

29th September 2008

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

**Preliminary Results for Year Ended 30th June 2008**

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 2008.

**Financial Highlights**

- Revenue of £3.60m (2007: £4.11 million)
- Gross profit margin increased to 89% (2007: 87%)
- Operating costs, excluding share based charges, decreased to £2.64m (2007: £2.77m)
- Profit before share based charges and tax £0.71 million (2007: £0.90 million)
- Cash position improved 24% to £2.92m (2007: £2.36m)
- Net assets increased by 47% to £3.95 million (2007: £2.68 million)

**Operational Highlights**

- Continued expansion of customer base, including contracts with Interflora, Virgin Holidays and Lloyds TSB
- New strategic partnership with Cable & Wireless enhances Netcall’s market reach
- Proportion of revenues from distribution channels continued to grow, accounting for 52% of total revenues (2007: 47%)
- During the year QueueBuster saved the public more than 500 years of telephone queuing

**Ron Elder, Chairman of Netcall, commented:** “Netcall continues to occupy a leading position in a niche market, adding a wide range of new customers during the year and increasing our market reach through partnerships and distribution channels. Whilst lower activity levels among some of our customers has had a short-term impact on our top-line, our cash position continues to strengthen and we are pleased with the operational strength of the Group. We are confident that Netcall is well positioned to withstand the current economic climate. We have had an encouraging start to the new financial year and we shall continue to seek new opportunities to broaden our market reach, develop our products in anticipation of market demand and explore all avenues to deliver enhanced shareholder value.”

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## **CHAIRMAN'S STATEMENT**

Netcall has made good operational progress this year and achieved this in a business environment which has been much more demanding than previously, and it is clear that while Netcall has been resilient, the Group has not been immune to the wider economic downturn. The second half of the financial year showed improvement and we continue to make solid progress, positioning us well to achieve growth in the future.

We have continued to sign new customers and our customer base is broader than ever covering the financial sector, communications, utilities, retail and the government sectors amongst others. With our strong cash position, we therefore believe we are well positioned to weather the current downturn and benefit from any changes in overall market conditions. The Group's cash position continues to strengthen and increased by 24% during the year to £2.92m (2007:£2.68m)

The figures reported today for the year to 30th June 2008 resulted in revenues for the year of £3.6m. Encouragingly revenues in the second half grew by 13% when compared to the first half and accordingly profit margins were restored.

Gross margins for the year grew to 89% (2007: 87%) which combined with a reduction in operating costs by 4% to £2.6m (2007: £2.8m) contributed to the Group achieving a solid profit margin and generating significant cash.

It is clear that the strategy implemented in 2005, to move towards the delivery of our products via a Software as a Service (SaaS) model, is providing a robust stream of recurring revenues, reducing our reliance on large licence deals, whilst at the same time increasing our market reach through channel partners. This is enhancing the business in today's tough market, and we believe will continue to do so.

We have had an encouraging start to the new financial year and we shall continue to seek new opportunities to broaden our market reach, develop our products in anticipation of market demand and explore all avenues to deliver enhanced shareholder value.

I would like to take this opportunity to thank the staff and our partners for their continued support and contribution. Netcall consists of many talented people, whose dedication to the Group and belief in the power of our products is fundamental to our robust success.

**Ron Elder, Chairman**  
**29th September 2008**

## **CHIEF EXECUTIVE'S REVIEW**

Netcall expanded its market footprint during the financial year by an ongoing acquisition of new customers at a rate similar to the previous year. This was achieved in a very different and more challenging market environment where a number of our customers and prospects experienced significant changes to their businesses which in some cases had an effect on Netcall.

Despite these challenges the Group's overall health improved. Margins increased which, combined with robust cost management, resulted in a healthy double-digit profit margin making it the second best year in the Group's history. As a result the business has continued to generate significant amounts of cash thereby improving the strength of the balance sheet.

While maintaining its core business strategies Netcall adapted its execution during the financial year as a response to the changing market conditions. As a result the Group delivered a significantly improved performance in the second half compared to the first six months of the financial year confirming the continued demand for Netcall's products.

### **Financial results**

Revenue for the financial year was £3.60 million (2007: £4.11 million) and the share of revenue from distribution channels grew to 52% of total revenues (2007: 46%). The revenue split between hosted services and product sales remained even with hosted revenues contributing 49% of total revenues at £1.78 million (2007: £2.00 million), and product revenues accounting for the remaining 51% at £1.82 million (2007: £2.11 million).

