

NetServices posts maiden profit of £3,000

Shares in NetServices climbed 6 per cent after the Salford-based technology group reported its first profit as a listed company and said it is confident it can achieve its goals for the full year by adding new clients and additional services such as video conferencing.

House broker Arbuthnot said the company is on track to deliver "sustained profitability" and is forecasting full-year pre-tax profit of £100,000 on sales of £7.8m. This compares with a pre-tax loss of £389,000 in the year ended August 2007. The shares rose to 9p, well below the 20p price target set by Arbuthnot, citing the company's strong balance sheet and growing sales pipeline.

Net profit in the six months to the end of February, was £3,000, compared with a loss of £745,000 in the same period last year. Revenue meanwhile slipped 9 per cent to £3.68m.

Finance director Ian Winn welcomed the group's performance and said it marked a turning point for NetServices. "It is a demonstration of our strength," he told Crain's referring to the problems the group encountered when not long after listing on the stock market, Carphone Warehouse launched a free broadband service, prompting a price war in the market.

Since then the company has cut its overheads, developed new systems and signed up a series of partners to promote and sell its products. NetServices is now focussed on providing combined voice and data networks to a range of clients, which it estimates can save businesses between 20 and 80 per cent of their usual communication and data costs. Currently about 80 per cent of NetServices' revenue comes from 15 customers.

Winn said that while NetServices plans to continue servicing and selling to its existing clients, the company will have to add new customers if it is to continue to expand as planned.

He said the company is currently in talks with several other partners, as well as seeking to become a Cisco partner itself. "This will increase our scope and reach by increasing the number of people that are aware of NetServices," he said. The company currently employs about 50 people in Salford.

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