

FOR IMMEDIATE RELEASE

22 May 2007

ENDACE LIMITED

FINAL RESULTS FOR YEAR ENDED 31 MARCH 2007

Meetings will be held today at Bankside Consultants, 1 Frederick's Place, London, EC2R 8AE. Press Briefing at 11:00am and Analysts Lunch Briefing at 12:30pm.

Endace Limited ("Endace", "the Group" or "the Company") (LSE/AIM: EDA), a world leader in high speed network monitoring solutions, is pleased to announce its final results for the year ended 31 March 2007. The Company is headquartered in Auckland, New Zealand. These results are prepared under New Zealand equivalents to International Reporting Standards (NZ IFRS).

Financial highlights

- Revenue increased 55% to \$17.0m (2006: \$11.0m).
- Profit before tax and foreign exchange movements rose 356% to \$3.74m (2006: \$0.82m).
- Pre-tax profit was up 153% to \$3.92m (2006: \$1.55m).
- Net cash at the year end was \$3.5m (2006: \$6.7m).

Operational highlights

- The NinjaProbe appliance family was launched successfully.
- US\$2m NinjaProbe shipment to a leading US based telco.
- Signed a technology licensing agreement with Sprint Nextel Corp (NYSE: S), a world leader in communications services, for two of its network traffic products.
- Launched new Application & Channel Partner Programmes to drive sales through software vendors and systems integrators.
- Delivered 40 Gbps/OC768 monitoring solution to major US telco.
- Board changes announced today: Selwyn Pellett to become non-executive Chairman, John Scott to become Deputy Chairman and Mike Riley to become CEO.

Commenting on the results, Endace's Chief Executive Officer, Selwyn Pellett, said:

"This has been a year of major achievements and validation for Endace and its technology. Our new NinjaProbe appliances have gained traction with Tier 1 telcos and we stand on the threshold of a major new phase of growth."

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Endace Limited

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Chairman's Statement

INTRODUCTION

Endace's final results for the year ended 31 March 2007 were extremely pleasing. Over the past year the Group has achieved significant revenue and profit growth.

During the year, sales of Data Acquisition and Generation ("DAG") card products continued to grow strongly. As predicted Endace's newly introduced range of NinjaProbe appliances – released towards the end of the financial year – contributed significantly to revenues.

FINANCIAL

The Endace group is pleased to report its fifth consecutive year of revenue and profit growth. Revenue in the year to 31 March 2007 was \$17.0 million, an increase of 55% compared to \$11.0 million in the previous year. Profits before tax and the impact of foreign exchange gains were \$3.74m, 356% up on the previous year's \$0.82m.

Revenue grew across all regions, with the most significant growth in North America, growing by 104% with strong sales in the telco and government markets.

Across the Group our top 20 customers represented 76% of total revenue, compared to 73% in the prior year. New customers represented 10% of total revenue. Revenue from a number of existing customers also grew considerably. The Group reported healthy gross margins at 71% (2006: 75%) reflecting a changing customer and product mix.

Management successfully controlled operating costs at the same level as the second half of 2006 financial year. Overhead costs for the year increased to \$8.8 million from \$7.9 million last year. When viewed as a percentage of revenue, these costs have fallen to 52% compared to 72% in the prior year.

The assets of the Group have increased from \$17.1 million to \$20.9 million. Non-current assets have grown with the investment in software, hardware and test equipment. Current assets reflect the growth in inventories, particularly raw material components and increased trade receivables from significant last quarter sales

At the time of the IPO in June 2005, Endace adopted NZ dollars as its functional currency and US dollars as its presentational currency. In subsequent reporting periods, this gave rise to significant foreign exchange movements which had little relevance to trading. As Endace executes the bulk of its business in US dollars, it changed its functional currency to US dollars with effect from 1 April 2006. The results announced today are based on accounts prepared using US dollars as the functional currency and include foreign exchange gains of \$173,000 compared to \$730,000 in the previous financial year.

This is the first time the full year Group financial statements (including comparatives) have been prepared in accordance with NZ International Financial Reporting Standards (NZ IFRS). The previous year's financial information, reported under UK Generally Accepted Accounting Principles (UK GAAP), has been restated in accordance with NZ IFRS. The impact of these changes was reported in our interim financial statements and will also be reported in the forthcoming annual report.