Robust cost management resulted in a 4% reduction in administrative expenses (excluding share based charges of £0.20 million) to £2.64 million (2007: £2.77 million).

Adjusted profits (profit before share based charges and tax) for the year of £0.71m ( 2007: £0.90m) were healthy, with the second half showing a substantial improvement compared to the first 6 months achieving £0.43m compared to £0.28m and consequently the second half year margins returned to the level of the previous year.

Profit before tax was £0.51 million, (2007: £0.77 million) including share option charges. Following the first time recognition of a deferred tax asset the results incorporate a one off tax credit of £0.56 million which has resulted in an increase in net profit for the year to £1.07 million (2007: £0.77 million). Accordingly earnings per share have grown to 1.62p (2007: 1.16p).

These results are the first reported fully adopting IFRS. Following this adoption there has been no significant change to previously reported results.

Cash generated from operations for the year was £0.43 million (2007: £0.64 million) and the Group's net funds increased by 24% to £2.92 million as at 30th June 2008 (2007: £2.36 million).

Net assets increased by 47% to £3.95 million (2007: £2.68 million), reflecting the underlying strength and resilience of the Group and its strategy.

### **Review of Operations**

#### *Products*

Netcall is the leading specialist in callback, auto-messaging and contact solutions for companies of all sizes. The Group designs, develops and supplies a range of innovative communication solutions to organisations focusing on enhancing client businesses by:

- Improving operational efficiency

- Improving customer experience and satisfaction
- Increasing sales
- Improving employee morale

All Netcall applications run on the Group's Intelligent Communications Platform (ICP), which has been built based on industry standards to ensure full cross-platform compliance. Netcall has integrated its solutions with all leading Automatic Call Dialing platforms, Carrier switches, Network Routing and Computer Telephony Integration Systems. During the financial year Netcall became a Gold member of the Avaya developer program and also received the Cisco Technology Development Program accreditation.

The Group's ICP runs both on hardware at a client's location or as a supported service, hosted remotely and delivered as a Software as a Service (SaaS) solution, enabling a rapid low-cost, low-risk and flexible set-up with no capital investment.

Netcall's flagship product, QueueBuster, eliminates the need for customers to be kept waiting on hold by contact centres by taking the callers place in the queue and providing them with an automatic call back when an agent is free. QueueBuster, delivering millions of call backs, continued to provide excellent results for our customers during the year by improving efficiencies, helping to drive sales and improve customer service. During the year QueueBuster has saved the public over 500 years of queuing.

#### *Market*

There continues to be a solid and ongoing requirement for organisations and their contact centres to improve efficiencies and customer service. In parallel consumers repeatedly rate waiting in call centre queues as one of the biggest causes of customer dissatisfaction. These are key issues that QueueBuster addresses for the Group's customers.

Whilst the broader economic climate had an impact on a number of customers and prospects, the core benefits that Netcall's solutions provide remain in demand resulting in the ongoing acquisition of new customers.

#### *Expanded customer base*

Netcall acquired a number of new customers directly or via channel partners during the year including Interflora and Virgin Holidays and also expanded its footprint within its existing customer base, for example, at Lloyds TSB. As a result the number of new customer acquisitions remained stable compared to the previous year. However the business was affected by reduced activity levels at some of our customers which in turn impacted the recurring revenue stream and delayed some purchase decisions.

#### *Channel partnerships*

The Group's continued focus on expanding its market reach via distribution partners has seen the proportion of total revenues received from channel partnerships continue to grow to 52% (2007: 46%). A significant development was the announcement of a new partnership agreement with Cable & Wireless Europe, Asia and US to integrate a hosted platform into its existing infrastructure to deliver Netcall's flagship product QueueBuster as part of its product and service portfolio. This agreement started showing initial rewards during the second half of the year with a number of new customers signing up as a result of this relationship.

## **Strategy**

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

By pursuing this business model, Netcall has transformed over the past few years from a volatile license business model to one which focuses on a high element of recurring and visible revenue which continues to be converted into profit and cash.

By staying focused on the long term strategy for growth, the Board is confident that Netcall will achieve long term success and the Group continues to explore all avenues to generate significant value for our shareholders in the process.

