

## SPIRITEL PLC

("Spiritel" or "The Group")

### PRELIMINARY RESULTS FOR THE YEAR ENDED 30 APRIL 2007

Spiritel plc (AIM: STP), the telecommunications services business today announces preliminary results for the year ended 30 April 2007.

**Commenting on the results, Lord St. John of Bletso said:** "The year to 30 April 2007 has been one of rationalisation, acquisition and integration for Spiritel. Our adopted strategy to acquire complementary and earnings enhancing businesses to deliver scale and profitability has been applied consistently. As a result, we have seen particular progress via acquisition in the Business division of Spiritel supported by higher margins in our Technologies division."

#### Summary:

- Three transformational acquisitions made during the year
- 1,000 new business customers and expansion in the range of Group products and services
- New management team
- Proven delivery of outlined strategy with platform for the next phase of growth
- Post year end –
  - Return to cash generation and EBITDA profitability
  - Major hosted VoIP trial with Regent Inns
  - Senior debt facility arranged

**Chief Executive, Alastair Mills added:** "This has been a transformational year for Spiritel. We have acquired and integrated three new businesses into the Group and grown our customer base and product portfolio to record levels. Spiritel now has over 1,000 SME and corporate clients and we have built upon our existing expertise in IP based communications to launch a new range of converged data and hosted VoIP services alongside traditional voice and data products. Most significantly, since the year end, the Group has moved into EBITDA profitability."

For further information please visit [www.spiritelplc.com](http://www.spiritelplc.com) or contact:

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## **Chairman's statement**

### **Introduction**

I am pleased to report on what has been a significant turnaround year for Spiritel. The Group has grown into its new dual Technologies and Business structure and made substantial progress towards turning losses of previous years into EBITDA profitability and cash generation. We achieved positive EBITDA shortly after the year end and expect to report an operating profit for the year to 30 April 2008.

The year to 30 April 2007 has been one of rationalisation followed by acquisition and integration for Spiritel. Our adopted strategy to acquire complementary and earnings enhancing businesses to deliver scale and profitability has been applied consistently. As a result, we have seen particular progress via acquisition in the Business division of Spiritel supported by higher margins in our Technologies division.

### **Results**

Group turnover for the year was £13.6 million (2006: £15.6 million). Decreases in wholesale voice revenues due to challenging market conditions and a focus on more profitable revenue streams were offset by new turnover and profits from the newly established Business division. The part year contribution from Spiritel Business, which recorded a 50% gross margin, resulted in overall gross margin improvement from 12.2% to 14.9%.

The restructuring of the Group into two complementary divisions resulted in significant charges to operating profits, as detailed in the financial statements. The reported operating loss of £2.396 million (2006: £0.737 million) includes goodwill amortisation and exceptional items of £1.168 million (2006: £nil). Adjusting for these costs produces an operating loss of £1.228 million (2006: £0.737 million). The loss before taxation was £3.010 million (2006: £0.751 million). The key metric used by the Board in assessing financial performance is adjusted operating profit (operating profit adjusted for non-trading items and depreciation). Adjusted operating profit for the current year was a £0.644 million loss (2006: £0.294 million loss).

The reported figures for the year ended 30 April 2007 do not highlight the progress that we have made as almost all of the loss was incurred during the first half when the contribution from Spiritel Business was negligible. The second half saw significant progress towards profitability and we are confident that we will report an operating profit during the year to 30 April 2008.

For a fuller explanation of results for the year ended 30 April 2007 please see the Financial review from CEO Alastair Mills.

### **Restructure**

The Group is progressing its business model of acquiring communications service providers which leverage our existing business and allow us to move closer to the end customer. Spiritel's operating activities have been restructured into two clear business areas: Spiritel Technologies (replacing Spiritel Wholesale) and Spiritel Business (replacing Spiritel Retail).