BOARD CHANGES

Endace strengthened its Board with the appointment of Andrew Lark as an independent non-executive Director in December 2006.

Andrew was previously a senior member of Sun Microsystems' global marketing leadership team, following a successful career at Nortel Networks where he led corporate marketing and communications and was Chief Marketing Officer for the Asia Pacific region.

Andrew currently serves as Chief Marketing Officer at LogLogic and chairs the New Zealand Government's technology 'Beachhead' in the US market.

With effect from the 1st July 2007 Mike Riley will be appointed CEO, Selwyn Pellett will become non-executive Chairman and I will move to the position of Deputy Chairman and Senior Independent Director; further details are provided in a separate release.

OUTLOOK

The Company is well positioned to capitalise on projected market growth which is being driven by the increasing demands placed on network operators by industry and government regulations, coupled with higher network data volumes and speeds.

With the combination of the new and world leading NinjaProbe appliance product range and the established range of DAG cards, Endace stands on the threshold of a major new phase of development and growth.

To take full advantage of these prospects, Endace now needs to increase its investment within the business. This investment will take the form of increasing the Company's resources in R&D, sales and support and in software tools. In order to drive Endace to a significantly higher level, the focus will be placed strongly on generating revenue growth.

The early adoption of our NinjaProbe appliances by Tier 1 telcos and continued strong sales of our traditional DAG card products bode well for this strategy. I am very positive about Endace's prospects for the forthcoming year.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at the offices of Panmure Gordon & Co. plc, 155 Moorgate, London EC2M 6XB on Wednesday 5 September 2007 at 9.30am.

John Scott
Chairman

22 May 2007

Chief Executive Officer's Report

INTRODUCTION

This has been a year of major achievements and validation for Endace. We signed a technology licensing agreement with Sprint Nextel Corp and we delivered the first 40Gbps/OC768 monitoring solution to a major US telco. The NinjaProbe appliance family was launched successfully and followed immediately by the US\$2m shipment to another leading US based telco. We initiated new Application and Channel Partner Programmes to drive sales through software vendors and systems integrators.

We are now the only network monitoring vendor with scalable solutions from the edge of the network to its core.

OPERATING REVIEW

Strengthened management

During the past year a number of key personnel have been added to Endace's senior management team, including:

- Mike Riley, Vice President of Worldwide Marketing (and now CEO designate)
- Nicole Ho, Vice President of Asia Pacific Sales
- Annie Rastello, Card Group Manager
- Joby Beretta, Group Legal Counsel and Company Secretary.

Also, as previously announced, Stuart Wilson was appointed CTO, Ian Graham moved to the position of Chief Scientist and Neil Hopkins was appointed to the Board as Finance Director.

Network monitoring cards

New card products released over the past year have extended Endace's lead over its competition with significantly increased functionality and reliability.

DAG card functionality is critical to the success and further differentiation of our NinjaProbe appliances. Endace has leveraged the wide range of connectivity options, flexible programming environment and ultra high performance of the DAG cards to enter the appliance market with a compelling value proposition.

Appliances

Endace has made a significant commitment towards developing and delivering fully integrated appliances. The first move towards this strategy was signalled by the licensing of two of Sprint Nextel's innovative software applications, which are designed to analyse and classify network traffic. When combined with Endace's appliance platform technology, these applications will enable superior network security event detection and mitigation. Initial revenues are expected from these combined solutions in the coming financial year.

In March 2007, Endace announced the release of its NinjaProbe network appliances. NinjaProbes provide 100% traffic capture and interception at network speeds of up to 40Gbps with CPU offload, real-time packet filtering and high speed write-to-disk. An integrated management console for remote management and upgrade is available to support large network deployments. Network Operators can efficiently run multiple applications on a single NinjaProbe. This allows them to utilise the NinjaProbe appliance to cover multiple network monitoring requirements in a single unit, reducing cost, rack space, power consumption and cooling.

At the time of the NinjaProbe launch, Endace secured a contract worth in excess of US\$2 million with a leading US based telecommunications operator. The timing and size of this deal reflect strong endorsement of our appliance strategy and value proposition.

The Group continues to innovate in the development of its network monitoring business. Last week we were pleased to announce the latest addition to our NinjaProbe range, the 40G1, which offers a quadrupling of operating speed to 40Gbps (OC768). This means Endace NinjaProbe family with its common management layer can be deployed from the edge to the core of the fastest commercial network. The first NinjaProbe 40G1 systems were shipped in March 2007.

