excellent performance, as reported by our customers, confirming that the product delivers high customer and agent satisfaction with substantial productivity improvements.

Throughout the year there has been an increase in the number of new customers, including several blue chip companies, who benefited from using our products, either

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### PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2006

having purchased directly from Netcall or via distribution partners. We entered into the Government sector with new customers including London Boroughs of Waltham Forest and Lewisham and also secured numerous other corporate customers including Aviva, Alliance & Leicester, ATEC, Cheshire Building Society Coventry Building Society, Invesco Perpetual and Nildram. In addition several customers increased their commitments with Netcall and our products including BT, More Th>n and npower.

In conjunction with the increase in customer base, the average revenue per customer using our hosted services offering also increased. As the hosted service business model is maturing, we have in this financial year seen a preference to deploy this solution compared to the QueueBuster product model where Netcall's technology is installed on the customer's premises. The flexibility of the hosted model in terms of usage, scalability and ease of implementation means that many customers prefer this model and are prepared to pay a premium over the QueueBuster product model. In line with our strategy the hosted services model provides a stable recurring and higher revenue stream compared to that of the QueueBuster product model which is a larger up front revenue component but a lower total value.

The focus on expanding our market reach via channel partners resulted in new distribution agreements being signed including an agreement with Cable & Wireless. This has already lead to the securing of new customers. During the year the growth in revenues from distribution channels was especially strong for the hosted service business.

As part of the ongoing transformation of Netcall, the management team has been strengthened. In addition the company undertook a market repositioning initiative increasing our product offerings and positioning Netcall to support our key strategies.

#### *Strategy*

Netcall's ambition is to continue to increase the market acceptance of its products, primarily QueueBuster, and to utilise our distribution partnerships in supporting this. By continuing to execute our key strategies we believe that the company will further improve its financial performance and its long term health resulting in increased shareholder value.

#### *Current Trading*

The Directors believe that the outlook for the company is positive and that the new financial year has started satisfactorily. The hosted service business has to date continued to show significant year on year growth.

**Henrik Bang, Chief Executive**  
**19 September 2006**

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PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2006

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**Consolidated Profit and Loss Account**  
**Year ended 30 June 2006**

	Notes	2006 £'000	2005 £'000
<b>Turnover</b>	<b>1</b>	<b>3,134.5</b>	<b>2,822.1</b>
Cost of sales		(449.9)	(469.1)
<b>Gross profit</b>		<u><b>2,684.6</b></u>	<u><b>2,353.0</b></u>
Administration expenses			
Exceptional items	<b>2</b>	(78.7)	(21.2)
Other		(2,279.2)	(2,211.8)
		<u>(2,357.9)</u>	<u>(2,233.0)</u>
Other operating income		11.0	7.9
<b>Operating profit</b>		<u><b>337.7</b></u>	<u><b>127.9</b></u>
		<i>before exceptional items</i>	<i>149.1</i>
		<i>exceptional items</i>	<i>(21.2)</i>
Interest receivable		63.6	44.6
Interest payable and similar charges		(9.4)	(14.4)
<b>Profit on ordinary activities before taxation</b>		<u><b>391.9</b></u>	<u><b>158.1</b></u>
Tax on profit on ordinary activities		-	-
<b>Profit for the financial year</b>		<u><b>391.9</b></u>	<u><b>158.1</b></u>
<b>Earnings per ordinary share</b>			
Basic	<b>3</b>	<b>0.6p</b>	<b>0.2p</b>
Diluted	<b>3</b>	<b>0.6p</b>	<b>0.2p</b>

All activities derive from continuing operations.

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## PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2006

### NETCALL PLC

#### Consolidated Statement of Total Recognised Gains and Losses Year ended 30 June 2006

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	<b>391.9</b>	<b>158.1</b>
Currency translation differences on foreign currency net investments	<u><b>0.1</b></u>	<u><b>(0.3)</b></u>
Total recognised gains and losses for the year	<u><u><b>392.0</b></u></u>	<u><u><b>157.8</b></u></u>

#### Reconciliation of Movements in Consolidated Shareholders' Funds Year ended 30 June 2006

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	<b>391.9</b>	<b>158.1</b>
Currency translation differences on foreign currency net investments	<b>0.1</b>	<b>(0.3)</b>
New shares issued	<b>16.8</b>	<b>14.6</b>
UITF 17 adjustment re employee share schemes	<u><b>29.9</b></u>	<u><b>-</b></u>
	<b>438.7</b>	<b>172.4</b>
Opening shareholders' funds	<u><b>1,359.2</b></u>	<u><b>1,186.8</b></u>
Closing shareholders' funds	<u><u><b>1,797.9</b></u></u>	<u><u><b>1,359.2</b></u></u>