Spiritel Technologies is now focused on building upon its experience and expertise in IP technology, whilst continuing to provide voice termination services. It also manages and maintains the network infrastructure for its own and Spiritel Business's growing operations. Spiritel Business provides a broadening range of communications products and services to business users and now has over 1,000 corporate and SME clients.

### **Acquisitions**

During the year, the Group progressed its acquisition strategy by acquiring three businesses, now fully integrated into Spiritel Business. All have added new customer relationships and complementary products and services.

The first acquisition was CallPlan Limited in September 2006, which was followed with Networks Direct (UK) Limited in October 2006. Our most significant acquisition to date came in March 2007 with Ashland Group Limited. Ashland has changed the scale of the Group's infrastructure, with new technical support, nationwide engineering coverage, 24/7 customer care, retail billing, telemarketing and sales. Based in Wigan, Ashland has become the platform for the ongoing growth of the Business division through further acquisitions and will enable us to extract savings through synergies from future transactions.

All three acquisitions completed during the year have been earnings enhancing from completion and now offer organic growth opportunities through the cross selling of products and services throughout the enlarged customer base. Importantly, our acquisitions for Spiritel Business have increased our earnings visibility, as we have gained strong customer relationships with contracted maintenance and support revenues.

### **Strategy**

Spiritel's goal is to deliver consistent and growing profitability. There are three stages to our strategy to achieve this: the first is to acquire sub-scale resellers, which will grow both our customer and product base. The second stage is to fully integrate those businesses into the Group so as to deliver synergistic savings and broaden our product offering. The third stage is to focus on organic growth based on an expanded range of services and an enlarged customer base. By selling more products to each customer, we will increase average revenue per user, reduce churn and enhance margins. Via this strategy of acquisition, integration and growth we are evolving Spiritel into a complete provider of converged voice and data services.

It is in this way that we intend to deliver value to shareholders, including the generation of appropriate returns for our new and old investors alike.

### **Board**

There have been a number of changes to the Board and senior management team designed to support the Group's new business model and structure. Last year we appointed Steven Maine to the position of Deputy Chairman. Steven is a former CEO of Kingston Communications plc and has been on our Board since April 2006. Following the acquisition of Ashland in March 2007, Anthony Vose joined the Board and is now a Non-Executive Director. In May 2007, we appointed Ronnie Smith to the Board as Group Finance Director. Ronnie, who joined us in July 2006, has been a key member of the new management team and has contributed significantly to the Group's development in recent months.

I would like to take this opportunity to thank the founders of the Company, Mark Willard and John Vergopoulos, for their contribution since listing. John stepped down as a Director in October 2006 and Mark in March 2007 to pursue other business interests.

### **Current trading and outlook**

During the year we gained a new range of products and services, relationships with over 1,000 business customers and have put in place a new Board and management team capable of continuing the excellent progress we have made. Since the year end we have returned to EBITDA profitability; a significant achievement for Spiritel and testament to the Group's successful implementation of our stated business plan and strategy for growth.

Our recent progress in the development and delivery of emerging IP based services, as evidenced by the VoIP/Wi-Fi trial for Regent Inns, gives us particular cause for optimism. Whilst still offering the full range of traditional voice and data services to business customers, our ability to demonstrate the IP product roadmap to customers is a differentiator for Spiritel and one that we expect to generate significant revenues in the near future.

Whilst giving attention to the organic growth opportunities available from having new products to sell to an enlarged customer base, we intend to continue our assertive acquisition policy and remain on the lookout for additional earnings enhancing transactions, with a number presently under review.

I believe that the skills and experience of our invigorated team combined with the effectiveness of our business model and strategy for growth will enable us to make the most of the opportunities we see in the coming year.

