

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

Interim results for the six months ended 31 October 2006

Spiritel plc (AIM: STP), the telecommunications company, is pleased to announce its interim results for the six months ended 31 October 2006.

Highlights

- Trading at Spiritel has proceeded in line with Directors' expectations and the Company is on track to meet full year market forecasts, underpinned by recent earnings-enhancing acquisitions
- Turnover in the period of £6.84m (H1 2005: £8.12m) with pre-tax loss of £1.14m (H1 2005: £0.23m)
- Current half has started well with the Company trading at a positive underlying EBITDA level during the first two months
- Reorganisation of the Company into Spiritel Wholesale and Spiritel Retail to broaden routes to market and achieve a direct relationship with customers to complement indirect sales
- Delivery of Spiritel Retail's acquisitive strategy through the purchase and integration of Callplan Ltd and Networks Direct (UK) Ltd. The timing of these acquisitions was such that they made only a small contribution to the period under review
- Spiritel continues to evaluate further potential acquisitions and will report further progress in due course
- Directory enquiries service 118 918 launched in November 2006 in partnership with Oxfam, which receives 9p from every call

Commenting on the results, Lord St John of Bletso, Spiritel's Chairman, said: "We are delighted by the progress made in the first half, which has allowed us to enter the second half in a much stronger position. Our cash generative acquisitions completed at the end of the first half will make a full contribution during the second half. We continue to evaluate further potential acquisition candidates and have been impressed by the opportunities available to us. The current half has started well, with the Company trading at a positive underlying EBITDA level during the first two months, giving us confidence for the remainder of the year."

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Notes for Editors:

About Spiritel plc

Spiritel plc (AIM: STP) is a telecommunications group that joined the AIM market of the London Stock Exchange in July 2004. We have multiple routes to market for our products and services, which include a range of both traditional and emerging telecoms technologies. Spiritel's client base includes corporate, wholesale and retail customers served directly through our value added reseller division Spiritel Retail, via web portals and through independent resellers.

Spiritel, in partnership with Oxfam, has launched the directory enquiries service 118 918, from which Oxfam receives 9p from every call made.

For further information please visit www.spiritelplc.com

CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW

The half year to 31 October 2006 has been one of considerable progress in terms of the development of the Company. In July we took the decision to reorganise the Company's divisional structure into Spiritel Wholesale and Spiritel Retail, an initiative to support the Company's strategic objective of broadening its routes to market with a particular emphasis on achieving a direct relationship with end users of our products and services. The Wholesale division comprises our call termination business and our VoIP product and services suite. The Retail division, whose strategy is to acquire cash generative businesses, comprises the Company's direct to end user initiatives. We are pleased to report that the delivery of the Retail strategy is well under way, with the first two acquisitions having already been made and integrated.

Spiritel Retail

We were delighted to deliver on our acquisition strategy soon after stating our intention to build a Retail division through the purchase of companies that give us a direct relationship with the end users of our products and services. In September we announced the acquisition of CallPlan Ltd, a sales agency that markets products and services in the UK on behalf of Australia's Telstra, one of the world's largest telecommunications companies. In October we acquired the highly profitable Networks Direct (UK) Ltd, which provides voice and data services to more than 300 SMEs across the UK. These earnings-enhancing acquisitions made only a small contribution in the period under review but will make their first full six month contribution in the second half. We continue to review further acquisition opportunities and look forward to providing a further update in due course.

Spiritel Wholesale

During the period, and after the period end, we continued to provide wholesale services to most of the leading fixed line telcos in the UK and we were pleased to add a significant new customer during the period. The great majority of our revenues in the period derived from our Wholesale business, which experienced pricing pressure in common with industry peers. Post the period end there has been some improvement in the Wholesale trading environment, including an easing of pressure on termination margins. Also, post the period end, we signed a contract with a major UK reseller in respect of our leading-edge VoIP product suite.

118 918

In partnership with Oxfam, Spiritel launched the 118 918 directory enquiries service towards the end of last year. The service is priced at the same level as the UK's dominant directory services with the unique feature that 9p from every call goes to Oxfam.

People

In April 2006 we were delighted to welcome Steven Maine, a former Chief Executive Officer of Kingston Communications plc, to the Board as a Non-Executive Director. In December 2006 Steven, whose vast experience of the telecoms sector has been of great value to the development of the Company, became Deputy Chairman. In October a co-founder of the Company, John Vergopoulos, stood down from the Board to pursue other business interests primarily in the private sector.

Financials

Turnover in the period was £6.84m (H1 2005: £8.12m) of which £120,000 (H1 2005: nil) arose from the two acquisitions towards the period end of Callplan and Networks Direct. The pre-tax loss was £1.14m (H1 2005: £0.23m), reflecting restructuring costs and pressure on wholesale prices. The loss per share was 0.57p (H1 2005: 0.17p).

Outlook

We are delighted by the progress made in the first half, which has allowed us to enter the second half in a much stronger position. Our cash generative acquisitions completed at the end of the first half will make a full contribution during the second half. We continue to evaluate further potential acquisition candidates and have been impressed by the opportunities available to us. The current half has started well with the Company trading at an underlying EBITDA positive level during the first two months giving us confidence for the remainder of the year.