## **Current Trading**

The uptake of Netcall's products is continuing to expand within our existing customer base, and we are also seeing sign up with additional blue chip organisations. I am pleased to report that the first quarter is ahead of the same period last year, and this combined with our continued cash generation, healthy balance sheet and ongoing customer wins is encouraging for the future.

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

## Consolidated Income Statement

	Notes	2008 £'000	2007 £'000
<b>Revenue</b>	3	<b>3,600.5</b>	4,112.3
Cost of sales		(386.6)	(535.2)
<b>Gross profit</b>		<b>3,213.9</b>	3,577.1
Administrative charges before share based charges		(2,643.1)	(2,765.4)
Share based charges		(200.0)	(131.4)
<b>Total administrative expenses</b>		<b>(2,843.1)</b>	(2,896.8)
<b>Profit before share based charges</b>		<b>570.8</b>	811.7
Share based charges		(200.0)	(131.4)
<b>Profit before interest and tax</b>		<b>370.8</b>	680.3
Finance income receivable		138.6	92.0
Finance costs payable		-	(5.3)
<b>Profit for the year before taxation</b>		<b>509.4</b>	767.0
Taxation		560.0	-
<b>Net profit for year</b>		<b>1,069.4</b>	767.0
Attributable to shareholders of Netcall plc		<b>1,069.4</b>	767.0
<b>Earnings per share</b>	4		
Basic		<b>1.62p</b>	1.16p
Diluted		<b>1.61p</b>	1.12p

All activities derive from continuing operations.

## Consolidated Balance Sheet

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Assets</b>		
<i>Non-current assets</i>		
Intangible assets	37.9	50.9
Property, plant and equipment	69.7	115.0
Deferred tax asset	560.0	-
	<u>667.6</u>	<u>165.9</u>
 <i>Current assets</i>		
Inventories	77.6	38.1
Trade and other receivables	1,534.1	1,615.4
Cash and cash equivalents	2,915.3	2,360.5
	<u>4,527.0</u>	<u>4,014.0</u>
 <b>Total assets</b>	<b><u>5,194.6</u></b>	<b><u>4,179.9</u></b>
 <i>Equity</i>		
Share capital	3,302.5	3,302.5
Share premium account	2.4	2.4
Employee share schemes reserve	441.0	290.9
Profit and loss account	201.4	(917.9)
<b>Total Equity</b>	<u>3,947.3</u>	<u>2,677.9</u>
 <i>Current Liabilities</i>		
Trade and other payables	<u>1,247.3</u>	<u>1,502.0</u>
 <b>Total equity and liabilities</b>	<b><u>5,194.6</u></b>	<b><u>4,179.9</u></b>

## Consolidated Cash Flow Statement

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash generated from operations</b>	434.7	642.5
Interest paid	-	(5.3)
Net cash generated from operations	434.7	637.2
<b>Investing activities</b>		
Additions to property, plant and equipment	(6.2)	(48.5)
Purchase of intangible assets	(12.3)	(33.8)
Interest received	138.6	92.0
<b>Cash inflow from investing activities</b>	120.1	9.7
<b>Financing activities</b>		
Proceeds from share issues	-	(18.4)
Repayment of long term borrowings	-	(87.5)
<b>Cash inflow from financing activities</b>	-	(105.9)
Net changes in cash and cash equivalents	554.8	541.0
Cash and cash equivalents, beginning of year	2,360.5	1,819.5
<b>Cash and cash equivalents, end of year</b>	<b>2,915.3</b>	<b>2,360.5</b>

## Cash generated from operating activities

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Profit after taxation	1,069.4	767.0
Adjustments for:		
Deferred tax	(560.0)	-
Depreciation	76.8	84.7
Share based payment charge	200.0	131.4
Interest received	(138.6)	(92.0)
Interest paid	-	5.3
Decrease /(increase) in trade and other receivables	81.3	(576.9)
(Increase) /decrease in inventories	(39.5)	24.1
(Decrease) /increase in trade and other payables	(254.7)	298.9
Cash generated from operating activities	<b>434.7</b>	642.5

## Notes to the Financial Statements

### 1. Nature of operations and general information

Netcall plc and its subsidiaries' are a group of companies which design, develop and market advanced technologies that enable businesses to integrate and manage telephony efficiently.