**Lord St John of Bletso**

Chairman

17 October 2007

## **Chief Executive's review**

### **Overview**

This has been a transformational year for Spiritel. We have acquired and integrated three new businesses into the Group and grown our customer base and product portfolio to record levels. Spiritel now has over 1,000 SME and corporate clients and we have built upon our existing expertise in IP based communications to launch a new range of Wi-Fi and VoIP services alongside traditional voice and data products. We have successfully repositioned the Group to focus on business end-users and we now offer a broader variety of services to more customers. We have developed a robust business model that will deliver cash generation and earnings visibility. Ultimately we are building a business of scale which is successfully competing with much larger rivals in the delivery of communications products and services to UK businesses.

We have now completed the restructure of the Group. Our Technologies division, apart from servicing its own blue chip customers, provides the competitive cost base and advanced engineering environment that has enabled the Business division to compete strongly on voice and data pricing and provide exceptional quality in the delivery of IP based services. We are confident that together the two divisions enhance the Spiritel product proposition.

### **Spiritel Business**

During the year, Spiritel Business has established itself as one of the few companies that can provide a full service offering covering fixed line and mobile services, telephone system installation and maintenance, and the development and delivery of emerging IP based voice and data products.

Spiritel Business was established by combining the three acquired businesses, Ashland Group, CallPlan and Networks Direct (UK), to create a division that is structured across three discrete but complementary product lines, namely, Networks (fixed line voice, broadband and line rental), IP Communications (telephone systems, Wi-Fi and VoIP) and Mobile.

The acquisition and integration of three established businesses has brought scale to the Group, including nationwide engineering coverage and a back office infrastructure capable of delivering the level of customer service and support expected by our SME and corporate customers. Establishing this level of scale is a significant achievement as we look to grow our product range and customer base, organically and through acquisition. From its Wigan base, Spiritel Business has the infrastructure to integrate future acquisitions swiftly and so deliver synergies and cross selling opportunities.

In addition to creating a platform on which we can build the Business division, the acquisition of Ashland also brought a leading position in the delivery of telephony and data services to the hospitality sector including, amongst others, Marriott, Whitbread, Spirit and Regent Inns. These blue chip customers take a growing range of services from Spiritel Business such as structured cabling and telephony systems and have provided recent contract successes to supply hosted VoIP and Wi-Fi solutions. We are confident that during the year ahead we can build upon our strength in the hospitality sector by broadening our product portfolio and cross selling new products into this well established customer base.

The acquisitions have also brought key vendor relationships that provide confidence over quality of service and underpin our product development work. CallPlan achieved Telstra Platinum accreditation during the year (the first reseller in Europe to gain such status) and Ashland continues to enjoy an award winning relationship with Mitel – whose latest products are being used for our hosted VoIP trials currently in progress. Our objective is that customers recognise Spiritel Business as a fully accredited centre of excellence. We plan to develop more key partnerships and alliances as we continue to grow Spiritel Business.

## **Spiritel Technologies**

Spiritel Technologies continues to play a key part in the Group's success by generating significant earnings from wholesale voice services and fulfilling a critical support role for Spiritel Business in terms of design and management of network infrastructure and product development.

During the year we focused on higher margin routes from wholesale voice services, resulting in gross margins increasing from 7% in May 2006 to 15% by April 2007. Post year end, gross margins have increased further to 17%. Spiritel Technologies is increasingly focusing on IP technology where our experience and infrastructure are enabling us to support Spiritel Business in the design and supply of VoIP and related technology to end users. Our recent success with Regent Inns was achieved by close co-ordination between the Technologies and Business divisions.

In addition to network management and product development, Spiritel Technologies is also supporting Spiritel Business through voice and data quality monitoring, IT services and Group voice and data procurement. This is a critical component of our "acquire, integrate and grow" strategy and has enabled us to rapidly integrate our acquisitions into the new Group structure and strengthen our cross selling proposition.

### **Strategy and progress – acquire, integrate, grow**

The progress we have achieved this year stems from the implementation of our business model and the execution of our stated strategy for growth. Three successful acquisitions, restructuring our business into two divisions and the resulting return to EBITDA profitability post year end are evidence of the success of this strategy.