Lord St John of Bletso
Chairman

Alastair Mills
Chief Executive

29 January 2007

SPIRITEL PLC

CONSOLIDATED SUMMARISED PROFIT AND LOSS ACCOUNT

For the six months ended 31 October 2006

	Note	Six months ended 31 October 2006 Unaudited £'000	Restated six months ended 31 October 2005 Unaudited £'000
Turnover – continuing operations		6,717	8,117
– acquisitions		120	-
		6,837	8,117
Cost of sales		(6,173)	(6,885)
Gross profit		664	1,232
Administrative expenses		(1,695)	(1,398)
Operating (loss)/profit			
Continuing operations		(1,067)	(166)
Acquisitions		36	-
		(1,031)	(166)
Share of operating loss of joint venture		(18)	-
		(1,049)	(166)
Net interest payable		(90)	(63)
Loss on ordinary activities before taxation		(1,139)	(229)
Tax on loss on ordinary activities		-	(11)
Loss on ordinary activities after taxation		(1,139)	(240)
Minority interest		134	-
Loss for the financial period		(1,005)	(240)
Loss per ordinary share in pence	4	(0.57)	(0.17)

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

SPIRITEL PLC**CONSOLIDATED SUMMARISED BALANCE SHEET AT 31 OCTOBER 2006**

	31 October 2006 Unaudited £'000	Restated 31 October 2005 Unaudited £'000
Fixed assets		
Tangible Assets	748	944
Intangible Assets	2,457	-
	<u>3,205</u>	<u>944</u>
Current assets		
Debtors	1,059	954
Cash at bank and in hand	252	92
	<u>1,311</u>	<u>1,046</u>
Creditors: amounts falling due within one year	(4,052)	(1,359)
Net current liabilities	<u>(2,741)</u>	<u>(313)</u>
Total assets less current liabilities	<u>464</u>	<u>631</u>
Creditors: amounts falling due after more than one year	4,695	6,757
Provision for liabilities	18	84
	<u>4,713</u>	<u>6,841</u>
Capital and reserves		
Called up share capital	2,195	1,378
Share premium account	3,630	1,128
Reverse acquisition reserve	(5,763)	(5,763)
Profit and loss account	(4,311)	(2,953)
Shareholders' deficit	<u>(4,249)</u>	<u>(6,210)</u>
	<u>464</u>	<u>631</u>

SPIRITEL PLC

CONSOLIDATED SUMMARISED CASHFLOW STATEMENT

For the six months ended 31 October 2006

	Six months ended 31 October 2006 Unaudited £'000	Restated six months ended 31 October 2005 Unaudited £'000
Net cash (outflow) / inflow from operating activities (Note 6)	(755)	258
Returns on investments and servicing of finance	2	-
Taxation	17	(120)
Capital expenditure	(76)	(496)
Acquisitions and disposals	(907)	-
Financing	1,873	20
Increase / (decrease) in cash (Note 7)	154	(338)

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 31 October 2006

1). INTERIM FINANCIAL INFORMATION

The interim financial information covers the six months ended 31 October 2006, is unaudited and does not constitute statutory financial statements.

2). PRINCIPAL ACCOUNTING POLICIES

The interim financial information has been prepared using the same accounting policies as set out in the financial statements for the year ended 30 April 2006, except for the mandatory adoption of FRS 20 "Share based payments" and FRS 26 "Financial Instruments - measurement".

FRS 20 - Share based payments

FRS 20 requires the recognition of a charge for share based payment transactions which includes share options. The charge to the profit and loss account in the six months ended 31 October 2006 was £39,000. The adoption of FRS 20 has also resulted in a prior period adjustment in respect of the comparative six month period ended 31 October 2005. The charge to the profit and loss account for the six month period to 31 October 2005 was £20,000 and the comparative figures have been restated accordingly.

FRS 26 - Financial instruments - measurement

The directors do not consider that the adoption of FRS 26 has had a material impact on the financial statements of the group, and hence no prior period adjustment has been made.

3). DIVIDENDS

The Directors do not recommend the payment of a dividend.

4). LOSS PER ORDINARY SHARE

The loss per share is based on the equity losses of £1,005,000 (2005: loss £240,000) and 176,477,807 (2005: 137,819,803) ordinary shares of 1p each, being the weighted average number of ordinary shares in issue during the period.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 31 October 2006

5). 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 (2005: £4,100,000).

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

	Six months ended 31 October 2006 Unaudited £'000	Restated six months ended 31 October 2005 Unaudited £'000
Operating loss	(1,031)	(166)
Depreciation & amortisation	225	191
Decrease / (increase) in debtors	132	(20)
(Decrease) / increase in creditors	(81)	253
Net cash (outflow) / inflow from operating activities	<u>(755)</u>	<u>258</u>

7). RECONCILIATION OF NET CASH FLOW TO MOVEMENT OF NET DEBT

	Six months ended 31 October 2006 Unaudited £'000	Six months ended 31 October 2005 Unaudited £'000
Increase / (decrease) in cash in the financial period	154	(338)
Loans received	(1,250)	-
Other non-cash items	(92)	(63)
Movement in net debt in the financial period	<u>(1,188)</u>	<u>(401)</u>
Net debt at 1 May 2006	<u>(5,046)</u>	<u>(6,264)</u>
Net debt at 31 October 2006	<u>(6,234)</u>	<u>(6,665)</u>