

**FOR IMMEDIATE RELEASE**

**13 September 2007**

**NETSERVICES PLC**

**Pre-Close Trading Update**

NetServices plc (AIM:NSV) (the "Company") wishes to take this opportunity to provide an update on trading for the financial year just ended before it enters a close period.

Un-audited Results for the year ended 31 August 2007

The results for the year to 31 August 2007 are expected to be turnover of not less than £12.6m (2006: £16.2m) which will lead to an EBITDA loss of approximately £0.3m, resulting in an expected loss before tax of £1.1m, in line with management's expectations.

In May 2007 the Company announced the sale of its wholesale consumer broadband base to 186k Limited ("186k"). The purchase consideration payable by 186k was £0.8m and the profit on this transaction which will be recognised in the financial year ended 31 August 2007 is expected to be not less than £0.4m. We have been pleased with the efficient and effective way in which 186k has taken over the servicing of the resellers covered by this disposal. We are in the final stages of migrating the technical infrastructure required to deliver these services to 186k. In the meantime, we have been re-charging costs incurred on behalf of 186k to 186k. At the year end, approximately £0.4m of the cash held by us, represented payment by 186k for these supplier recharges.

Ongoing business activities, primarily our converged voice and data business, targeted at mid sized corporates and strategic resellers, contributed approximately £7.5m of turnover. Importantly, this is an area which produces higher margins, and in the second half of this year achieved gross margins in excess of 40%. This business is expected to generate an EBITDA loss of approximately £0.3m, and an expected loss before tax of £1.0m, after charging £0.7m of depreciation and interest. Significant progress has been made in the Company since the half year in rationalising and reducing the direct costs of sale and overheads, and these ongoing business activities are currently EBITDA positive.

During the financial year ended 31 August 2007 the Company chose to exit from two areas of business where it possessed neither the scale nor the resources to compete and generate a satisfactory rate of return. These were the wholesale consumer broadband business referred to above and Carrier Pre Select ("CPS") over traditional PSTN technology. This part of the business contributed approximately £5.1m of turnover but due to continuing bad debt risk and write offs it is expected that it will have contributed approximately £0.5m of the loss before tax in the year.

Notwithstanding the impact of the bad debt charges referred to above, the Company has made good progress in the collection of its overdue receivables during the year. In addition, we have been aggressive in pursuing non-payers, and at the year end there were a number of claims being pursued, where, although we have fully provided against the debt, we would hope to make some recovery.

As at 31 August 2007, the Company had cash balances of £1.9m, including the £0.4m referred to above (2006: £1.4m).

### **Board Changes**

As announced at the time of the interim results Steven Hartley stepped down as Finance Director to become a Non-Executive Director. Ian Winn became the new Finance Director on 1 July 2007.

### **Outlook**

Our strategy remains focused on developing business in complex higher margin converged solutions. Our core infrastructure, our comprehensive product portfolio and the in-house expertise gained through managing voice networks means we believe we are ideally positioned to provide the 'value-add' in converged networking required by direct businesses and the PBX and value added communities of resellers. We have made progress with the recent launch of our Quality of Service (QoS) IPStream product which has received much interest and the continued development of our IP (Internet Protocol) Carrier proposition to resellers. In particular this has enabled us to sign a three year, £1.5m contract with a large professional services firm for the delivery of a converged network, incorporating both voice and data requirements.

We will provide a further update on trading and progress at the time of the publication of the Company's preliminary results in November.

- Ends -

For further information, please contact:

NetServices plc  
Mark Vickers, Chief Executive  
Ian Winn, Finance Director

Today on Tel No: 020 7466 5000

Arbuthnot Securities  
Tom Griffiths

Tel No: 020 7012 2000

Buchanan Communications  
Lisa Baderoon

Tel No: 020 7466 5000