

**SPIRITEL PLC**  
("Spiritel" or "the Company")

**Interim results for the six months ended 31 October 2005**

Spiritel plc (AIM: STP), the telecommunications services business, is pleased to announce its interim results for the six months ended 31 October 2005.

This is the first time that the Company, which joined AIM following a reverse takeover in July 2004, has issued interim results for a six month period ending 31 October. The interim results to 31 October 2004 comprised an eight month period. The results originally published for the period ended 31 October 2004 have been restated using the principles of reverse acquisition accounting adopted and explained in the Company's financial statements for the year ended 30 April 2005.

**Highlights**

- Trading at Spiritel has proceeded in line with Directors' expectations. Cash flow from operating activities was positive in the period at £278,000 compared with a cash outflow of £250,000 in the eight months to 31 October 2004 restated. The pre-tax loss was £0.209 million (2004 restated: loss of £2.47 million) reflecting planned investment in establishing the Company's VoIP (voice over internet protocol) telephony product suite and network of reseller partners.
- Significant progress in delivering the Company's strategy of becoming a leading player in VoIP telephony, which is widely expected to replace traditional fixed line telephony in coming years.
- Expo Communications, Spiritel's core call termination division, traded profitably during the period and delivered the majority of the Company's sales.
- Spiritel Technologies, the Spiritel division that focusses on VoIP products and services, has developed rapidly during the period under review having signed a series of reseller agreements and extended its product range to include broadband telephony services for the residential market and IP trunking solutions for corporates.
- Since the period end Spiritel Technologies has signed agreements with PNC Telecom Services Ltd and Swift Internet and also signed a landmark agreement with Entacall Telecommunications, under which Entacall will deliver 10,000 residential VoIP customers within 12 months.

- In July 2005, Alastair Mills was appointed Chief Executive and Mark Willard, the Company's founder and former Chief Executive, became President.

**Commenting on the results, Lord St John of Bletso, Spiritel's Chairman, said:** "The period under review has been one of substantial progress for the Company. It was a period of diversification during which the foundations were laid for the significant growth of Spiritel Technologies' VoIP products and services. The pace of Spiritel Technologies' development is a reflection of the strength of Expo Communications, our core call termination division, which trades profitably and allows us to bundle termination services with a range of VoIP products."

**For further information:**

|                                   |               |
|-----------------------------------|---------------|
| <b>Spiritel plc</b>               | 020 7160 0100 |
| Alastair Mills, Chief Executive   |               |
| John Vergopoulos, Deputy Chairman |               |
| <b>Teather &amp; Greenwood</b>    | 020 7426 9000 |
| Jeff Keating                      |               |
| <b>Buchanan Communications</b>    | 020 7466 5000 |
| Mark Court/Mary-Jane Johnson      |               |

Notes for Editors:

**About Spiritel plc**

Spiritel (AIM: STP) is the holding company for a growing group of companies whose focus is telecommunications services and products. Spiritel, through its Spiritel Technologies division, has developed a suite of leading-edge VoIP products, positioning the Company to benefit from the migration from traditional telephony to VoIP services. Spiritel Technologies' route to market is via reseller partners. Spiritel's initial trading division, Expo Communications, was founded in 2000 and is one of Europe's leading call termination businesses focussing on calls from fixed lines to mobiles. Expo's client base includes Telewest, Level (3), Colt, One.Tel and Your Communications among others. Spiritel Technologies' VoIP products are highly complementary to Expo's termination services as most phone calls made via VoIP require termination in the same way as calls from traditional fixed line phones.

Spiritel joined the AIM market of the London Stock Exchange in July 2004.

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

## **CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW**

The half year to 31 October 2005 has seen strong progress across our business. An investment phase during the half year has resulted in a platform for the continued growth of the business during the current half of the financial year and beyond. The success of our Spiritel Technologies division in launching VoIP products and forming trading agreements endorses both our business model and our diversification strategy. Our business model exploits the cash flow from our core call termination business to help fund investment in VoIP products and our strategy is to sell bundled services to end users via resellers.

### **Expo Communications**

Expo Communications has performed in line with Directors' expectations during the period. It has traded profitably and delivered the majority of the Company's sales. The run-rate sales figure is lower than at the same time last year reflecting the continued impact of the OFCOM price control determination in the autumn of 2004. However the gross margin has improved to 13.6 per cent (2004 restated: 11.6 per cent), underlining the solid performance by Expo Communications in a competitive marketplace.

### **Spiritel Technologies**

We have been delighted by the progress at Spiritel Technologies in the period in terms of product development and execution of the channel strategy with reseller partners. As a result, we are benefiting from both the speed to market of our VoIP products and also from reach in that our resellers have access to customer bases ranging from residential customers through SMEs to corporates. We continue to expect a significant contribution from Spiritel Technologies as the migration from traditional telephony to VoIP accelerates. We are also continuing to pursue opportunities with further strategic partners within the UK, in mainland Europe and in Asia.