Endace is now able to monitor the highest network speeds available within any commercial network and allows network operators to choose a single vendor for all their monitoring needs.

Control of the supply chain

In past years the purchasing and manufacturing of Endace DAG cards was contracted to Prolificx New Zealand Limited ("Prolificx"). In December 2006, Endace assumed control of this part of the supply chain in order to assure component supply and to reduce manufacturing costs.

This change was undertaken in cooperation with Prolificx and involved the transfer of employees and component inventory from Prolificx to Endace, entailing an additional investment of \$0.7 million in working capital. As part of this transfer Endace entered into a transitional arrangement to manufacture products for Prolificx, which will conclude during the coming financial year. This business is run from Singapore through the recently incorporated subsidiary, Endace Asia Pacific Pte. Ltd.

STRATEGY FOR GROWTH

DAG technology remains the core differentiator and the Group's key competitive advantage. We will continue to invest the appropriate resources to further develop this technology advantage and, in particular, focus our leading edge developments on our NinjaProbe appliance family of products.

We believe that NinjaProbe appliance solutions will grow repeat revenues and open up access to a new customer base with reduced sales cycle times.

The delivery of appliances will broaden access to mainstream Systems Integrator (SI) sales channels and enable us to partner with a wider set of Independent Software Vendors (ISVs). Last week we announced the interoperability between Verint Systems' STAR-GATE™ solution for CALEA and our NinjaProbe appliances.

We will continue to focus our sales and marketing efforts on Governments, telco operators and major financial institutions. We believe that the increase in regulatory requirements, coupled with the demand for higher bandwidth across network infrastructures, provide significant drivers for our business into the future.

GRATITUDE TO STAFF

I would like to welcome our new employees in Singapore and elsewhere and to thank all our staff for their skill and dedication, which have contributed so much to the success of Endace over the past year.

Selwyn Pellett
CEO

22 May 2007

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007**

	Note	2007 US\$'000	2006 US\$'000
Revenue	2	16,967	10,989
Cost of sales		(4,883)	(2,750)
Gross profit		12,084	8,239
Selling and administrative expenses		(5,558)	(5,287)
Research and development expenses		(3,266)	(2,651)
Other income		196	122
Other gains-foreign exchange		173	730
Operating profit		3,629	1,153
Finance income		288	420
Finance cost		(2)	(25)
Finance income - net		286	395
Profit before taxation		3,915	1,548
Income tax expense	3	(1,284)	(302)
Profit for the period		2,631	1,246
Earnings per share	4	US cents	US cents
- basic		17.84	8.46
- diluted		16.88	8.23

The notes are an integral part of these financial statements.

**CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2007**

	Note	2007 US\$'000	2006 US\$'000
Non-current assets			
Property, plant and equipment		1,353	962
Intangible assets		3,142	2,648
Total non-current assets		<u>4,495</u>	<u>3,610</u>
Current assets			
Inventories	5	3,040	1,590
Trade and other receivables	6	9,827	5,231
Cash and cash equivalents		3,549	6,678
Total current assets		<u>16,416</u>	<u>13,499</u>
Total assets		<u><u>20,911</u></u>	<u><u>17,109</u></u>
Current Liabilities			
Trade and other payables		2,501	1,844
Current income tax liabilities		314	64
Deferred income		655	542
Total current liabilities		<u>3,470</u>	<u>2,450</u>
Non-current liabilities			
Accrued expenses		-	42
Total non-current liabilities		<u>-</u>	<u>42</u>
Total liabilities		<u><u>3,470</u></u>	<u><u>2,492</u></u>
Equity			
Share capital		14,519	14,439
Other reserve - translation reserve		(147)	(147)
Retained earnings		3,069	325
Total equity		<u>17,441</u>	<u>14,617</u>
Total equity and liabilities		<u><u>20,911</u></u>	<u><u>17,109</u></u>

The notes are an integral part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT
FOR YEAR ENDED 31 MARCH 2007**

