

26th September 2007

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

Preliminary Results for Year Ended 30th June 2007

Netcall plc (AIM:NET), a leading provider of callback, auto-messaging and contact solutions, today announces its financial results for the year ended 30th June 2007.

Financial Highlights

- Turnover up 31% to £4.11 million (2006: £3.13 million)
- Hosted services growth of 51% to £2.0 million (2006: £1.33 million)
- Operating profits before FRS 20 charges increases 121% to £0.81 million (2006: £0.37 million)
- Operating margin before FRS 20 charges of 20% (2006: 12%)
- Profit before tax increased by 115% to £0.77 million

Operational Highlights

- New customers include Fortis Insurance, Birmingham City Council and McAfee
- Growing footprint within existing customer base including Lloyds TSB, Oracle and nPower
- Revenues from distribution channels grow by 65% accounting for 45% of total revenues (2006: 37%)
- QueueBuster saved millions of callers from more than 400 years of telephone queuing.

Ron Elder, Chairman of Netcall, commented: “Today’s results reflect a growing demand in the market for Netcall’s products and solutions. When combined with the effective working relationship we have established with our distribution partnerships, this allows Netcall to deliver recurring revenues and significant increases in profitability.”

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CHAIRMAN'S STATEMENT

Results

I am very pleased to report that the financial results for the year ended 30th June 2007 were ahead of expectations and continue to confirm the acceptance by the market of Netcall's technology and equally the strategy pursued since 2004 which is delivering profit, cash and consistent growth.

The figures reported today show a 51% increase in service revenues and a 17% increase in product revenues resulting in total revenue for the year of £4.11 million, a 31% growth on the year to 30th June 2006. Gross margins were slightly ahead at 87% (2006 : 86%); with operating profits before FRS 20 charges of £0.81 million (2006 : £0.37 million) the business achieved an operating margin of 20%.

Business focus

As detailed in the Chief Executive's review we continue to successfully pursue our strategy of increasing our market presence, principally through our flagship product QueueBuster, both as a hosted service provider and as a seller of licenced software. We have increased our channel partners during the year and will continue to deepen our relationship with them as we identify new opportunities to extend the use of our products.

Since my last report the Company has undertaken a capital restructuring which allows us to better utilise our distributable reserves and cash not required for planned business growth for the benefit of shareholders. This could take the form of a limited share buyback program, recently authorised by shareholders, or by way of a dividend. Following the announcement of these results the Board will determine the appropriate action.

During the year Brian Gowers resigned his directorship to pursue other interests and the Board would like to thank him for his contribution over his many years of service.

We continue to strengthen the management team at Netcall and advance the capabilities of the entire company for the benefit of our existing and prospective customers. This year's performance is a testament to the execution of a clear strategy under the leadership of our Chief Executive Henrik Bang and I would like to thank him and the entire staff for their dedication and support in delivering these results.

Ron Elder, Chairman
26th September 2007

CHIEF EXECUTIVE'S REVIEW

Netcall continued to make significant progress during the year. The Company accelerated its turnover growth and achieved another year with a significant increase in profitability. The main areas of the business improved with continued emphasis on hosted services growth and increasing revenues from distribution channels.

The overall long term health of the Company continues to strengthen with improving profits which generate a growing cash position. This has been driven by the ongoing growth in both hosted services and revenues from distribution channels, underwritten by a significant increase in the Company's recurring revenue streams.

Netcall has continued to broaden its customer base and expand its footprint within existing customers, mainly due to increased market demand for its flagship product QueueBuster.

Financial results

Operating profits before FRS 20 charges increased by 121% to £0.81 million (2006: £0.37 million) corresponding to a profit margin of 20% (2006: 12%). This result was achieved by a combination of revenue growth and improving margins through the close monitoring and control of costs.

Turnover increased by 31% to £4.11 million (2006: £3.13 million) with growth in both product and services revenues. Hosted services reported its seventh consecutive six month period of growth and reached £2.00 million (2006: £1.33 million), contributing 49% (2006: 42%) towards total revenues. Product sales increased to £2.11 million (2006: £1.81 million), and both revenue streams contributed to a significant increase in the Company's recurring revenue.

The majority of Netcall's cost increases were directly linked to the improvement in revenues and profits, with only a low percentage uplift in its fixed cost base. The leveraging of its overheads, coupled with improved organisational capabilities resulted in a substantially increased operating margin.

Operating cash flow was strong with a net inflow of £0.63 million (after early repayment of the balance of outstanding debt); the Company's net funds increased to £2.36 million as at 30th June 2007 (2006: £1.73 million), the majority of which is held on short term treasury deposits. During the early part of the new financial year, the majority of trade debtors have been collected resulting in a further increase in the cash position.