### **Board changes**

In July 2005, Alastair Mills was appointed Chief Executive and Mark Willard, the Company's founder and former Chief Executive, became President. It is announced today that John Vergopoulos, the Company's Executive Deputy Chairman, will become Non-Executive Deputy Chairman.

## **Financials**

The overall gross margin for the six months ended 31 October 2005 improved to 15 per cent (2004 restated: 12 per cent) even though turnover fell to £8.12 million (2004 restated: £15.87 million) resulting from last year's OFCOM price control determination. The operating loss for the period was £0.15 million compared with a loss of £2.44 million in 2004. The 2004 figure includes an exceptional cost of £2.56 million in relation to amortisation of goodwill on the reverse acquisition. Net cash inflow from operating activities in the period was £0.28 million compared with a net cash outflow figure of £0.25 million in 2004. The loss per share in the period was 0.16p (2004 restated: loss of 1.94p).

## **Outlook**

The first half of the year has been one of investment in Spiritel Technologies and we look forward to reaching profitability during the second half of the current financial year. Through this investment we have developed a VoIP platform, complemented by call termination, and we have also established, and continue to establish strategic routes to market. We anticipate significant revenues from our VoIP products in the year to 31 April 2007. In the past few weeks, we have been encouraged by the appetite among resellers for selling VoIP products and by our pipeline of further potential strategic partners, giving us confidence in our future prospects. Our growth strategy will remain focussed on organic and acquisitive growth and we continue to evaluate potential acquisitions to leverage the Company's product and skill sets and to further extend routes to market.

**Lord St John of Bletso**  
Chairman

**Alastair Mills**  
Chief Executive

**SPIRITEL PLC****CONSOLIDATED SUMMARISED PROFIT AND LOSS ACCOUNT****For the six months ended 31 October 2005**

|  | <b>Note</b> | <b>Six months<br/>ended 31<br/>October 2005<br/>Unaudited<br/>£'000</b> | <b>Eight months<br/>ended 31<br/>October 2004<br/>Unaudited<br/>£'000</b> |
|--|-------------|---|---|
| <b>Turnover – continuing operations</b>            |             | <b>8,117</b>  | 15,874  |
| Cost of sales – continuing operations              |             | <b>(6,885)</b>  | (14,031)  |
| <b>Gross profit – continuing operations</b>        |             | <b>1,232</b>  | 1,843   |
| Other administrative expenses                      |             | <b>(1,378)</b>  | (1,726)   |
| Exceptional items                                  |             | -   | (2,557)   |
| Administrative expenses                            |             | <b>(1,378)</b>  | (4,283)   |
| <b>Operating (loss) / profit</b>                   | <b>3</b>    |   |   |
| Continuing operations                              |             | <b>140</b>  | 426   |
| Acquisitions                                       |             | <b>(286)</b>  | (2,866)   |
|  |             | <b>(146)</b>  | (2,440)   |
| Net interest payable                               |             | <b>(63)</b>   | (29)  |
| <b>Loss on ordinary activities before taxation</b> |             | <b>(209)</b>  | (2,469)   |
| Tax on loss on ordinary activities                 |             | <b>(11)</b>   | -   |
| <b>Loss transferred from reserves</b>              |             | <b>(220)</b>  | (2,469)   |
| (Loss) per share in pence                          | <b>5</b>    | <b>(0.16)</b>   | (1.94)  |

There were no recognised gains or losses other than the loss for the financial period.

**SPIRITEL PLC****CONSOLIDATED SUMMARISED BALANCE SHEET AT 31 OCTOBER 2005**

|   | <b>31 October 2005</b> | 31 October 2004 |
|---|------------------------|-----------------|
|   | <b>Unaudited</b>       | Unaudited       |
|   | <b>£'000</b>           | £'000           |
| <b>Fixed assets</b>   | <b>944</b>             | 412             |
| <b>Current assets</b>   |                        |                 |
| Debtors   | 954                    | 621             |
| Cash at bank and in hand  | 92                     | 225             |
|   | <u>1,046</u>           | <u>846</u>      |
| <b>Creditors: amounts falling due within one year</b>               | <b>1,359</b>           | 1,056           |
| <b>Net current liabilities</b>                                      | <u><b>(313)</b></u>    | <u>(210)</u>    |
| <b>Total assets less current liabilities</b>                        | <u><b>631</b></u>      | <u>202</u>      |
| <br>  |                        |                 |
| Creditors: amounts falling due after more than one year<br>(Note 6) | 6,757                  | 6,633           |
| <br>  |                        |                 |
| Provision for liabilities and charges                               | 84                     | 126             |
|   | <u>6,841</u>           | <u>6,759</u>    |
| <b>Capital and reserves</b>   |                        |                 |
| Called up share capital   | 1,378                  | 1,327           |
| Share premium account   | 1,128                  | 302             |
| Reverse acquisition reserve   | (5,763)                | (5,763)         |
| Profit and loss account   | (2,953)                | (2,423)         |
| Shareholders' deficit   | (6,210)                | (6,557)         |
|   | <u><b>631</b></u>      | <u>202</u>      |