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**PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2006**

**NETCALL PLC**

**Consolidated Balance Sheet**

**At 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>		
Tangible assets	154.3	172.3
Investments	-	-
	<b>154.3</b>	<b>172.3</b>
 <b>Current assets</b>		
Stocks	62.2	19.5
Debtors within one year	1,052.5	1,079.3
Cash at bank and in hand	1,819.5	1,393.4
	<b>2,934.2</b>	<b>2,492.2</b>
 <b>Creditors: amounts falling due within one year</b>	<b>(1,233.1)</b>	<b>(1,217.8)</b>
 <b>Net current assets</b>	<b>1,701.1</b>	<b>1,274.4</b>
 <b>Total assets less current liabilities</b>	<b>1,855.4</b>	<b>1,446.7</b>
 <b>Creditors: amounts falling due after more than one year</b>	<b>(57.5)</b>	<b>(87.5)</b>
	<b>1,797.9</b>	<b>1,359.2</b>
 <b>Capital and reserves</b>		
Called up share capital	3,297.1	3,285.5
Share premium account	15,125.3	15,120.0
Special and capital reserves	245.1	245.1
Employee share schemes reserve	29.9	-
Profit and loss account	(16,899.5)	(17,291.4)
 <b>Equity shareholders' funds</b>	<b>1,797.9</b>	<b>1,359.2</b>

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**PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2006**

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**Consolidated Cash Flow Statement  
Year ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net cash inflow from operating activities</b>	<b>468.7</b>	<b>208.0</b>
<b>Returns on investments and servicing of finance</b>		
Bank interest received	63.6	44.6
Interest on bank loans and overdrafts	(9.4)	(13.7)
Other interest	-	(0.7)
	<hr/>	<hr/>
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>54.2</b>	<b>30.2</b>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(83.6)	(86.3)
	<hr/>	<hr/>
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(83.6)</b>	<b>(86.3)</b>
<b>Net cash inflow before financing</b>	<b>439.3</b>	<b>151.9</b>
<b>Financing</b>		
Repayment of bank loan	(30.0)	(30.0)
Issue of new shares	16.8	14.6
	<hr/>	<hr/>
<b>Net cash outflow from financing</b>	<b>(13.2)</b>	<b>(15.4)</b>
<b>Increase in cash</b>	<b><u>426.1</u></b>	<b><u>136.5</u></b>

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## PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2006

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#### Notes to the Accounts

#### 1. Analysis of turnover

	2006	2005
	£'000	£'000

Analysis of turnover by class of business

Product	1,807.7	2,172.0
Services	1,326.8	650.1
	<u>3,134.5</u>	<u>2,822.1</u>

Geographical analysis of turnover by destination:

	2006	2005
	£'000	£'000
United Kingdom	2,961.5	2,412.5
Rest of Europe	142.5	316.5
North America	23.3	55.2
Rest of World	7.2	37.9
	<u>3,134.5</u>	<u>2,822.1</u>

#### 2. Exceptional items

	2006	2005
	£'000	£'000

Reorganisation costs	48.8	21.2
UITF 17 Employee share scheme charges	29.9	-
	<u>78.7</u>	<u>21.2</u>

#### 3. Earnings per ordinary share

Earnings per share has been calculated in accordance with Financial Reporting Standard 22 (FRS 22). The calculation of earnings per share is based on the profit attributable to equity shareholders of £391,900 (2005 - £158,100) and 65,813,224 (2005 - 65,592,187) shares being the weighted average of the number of shares in issue during that period.

The diluted earnings per share is based on a weighted average of 66,426,369 shares after allowing for the exercise of share options. For 2005, the diluted profit per share, as presented, equals the basic profit per share as FRS 22 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share.

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4. The Directors do not recommend payment of a dividend.
5. The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 30 June 2006 or 2005. The financial information for the year ended 30 June 2005 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s237(2) or (3) Companies Act 1985. The statutory accounts for the year ended 30 June 2006 will be delivered to the Registrar of Companies after the company's Annual General Meeting. The auditors have reported on those financial statements; their report was unqualified and did not contain a statement under S237(2) or (3) of the Companies Act 1985.

The financial information is prepared on the basis of accounting policies as stated in the previous year. The company has adopted in the year FRS 21 – events after the balance sheet date – and the presentation requirements of FRS 25 – Financial instruments: disclosure and presentation -; no restatement of the comparatives was necessary.

6. Copies of the full statutory accounts will be despatched to shareholders in due course. Further copies will be available from the Registered Office of the company at 10 Harding Way, St Ives, Cambs PE27 3WR.