The balance sheet shows an increase in net assets to £2.68 million (2006: £1.80 million), reflecting Netcall's profitability. The changed composition of the capital and reserves has arisen through the implementation of a capital reduction scheme

Review of Operations

QueueBuster, Netcall's flagship product, gives customers waiting in call centre queues the option of receiving a return call when a call centre agent is available without losing their place in the queue. Our customers continue to report excellent performance from QueueBuster in both sales and customer support environments, confirming that the product delivers substantial productivity improvements as well as significantly improved customer and agent satisfaction. During the year QueueBuster saved millions of callers from more than 400 years of telephone queuing.

Expanded QueueBuster customer base

The Company acquired several new customers including Fortis Insurance, Birmingham City Council, McAfee, Anglian Water and STA Travel. Netcall also expanded its footprint within the existing customer base including Lloyds TSB, Prudential, nPower and Oracle.

Channel partnerships

Netcall continued to focus on expanding its market reach via distribution partners which grew revenues by 65% and accounted for 46% of turnover (2006: 37%). Netcall's key distribution partners include Affiniti, BT and Cable & Wireless Europe, Asia and US, with whom the Company in August this year announced a new partnership agreement which sees the integration of a QueueBuster hosted services platform into their existing infrastructure.

Accounting Standards

In this financial year the Company adopted FRS 20 which deals with share based payments. The fair value of share options is spread over the period from the date of grant until the date it is anticipated the options will become exercisable. The prior year comparative figures have been restated in accordance with the new standard. The Group's assets and cash flow statement were unaffected.

For the year ending 30th June 2008 Netcall will adopt International Financial Reporting Standards (IFRS) in accordance with the AIM Rules.

Strategy

Netcall's ambition is to continue to increase the market acceptance of its products and to work with distribution partners to achieve this. The Company will continue its focus on business models which generate a high element of recurring revenue improving future visibility.

By working closer with partners while also strengthening the Company's organisational capabilities, the aim is to improve and extend Netcall's ability to execute.

With continued focus on executing Netcall's key strategies the Board is confident that Netcall will continue to improve its financial performance resulting in increased shareholder value.

Current Trading

Netcall have had a good start to the year and the directors believe that the outlook for the year is very positive.

I would like to take this opportunity to thank the staff and our partners for their continued support and contribution.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30th June 2007

	Note	2007 £'000	2006 (restated - note 6) £'000
Turnover	2	4,112.3	3,134.5
Cost of sales		<u>(535.2)</u>	<u>(449.9)</u>
Gross profit		<u>3,577.1</u>	<u>2,684.6</u>
Administrative expenses before share based charges		(2,765.4)	(2,317.0)
Share based charges		(131.4)	(65.5)
Administrative expenses		(2,896.8)	(2,382.5)
Operating profit before share based charges		811.7	367.6
Share based charges		(131.4)	(65.5)
Operating profit		680.3	302.1
Interest receivable		92.0	63.6
Interest payable and similar charges		<u>(5.3)</u>	<u>(9.4)</u>
Profit on ordinary activities before taxation		767.0	356.3
Tax on profit on ordinary activities		<u>-</u>	<u>-</u>
Profit for the financial year		<u><u>767.0</u></u>	<u><u>356.3</u></u>
Earnings per share			
Basic	3	1.16p	0.54p
Diluted	3	1.12p	0.54p

All activities derive from continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 30th June 2007

	2007 £'000	2006 (restated - note 6) £'000
Profit for the financial year	767.0	356.3
Currency translation differences on foreign currency net investments	-	0.1
	<hr/>	<hr/>
Total recognised gains and losses for the year	767.0	356.4
Prior year adjustment	(94.0)	-
	<hr/>	<hr/>
Total recognised gains and losses since last annual report	<u>673.0</u>	<u>356.4</u>

In the year ended 30th June 2007 the Company was obliged to make a prior year adjustment (as explained in note 1) amounting to £94,000 against the reserves for the year ended 30th June 2006 as a consequence of a change in accounting policy on the implementation of FRS 20 'Share based payments'.

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

Year ended 30th June 2007

	2007 £'000	2006 (restated - note 6) £'000
Profit for the financial year	767.0	356.3
Currency translation differences on foreign currency net investments	-	0.1
New shares issued net of issue costs	(18.4)	16.8
FRS 20 share based charges	131.4	65.5
	<hr/>	<hr/>
Net addition to shareholders' funds	880.0	438.7
Opening shareholders' funds	1,797.9	1,359.2
	<hr/>	<hr/>
Closing shareholders' funds	<u>2,677.9</u>	<u>1,797.9</u>