In its simplest form our strategy is to acquire, integrate and grow. We have demonstrated that we can execute attractively priced acquisitions and are confident that we can continue to do so within an industry characterised by the consolidation of sub-scale telecoms resellers in a fragmented marketplace.

We have developed an integration framework that enables us to plan for and deliver value from each transaction, in terms of synergies and cross selling. Our ability to promptly integrate acquisitions within Spiritel Business has and will allow us to maximise the benefits in terms of customer value, product propositions, earnings enhancement and strong cash flow.

Our acquisition criteria include new customer bases into which we can deliver the full range of Group products, bolt-on acquisitions that can deliver savings through synergies and the addition of new products/services that we can cross sell into our existing customer base. We have recorded successes in all these areas during the year and it is the cross selling of existing and new products that will deliver the organic growth in the year ahead.

### **Management**

During the year we welcomed Jonny Shanmuganathan as Managing Director of Spiritel Technologies. Jonny joined us from NASDAQ listed Arbinet, where he was Vice President for Sales in EMEA. Jonny has been instrumental in the transformation of Spiritel Technologies and its focus on the IP based services that are supporting the growth and development of Spiritel Business.

We are also pleased to confirm the appointment of David Anahory as Managing Director of Spiritel Business. David, who was a commercial director with Carphone Warehouse, joins us on 1 November 2007. David brings considerable experience from his senior roles with One Tel and Carphone Warehouse and we look forward to his contribution as Spiritel Business continues to focus on both acquisitive and organic growth.

Further to this Ronnie Smith joined the Board as Group Finance Director following our year end.

With the acquisition of three businesses during the year our Group now comprises over 80 staff, up from 15 last year. This provides us with the scale and resource needed to support our customers and deliver our growth targets in the year ahead.

### **Financial review**

Group turnover decreased to £13.649 million (2006: £15.564 million) due to a combination of continuing tough conditions in Spiritel Technologies' traditional wholesale voice markets and the implementation of a programme to eliminate unprofitable revenues. The latter delivered gross margins from continuing operations of 11.1% during the second half of the year, compared to 9.2% during the first half.

The three businesses acquired during the year to form Spiritel Business, contributed £1.627 million to turnover – seven months from CallPlan, six months from Networks Direct and two months from Ashland Group. The gross margin of 50% from Spiritel Business increased Group gross margin to 14.9% (2006: 12.2%).

The restructuring and refocusing of the Group resulted in substantial exceptional costs being incurred during the year. Most of these costs were non-cash items from writing down those investments in tangible and intangible fixed assets where the carrying value was not commensurate with revenues and profits.

During the year the Group recorded an operating loss before goodwill amortisation and exceptional items of £1.228 million (2006: £0.737 million). In assessing the progress in the Group's financial results, the Directors review Adjusted Operating Profit (after adding back non-trading items and depreciation of £0.584 million). Non-trading items for the year include launch costs for 118 918 and the FRS 20 charge for share options. The adjusted loss of £0.644 million (2006: £0.294 million) is in line with management expectations. Almost all of the adjusted operating loss was incurred during the first half of the year with close to break even performance during the second half. The profitability of Spiritel Business was the main contributor to the significant performance improvement in the second half of the year.

Since year end the Group has recorded positive EBITDA. This will be reported in the results for the six months to 31 October 2007 which will be the first set of published results to include full contributions from both divisions. We are confident that as progress continues in the Business division and core revenues and earnings stabilise within Spiritel Technologies we will report an operating profit for the year ending 30 April 2008.

In June 2007 we obtained shareholder approval to amend the terms of Penta Capital's debt and preference shares to give conversion rights over ordinary shares at a premium to the share price. This has substantially reduced our ongoing interest costs and provides potential to strengthen our balance sheet on exercise of the conversion rights. In July 2007 we secured a £1.375 million debt facility from Clydesdale Bank to restructure debt and provide access to funds to execute our strategy of acquisitive and organic growth. We also brought a major institutional investor on board.