Netcall plc, a limited liability company, is the Group's ultimate parent company. It is registered in England and Wales. The address of Netcall plc's registered office, is also its principal place of business.

The financial statements for the year ended 30th June 2008 (including the reclassified comparatives for the year ended 30th June 2007) were approved by the Board of Directors on 29th September 2008.

Netcall plc's shares are listed on the London Stock Exchange's Alternative Investment Market (AIM). Netcall plc's consolidated full year financial statements are presented in British pounds (£), which is also the functional currency of the ultimate parent company.

### 2. Transition to IFRS

#### *Overall considerations*

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its financial statements. The Group established its IFRS accounting policies on its transition date, 1 July 2006, and applied these to the IFRS opening balance sheet at its date of transition, 1 July 2006.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below. The transition to IFRS has not resulted in any remeasurement adjustments and a reconciliation of profit is therefore not included. The transition to IFRS has also not resulted in any change to equity and so a reconciliation of equity is not included.

#### *Reclassification of intangible assets*

Under UK GAAP domain names and software costs were recognised within tangible fixed assets and patent costs in prepayments. There is no tangible fixed assets category under IFRS and instead there is a category of property, plant and equipment. These costs have therefore been reclassified in these IFRS financial statements and recognised within intangible assets.

	<b>UK GAAP</b> <b>£'000</b>	<b>Reclassification</b> <b>£'000</b>	<b>IFRS</b> <b>£'000</b>
<b>At 1 July 2006</b>			
<b>Non-current assets</b>			
Intangible assets	-	47.6	47.6
Property, plant and equipment	154.3	(33.6)	120.7
Trade and other receivables	1,052.5	(14.0)	1,038.5
<b>At 30 June 2007</b>			
<b>Non-current assets</b>			
Intangible assets	-	50.9	50.9
Property, plant and equipment	158.5	(43.5)	115.0
Trade and other receivables	1,622.8	(7.4)	1,615.4

### *Explanation of adjustments to the cash flow statement*

The definition of cash is narrower under UK GAAP than under IAS 7 "Cash Flow Statements". Under IFRS highly liquid investments, readily convertible to a known amount of cash and with an insignificant risk of changes in value, are regarded as cash equivalents. The cash flow statement in the last UK GAAP financial statements reported movements in cash. The cash flow statement in these IFRS consolidated financial statements reports movements in cash and cash equivalents.

Cash and cash equivalents under IFRS include some investments that were recorded as liquid investments under UK GAAP. Cash and cash equivalents includes £2,000,000 at 30 June 2007 which was accounted for as liquid resources under UK GAAP.

### *Presentation of financial reports*

The overall presentation of the financial statements has been changed further to compliance with IAS 1 "Presentation of Financial Statements" and IAS 7 "Cash Flow Statements".

### *IFRS exemptions*

IFRS1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These financial statements have been prepared on the basis of taking the following exemptions:

- Business combinations prior to 1 July 2006, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 *Business Combinations*;
- Cumulative translation differences on foreign operations are deemed to be nil at 1 July 2006, any gains and losses recognised in the consolidated income statement on subsequent disposal of foreign operations will exclude translation differences arising prior to the transition date; and
- IFRS 2 Share Based Payment has only been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 July 2006.

### **3. Segmental analysis**

Management consider that there is one primary business segment being the management of telephony efficiency. Analysis of turnover in its primary business is summarised below:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Geographical analysis by destination</b>		
United Kingdom	<b>3,329.1</b>	3,751.9
Rest of Europe	<b>242.2</b>	161.2
North America	<b>21.8</b>	21.2
Rest of the World	<b>7.4</b>	178.0
	<hr/> <b>3,600.5</b>	<hr/> 4,112.3

#### 4. 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. All earnings per share calculations relate to continuing operations of the Group.

	<b>Profits attributable to shareholders £'000</b>	<b>Weighted average number of shares</b>	<b>Basic profit per share amount in pence</b>
Year ended 30 June 2008	1,069.4	66,050,937	<b>1.62</b>
Year ended 30 June 2007	767.0	66,014,672	1.16

The diluted earning per share take into account the potentially dilutive effect of share options, this is based on a diluted weighted average of 66,463,900 (2007 – 68,500,500) shares.

#### 5. Dividends

The dividends proposed after the year end £nil ( 2007- £nil).