CONSOLIDATED BALANCE SHEET

As at 30th June 2007

	2007	2006
	£'000	(restated - note 6) £'000
Fixed assets		
Tangible assets	158.5	154.3
Investments	-	-
	<u>158.5</u>	<u>154.3</u>
Current assets		
Stocks	38.1	62.2
Debtors	1,622.8	1,052.5
Cash at bank and in hand	2,360.5	1,819.5
	<u>4,021.4</u>	<u>2,934.2</u>
Creditors: amounts falling due within one year	<u>(1,502.0)</u>	<u>(1,233.1)</u>
Net current assets	<u>2,519.4</u>	<u>1,701.1</u>
Total assets less current liabilities	2,677.9	1,855.4
Creditors: amounts falling due after more than one year	<u>-</u>	<u>(57.5)</u>
Net assets	<u><u>2,677.9</u></u>	<u><u>1,797.9</u></u>
Capital and Reserves		
Called up share capital	3,302.5	3,297.1
Share premium account	2.4	15,125.2
Special and capital reserves	-	245.1
Employee share schemes reserve	290.9	159.5
Profit and loss account	<u>(917.9)</u>	<u>(17,029.0)</u>
Shareholders' funds	<u><u>2,677.9</u></u>	<u><u>1,797.9</u></u>

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30th June 2007

	2007	2006
	£'000	£'000
Net cash inflow from operating activities	642.3	468.7
Returns on investments and servicing of finance	86.7	54.2
Capital expenditure and financial investment	(82.1)	(83.6)
Net cash inflow before management of liquid resources and financing	646.9	439.3
Management of liquid resources	(2,000.0)	-
Financing	(105.9)	(13.2)
(Decrease) increase in cash	<u>(1,459.0)</u>	<u>426.1</u>

Reconciliation of net cash flow to movement in net funds

Year ended 30th June 2007

	2007	2006
	£'000	£'000
(Decrease) increase in cash in the year	(1,459.0)	426.1
Decrease in bank loans	87.5	30.0
Increase in short term treasury deposits held at bank	2,000.0	-
Movement in net funds in the year	628.5	456.1
Net funds at 1st July 2006	1,732.0	1,275.9
Net funds at 30th June 2007	<u>2,360.5</u>	<u>1,732.0</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. The Company has adopted in the year FRS 20 - Share based payment - restatement of the comparatives was required.

Share-based compensation

The Company issues share options to certain employees. The fair value of such options granted is calculated using the Black-Scholes option pricing model. The expense is spread over the period from the date of grant to the date the options vest and are exercisable, based on the best estimate of the number of shares that will eventually vest. The prior year comparative figures have been restated - see note 6. The effect of FRS20 was to increase administrative expenses for the year ended 30th June 2006 by £35,600. The group net assets and the cash flow were unaffected. Additionally, the group is obliged to make a prior year adjustment totalling £94,000 as a result of this.

2. Analysis of turnover

	2007	2006
	£'000	£'000
Class of business		
Products	2,107.3	1,807.7
Services	2,005.0	1,326.8
	<u>4,112.3</u>	<u>3,134.5</u>
Geographical analysis by destination		
United Kingdom	3,751.9	2,961.5
Rest of Europe	161.2	142.5
North America	21.2	23.3
Rest of the World	178.0	7.2
	<u>4,112.3</u>	<u>3,134.5</u>

3. Earnings per 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 £767,000 (2006 (restated - note 6) - £356,300) and 66,014,672 (2006 - 65,813,224) shares being the weighted average of the number of shares in issue during that period.

The diluted earnings per share take into account the potentially dilutive effect of share options, this is based on a diluted weighted average of 68,500,526 (2006 - 66,166,558) shares.

4. The Directors do not currently recommend paying a dividend.

5. The financial information set out in the announcement does not constitute the Company's statutory accounts for the years ended 30th June 2007 or 2006. The financial information for the year ended 30th June 2006 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 2007 will be delivered to the Registrar of Companies after the Company's Annual General Meeting on 15 November. 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.

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.

6. Restatement of comparatives

Profit and loss account	Share based charges £'000	Total administrative expenses £'000	
Administrative expenses			
As previously reported at 30th June 2006	29.9	2,346.9	
Additional charge arising from adoption of FRS 20	35.6	35.6	
At 30th June 2006 restated	<u>65.5</u>	<u>2,382.5</u>	
Profit and earnings per share	Operating profit £'000	Profit for financial year £'000	Earnings per share pence
As previously reported at 30th June 2006	337.7	391.9	0.59
Additional charge arising from adoption of FRS 20	(35.6)	(35.6)	(0.05)
At 30th June 2006 restated	<u>302.1</u>	<u>356.3</u>	<u>0.54</u>
Shareholders' funds	Employee share schemes reserve £'000	Profit and loss account £'000	
As previously reported at 30th June 2006	29.9	(16,899.4)	
Additional charge arising from adoption of FRS 20	35.6	(35.6)	
Prior year adjustment arising from adoption of FRS 20	94.0	(94.0)	
At 30th June 2006 restated	<u>159.5</u>	<u>(17,029.0)</u>	

The restatement has no net impact on net assets or shareholders' funds. The restatement establishes a new employee share scheme reserve with a corresponding reduction in the profit and loss account reserve.