### **Summary and outlook**

This year has been the most significant in the Group's history. We announced a new strategy and made great progress in its execution by acquiring three earnings-enhancing businesses that significantly broaden our product portfolio and customer base. We are now trading at an EBITDA positive level and we aim to maintain this progress as we remain on the acquisition trail and have a number of attractively priced potential targets in our sights.

The recent announcement of the hosted VoIP trials, won against two of the largest companies in our sector, marked a breakthrough for the Group. The win confirmed our position as a market leader in the provision of IP based services and we anticipate this area delivering significant growth in the year ahead. We hope to make further announcements with regard to the roll out of advanced hosted VoIP services to some of our blue chip customers in the hospitality sector.

The outlook for the remainder of the current financial year is positive. We now have an EBITDA profitable Group with an impressive breadth of products and services that we are selling to a growing SME and corporate customer base. We have put in place the groundwork from which to maintain the growth we have started to see across the whole Group. We have a new and energised management team operating within two clearly defined divisions, both of which have solid prospects for expansion. Our progress in terms of customer numbers, product set, earnings and cash generation is clear. We look forward to furthering this momentum in this financial year and beyond.

The progress could not have been delivered without the dedication and commitment of the expanded Spiritel team. I would like to take this opportunity to thank them for their hard work and achievements this year. I look forward to building upon what we have achieved so far and continuing our drive to return value to our shareholders through the consistent application of our proven strategy for growth in the coming year.

**Alastair Mills**  
Chief Executive  
17 October 2007

## Consolidated profit and loss account

For the year ended 30 April 2007

		Before goodwill amortisation and exceptional items	Goodwill amortisation and exceptional items	Total	Restated
	Note	2007 Audited £'000	2007 Audited £'000	2007 Audited £'000	2006 Audited £'000
Turnover - continuing operations		12,022	-	12,022	15,564
- acquisitions		1,627	-	1,627	-
Cost of sales	2	13,649	-	13,649	15,564
<b>Gross profit</b>		<b>(11,613)</b>	<b>-</b>	<b>(11,613)</b>	<b>(13,671)</b>
<b>Gross profit</b>		<b>2,036</b>	<b>-</b>	<b>2,036</b>	<b>1,893</b>
Administrative expenses					
Other administrative expenses		(3,264)	(219)	(3,483)	(2,630)
Exceptional administrative expenses	3	-	(949)	(949)	-
Total administrative expenses		(3,264)	(1,168)	(4,432)	(2,630)
<b>Operating (loss)/profit</b>					
- continuing operations		(1,464)	(1,168)	(2,632)	(737)
- acquisitions		236	-	236	-
		(1,228)	(1,168)	(2,396)	(737)
Share of operating loss of joint venture		(25)	-	(25)	(16)
Net interest		(1,253)	(1,168)	(2,421)	(753)
				(589)	2
<b>Loss on ordinary activities before taxation</b>	2			<b>(3,010)</b>	<b>(751)</b>
Tax on loss on ordinary activities				21	82
<b>Loss on ordinary activities after taxation</b>				<b>(2,989)</b>	<b>(669)</b>
Minority interest				134	26
<b>Loss for the financial year</b>				<b>(2,855)</b>	<b>(643)</b>
<b>Loss per share in pence</b>					
Basic and diluted	5			<b>(1.31)</b>	<b>(0.45)</b>

## Consolidated statement of total recognised gains and losses

	2007 £'000	Restated 2006 £'000
Loss for the financial year	(2,855)	(643)
Prior year adjustments	(15)	
Total gains and losses recognised since last financial statements	<b>(2,870)</b>	