	Note	2007 US\$'000	2006 US\$'000
Cash flows from operating activities			
Cash receipts from customers		11,649	8,937
Cash paid to suppliers and employees		(12,843)	(10,854)
Cash generated from operations	7	<u>(1,194)</u>	<u>(1,917)</u>
Interest paid		(2)	(25)
Income taxes paid		(810)	(644)
Net cash flows from operating activities		<u>(2,006)</u>	<u>(2,586)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		(906)	(1,079)
Purchases of intangible assets		(801)	(294)
Interest received		288	420
Net cash used in investing activities		<u>(1,419)</u>	<u>(953)</u>
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		-	11,760
Repayments of borrowings		-	(492)
Dividends paid to group shareholders		-	(1,757)
Exchange difference		-	-
Issue of convertible notes			1,048
Net cash used in financing activities		<u>-</u>	<u>10,559</u>
Net (decrease)/increase in cash and cash equivalents		<u>(3,425)</u>	<u>7,020</u>
Cash and cash equivalents at beginning of year		<u>6,678</u>	<u>364</u>
Exchange gains/(losses) on cash and cash equivalents		296	(706)
Cash and cash equivalents at end of year		<u>3,549</u>	<u>6,678</u>

The notes are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007**

	Share Capital US\$'000	Foreign Currency Translation reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
Balance as at 1 April 2005	3,281	15	710	4,006
Placing of shares at 162 pence per share	14,088			14,088
Admission and initial placing costs	(2,328)			(2,328)
Nethawk convertible note converted to shares	1,048			1,048
Shares issued in partial consideration of nCap licence	42			42
Capital raised on employee options	53			53
Exchange difference	(1,745)	(162)	(17)	(1,924)
Share options forfeited			(2)	(2)
Share options exercised			53	53
Share option compensation expense			92	92
Dividend paid			(1,757)	(1,757)
Retained profit for the period			1,246	1,246
Balance as at 31 March 2006	14,439	(147)	325	14,617
Retained profit for the period			2,631	2,631
Shares issued in partial consideration of nCap licence	53			53
GST claimed from initial placing costs	16			16
Share options exercised	11		(11)	0
Share option compensation expense			124	124
Balance as at 31 March 2007	14,519	(147)	3,069	17,441

The notes are an integral part of these financial statements

Notes

1 Basis of reporting

The consolidated financial statements contained herein are prepared in accordance with the New Zealand equivalent of the international financial reporting standards (NZ IFRS). The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 31 March 2007 and the results of all subsidiaries of the Group for the year ended 31 March 2007. Endace Limited and its subsidiaries together are referred to in these financial statements as the Group and are designated as profit oriented entities for financial reporting purposes.

Financial statements of the Group for the year ended 31 March 2006 were prepared in accordance with UK GAAP. UK GAAP differs in certain respects from NZ IFRS. When preparing the financial statements, the Group has amended certain accounting, valuation and consolidation methods applied in the UK GAAP financial statements to comply with NZ IFRS. The comparative figures reported herein for the year ended March 2006 were restated to reflect these adjustments and a reconciliation to the original published financial statements was previously reported in the Group's consolidated interim financial statements released on 14 November 2006.

The financial information contained in this final results release is based on numbers which will form part of the annual report, which is in the process of being audited.

2 Segment reporting

The Group's revenue is attributable to the principal activities being sales, marketing and distribution of the products developed by the Group. The Group's primary format for reporting segment information is geographical segments that are based on location of customers.

2007	North America 2007 US\$'000	Europe, Middle East, Africa 2007 US\$'000	Asia Pacific 2007 US\$'000	Unallocated 2007 US\$'000	Consolidated 2007 US\$'000
Revenue					
External sales	9,835	5,191	13,174		28,200
Inter-segment sales			(11,233)		(11,233)
Total revenue	9,835	5,191	1,941	-	16,967
Results					
Operating profit	373	181	3,075	-	3,629
Finance income - net					286
Profit before taxation	373	181	3,075	-	3,915
Segment assets	6,279	2,225	10,047	2,360	20,911
Segment liabilities	912	306	2,252	-	3,470
Capital expenditure	11	18	1,449		1,478
Depreciation of PPE	33	11	342		386