**SPIRITEL PLC**

**CONSOLIDATED SUMMARISED CASHFLOW STATEMENT**

**For the six months ended 31 October 2005**

|  | <b>Six months<br/>ended 31<br/>October 2005<br/>Unaudited<br/>£'000</b> | Eight months<br>ended 31<br>October 2004<br>Unaudited<br>£'000 |
|--|---|--|
| Net cash inflow / (outflow) from operating activities (Note 7) | <b>278</b>  | (250)  |
| Returns on investments and servicing of finance                | -   | 4  |
| Taxation   | <b>(120)</b>  | (18)   |
| Capital expenditure  | <b>(496)</b>  | (122)  |
| Acquisitions and disposals                                     | -   | (237)  |
| Financing  | -   | 146  |
| (Decrease) in cash (Note 8)                                    | <b>(338)</b>  | (477)  |

## NOTES TO THE INTERIM RESULTS

### For the six months ended 31 October 2005

#### 1). INTERIM FINANCIAL INFORMATION

The interim financial information covers the six months ended 31 October 2005, is unaudited and does not constitute statutory financial statements.

Spiritel joined the Alternative Investment Market (AIM) on 28 July 2004 via the reverse takeover by Expo Communications Limited of Roshni Investments plc, an acquisition vehicle that joined AIM in March 2004. The comparative figures in these statements cover the eight month period ended on 31 October 2004. The results originally published for the period ended 31 October 2004 have been restated using the principles of reverse acquisition accounting adopted and explained in the Company's financial statements for the period ended 30 April 2005.

#### 2). PRINCIPAL ACCOUNTING POLICIES

The interim financial information has been prepared using the same accounting policies as set out in the Annual Report and Accounts for the period ending 30 April 2005 apart from the adoption of FRS 25 Financial Instruments: Disclosure and Presentation, whereby preference shares have been reclassified as financial liabilities within Creditors: amounts falling due after more than one year.

#### 3). EXCEPTIONAL ITEMS

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

|   | <b>Six months<br/>ended 31<br/>October 2005<br/>Unaudited<br/>£'000</b> | Eight months<br>ended 31<br>October 2004<br>Unaudited<br>£'000 |
|---|---|--|
| Amortisation of goodwill acquired in reverse takeover | -   | 2,557  |

#### 4). DIVIDENDS

The Directors do not recommend the payment of a dividend.

#### 5). EARNINGS PER SHARE

The loss per share is based on the equity losses of £220,000 (2004: loss of £2,469,000) and 137,819,803 (2004: 127,416,000) ordinary shares of 1p each, being the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares for the eight months ended 31 October 2004 assumes that the 124,000,000 ordinary shares issued in relation to the reverse acquisition of Spiritel plc by Expo Communications Limited existed for the entire period. Spiritel plc shares have been included since 28 July 2004, the date of the reverse takeover, and all other shares have been included in the computation based on the weighted average number of days since issuance.

## NOTES TO THE INTERIM RESULTS (CONTINUED)

For the six months ended 31 October 2005

### 6). PREFERENCE SHARES

4,100,000 redeemable preference shares of £1 each have been classified as financial liabilities and included within Creditors: amounts falling due after more than one year (2004: £4,100,000).

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

|   | <b>Six months<br/>ended 31<br/>October 2005<br/>Unaudited<br/>£'000</b> | <b>Eight months<br/>ended 31<br/>October 2004<br/>Unaudited<br/>£'000</b> |
|---|---|---|
| Operating (loss)                                      | <b>(146)</b>  | (2,440)   |
| Depreciation & amortisation                           | <b>191</b>  | 2,710   |
| (Increase) in debtors                                 | <b>(20)</b>   | (483)   |
| Increase / (decrease) in creditors                    | <b>253</b>  | (37)  |
| Net cash inflow / (outflow) from operating activities | <b>278</b>  | (250)   |

### 8). RECONCILIATION OF NET CASH FLOW TO MOVEMENT OF NET DEBT

|   | <b>Six months<br/>ended 31<br/>October 2005<br/>Unaudited<br/>£'000</b> | <b>Eight months<br/>ended 31<br/>October 2004<br/>Unaudited<br/>£'000</b> |
|---|---|---|
| (Decrease) in cash in the financial period              | <b>(338)</b>  | (477)   |
| Loan notes issued in connection with acquisition        | -   | (2,500)   |
| Preference shares issued in connection with acquisition | -   | (4,100)   |
| Other non-cash items                                    | <b>(63)</b>   | (33)  |
| Movement in net (debt) / funds in the financial period  | <b>(401)</b>  | (7,110)   |
| Net (debt) / funds at 1 May 2005                        | <b>(6,264)</b>  | 702   |
| Net (debt) / funds at 31 October 2005                   | <b>(6,665)</b>  | (6,408)   |