**Consolidated balance sheet**  
For the year ended 30 April 2007

	<b>2007</b>	Restated 2006
	<b>Audited</b>	Audited
	<b>£'000</b>	£'000
<b>Fixed assets</b>		
Intangible assets	4,859	33
Tangible assets	408	864
	<b>5,267</b>	897
<b>Current assets</b>		
Stocks	392	-
Debtors	3,007	1,016
Cash at bank and in hand	322	98
	<b>3,721</b>	1,114
<b>Creditors: amounts falling due within one year</b>	<b>(8,264)</b>	(1,919)
<b>Net current liabilities</b>	<b>(4,543)</b>	(805)
<b>Total assets less current liabilities</b>	<b>724</b>	92
<b>Creditors: amounts falling due after more than one year</b>	<b>4,812</b>	4,694
<b>Provisions for liabilities</b>	<b>17</b>	18
	<b>4,829</b>	4,712
<b>Capital and reserves</b>		
Called up share capital	3,162	1,654
Share premium account	4,550	2,850
Reverse acquisition reserve	(5,763)	(5,763)
Other reserves	97	15
Profit and loss account	(6,151)	(3,376)
<b>Shareholders' deficit</b>	<b>(4,105)</b>	(4,620)
	<b>724</b>	92

**Consolidated cash flow statement**

For the year ended 30 April 2007

	Note	2007 Audited £'000	2006 Audited £'000
<b>Net cash (outflow)/inflow from operating activities</b>	6	<b>(1,177)</b>	31
<b>Returns on investments and servicing of finance</b>			
Interest received		5	5
Interest paid		(6)	(3)
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>		<b>(1)</b>	2
<b>Taxation</b>			
Corporation tax paid		(9)	(151)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(101)	(655)
Sales of tangible fixed assets		6	-
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(95)</b>	(655)
<b>Acquisitions</b>			
Consideration and expenses		(3,456)	-
Net cash acquired with subsidiary undertaking		646	-
Purchase of minority shares in subsidiary undertaking		-	(7)
<b>Net cash outflow from acquisitions</b>		<b>(2,810)</b>	(7)
<b>Cash outflow before financing</b>		<b>(4,092)</b>	(780)
<b>Financing</b>			
Receipts from borrowing		3,100	450
Issues of shares (net of expenses)		1,223	-
Hire purchase repayments		(7)	-
Expenses in connection with conversion of loan notes		-	(2)
<b>Net cash inflow from financing</b>		<b>4,316</b>	448
<b>Increase / (decrease) in cash in the year</b>	7	<b>224</b>	(332)

**Reconciliation of movements in shareholders' deficit**

For the year ended 30 April 2007

	<b>2007</b>	Restated
	<b>Audited</b>	2006
	<b>£'000</b>	Audited
		£'000
Retained loss for the financial year	<b>(2,855)</b>	(643)
Credit for equity settled share based payments	<b>62</b>	15
Equity component of compound financial instrument	<b>100</b>	-
Issue of share capital (net of expenses)	<b>3,208</b>	1,998
Net increase in shareholders' deficit	<b>515</b>	1,370
Opening shareholders' deficit	<b>(4,620)</b>	(5,990)
Closing shareholders' deficit	<b>(4,105)</b>	(4,620)

## NOTES TO THE PRELIMINARY ANNOUNCEMENT

For the year ended 30 April 2007

### 1. PRINCIPAL ACCOUNTING POLICIES

#### BASIS OF PREPARATION AND FINANCIAL INFORMATION

The financial information in this preliminary announcement has been prepared in accordance with the accounting policies set out in the financial statements of Spiritel plc for the period ended 30 April 2006. These accounting policies have remained unchanged for the financial year ended 30 April 2007, with the exception of the treatment of the Company's share options following the mandatory adoption of FRS 20 "Share based payments". The fair value of share options, determined at the date of grant, is recognised as an expense over the vesting period of the options. The 2007 results have been prepared on this basis and the 2006 results have been restated to reflect this change in policy.

The financial information in this document does not constitute the Company's statutory accounts for the year ended 30 April 2007 or 2006, but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 will be delivered following the company's Annual General Meeting. The auditors have reported on these accounts and their reports were unqualified and did not contain statements under sections 237(2) or (3) of the Companies Act 1985.