2 Segment reporting (continued)

2006	North America 2006 US\$'000	Europe, Middle East, Africa 2006 US\$'000	Asia Pacific 2006 US\$'000	Unallocated 2006 US\$'000	Consolidated 2006 US\$'000
Revenue					
External sales	4,797	4,761	13,966		23,524
Inter-segment sales			(12,535)		(12,535)
Total revenue	4,797	4,761	1,431	-	10,989
Results					
Operating profit	216	235	702	-	1,153
Finance income - net					395
Profit before taxation	216	235	702	-	1,548
Segment assets	2,644	2,481	9,625	2,359	17,109
Segment liabilities	604	252	1,636	-	2,492
Capital expenditure	128	23	960		1,111
Depreciation of PPE	24	5	348		377

Segment assets consist primarily of property, plant and equipment, inventories, trade and other receivables and cash and cash equivalents. Unallocated assets comprise goodwill and deferred taxation arising from the consolidation of the Group. Segment liabilities comprise trade creditors, accruals, tax liabilities and deferred income.

3 Income tax expense

	2007 US\$'000	2006 US\$'000
Current Tax		
New Zealand: Income tax at 33%	1,036	744
New Zealand: Adjustment to tax in respect of prior year	-	(138)
Foreign corporation taxes	155	88
Total current tax	1,191	694
Deferred tax		
Origination and reversal of timing differences	93	(392)
Representing		
New Zealand deferred tax	93	(392)
Foreign deferred tax	-	-
	93	(392)
Income tax expense	1,284	302

3 Income tax expense (continued)

The effective tax rate for the period is lower than the 33% standard rate of corporation tax in New Zealand. The differences are explained below

	2007 US\$'000	2006 US\$'000
Profit before tax	3,915	1,548
Profit on ordinary activities multiplied by standard rate of corporation tax in New Zealand 33% (2005: 33%)	1,292	511
Effects of:		
Foreign tax differences	(31)	(59)
Adjustment to tax in respect of the prior year	-	(138)
Non assessable expenses/(income)	23	(12)
Income tax expense	1,284	302

4 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	As at 31 March 2007			As at 31 March 2006		
	Earnings US\$'000	Number of shares '000	Per share amount US cents	Earnings US\$'000	Number of shares '000	Per share amount US cents
Profit attributable to shareholders	2,631			1,246		
Basic EPS						
Earnings attributable to ordinary shareholders	2,631	14,745	17.84	1,246	14,729	8.46
Effect of dilutive securities						
Options ⁽¹⁾	-	842	-	-	412	-
Diluted EPS adjusted earnings	2,631	15,587	16.88	1,246	15,141	8.23

(1) Includes the option entitlements held by non-executive Directors John Scott and Mark Rowan.

5 Inventories

	2007 US\$'000	2006 US\$'000
Component materials	1,154	68
Finished goods	1,886	1,522
	3,040	1,590

6 Trade and other receivables

	2007	2006
	US\$'000	US\$'000
Trade and other receivables		
Trade receivables	8,389	3,855
Less: provision for impairment of receivables	(85)	(110)
	<u>8,304</u>	<u>3,745</u>
Deferred tax	302	396
Other receivables	309	850
Prepayments	270	90
Receivables from related parties	385	25
Convertible advance	257	125
	<u>9,827</u>	<u>5,231</u>

The Group has advanced \$257,000 to be used in establishing an unrelated distribution Company in China. Interest is charged on the advance at 3% per annum, compounding monthly. The principal and interest will be secured by way of a first ranking debenture over the distribution Company's assets.

The advance and interest are convertible into a 51% shareholding in the distribution Company on the outcome of certain conditions agreed with the distribution Company. If the Company does not elect to convert the advance, the distribution Company will be required to repay the outstanding advance and interest in monthly instalments.

The convertible advance is held on the balance sheet at its fair value of \$257,000.

7 Cash flow from operating activities

	2007	2006
	US\$'000	US\$'000
Profit before taxation	3,915	1,548
Adjustments for:		
– Depreciation of property, plant and equipment	386	377
– Amortisation of intangible assets	324	17
– Share-based payments	124	90
– Finance costs – net	(286)	(395)
– Foreign exchange losses/(gains) on operating activities	(173)	(730)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	(1,451)	(1,220)
– Trade and other receivables	(4,689)	(1,923)
– Trade and other payables	656	319
Cash generated from operations	<u>(1,194)</u>	<u>(1,917)</u>

8 Contingent liabilities and contingent assets

The Company and Group had no contingent liabilities or contingent assets as at 31 March 2007 (31 March 2006: Nil).