### 2. SEGMENTAL INFORMATION

The turnover and loss on ordinary activities before taxation are attributable to the principal activity of the Group.

#### TURNOVER BY DESTINATION

	2007	2006
	£000	£000
United Kingdom	13,424	15,449
Europe	199	109
United States	26	6
Group turnover	<u>13,649</u>	<u>15,564</u>

### 3. EXCEPTIONAL ITEMS

The following exceptional costs were charged in arriving at the operating loss of the Group:

	2007	2006
	£000	£000
Reorganisation and restructuring costs	151	-
Impairment charges	712	-
Bad debts written off	86	-
Total exceptional costs	<u>949</u>	<u>-</u>

### 4. DIVIDENDS

The Directors do not recommend the payment of a dividend. (2006: £nil).

### 5. LOSS PER SHARE

The loss per share is based on the loss of £2,855,000 (2006 restated: £643,000) and 217,231,927 (2006: 142,278,943) ordinary 1p shares, being the weighted average number of shares in issue during the year. The share options are not dilutive and therefore a diluted earnings per share calculation has not been presented.

## NOTES TO THE PRELIMINARY ANNOUNCEMENT

For the year ended 30 April 2007

### 6. NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2007	Restated
	£000	2006 £000
Operating loss	(2,396)	(737)
Depreciation	322	428
Loss on disposal of tangible fixed assets	12	2
Impairment of tangible fixed assets	422	-
Amortisation of goodwill	219	-
Impairment of goodwill	227	-
Decrease in stocks	2	-
Decrease/(increase) in debtors	14	(66)
(Decrease)/increase in creditors	(44)	389
Equity settled share based payments	45	15
Net cash (outflow)/inflow from operating activities	<u>(1,177)</u>	<u>31</u>

### 7. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007	2006
	£000	£000
Increase/(decrease) in cash in the year	224	(332)
Cash inflow from financing	(3,100)	(450)
Cash outflow from hire purchase agreements	7	-
Change in net debt resulting from cash flows	<u>(2,869)</u>	<u>(782)</u>
Hire purchase agreements acquired with subsidiary undertakings	(184)	-
Loan notes converted to ordinary shares	-	2,000
Other non-cash items	(488)	-
Change in net debt in the year	<u>(3,541)</u>	<u>1,218</u>
Net debt at 1 May 2006	(5,046)	(6,264)
Net debt at 30 April 2007	<u>(8,587)</u>	<u>(5,046)</u>

## NOTES TO THE PRELIMINARY ANNOUNCEMENT

For the year ended 30 April 2007

### 8. ACQUISITIONS

During the year the Company acquired the whole of the issued ordinary share capital of CallPlan Limited, Networks Direct (UK) Limited and Ashland Group Limited, on 11 September 2006, 13 October 2006 and 2 March 2007 respectively.

The net assets acquired, consideration paid and goodwill arising on acquisition are summarised below:

	CallPlan Limited £'000	Networks Direct (UK) Limited £'000	Ashland Group Limited £'000
Tangible fixed assets	-	-	205
Stocks	-	-	394
Debtors	80	16	1,925
Cash	87	-	559
Trade and other creditors	(34)	-	(1,220)
Hire purchase agreements	-	-	(184)
Corporation tax	(42)	-	(220)
Deferred tax	-	-	(19)
Net assets acquired	91	16	1,440
Acquisition costs	(49)	(119)	(223)
Goodwill	590	1,763	2,683
Consideration	632	1,660	3,900
Satisfied by:			
Cash	405	1,010	1,650
Deferred consideration to be settled in cash	227	-	1,000
Issue of share capital	-	650	1,250
	632	1,660	3,900

Copies of the Annual Report and Accounts will be posted to shareholders shortly. Copies are available from the Company's head office at 18 King William Street, London EC4N 7BP. It will also be possible to download the Annual Report from the Group's website: [www.spiritelplc.com](http://www.spiritelplc.com)