

For immediate release

20 October 2006

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

Preliminary results for the year ended 30 April 2006

Spiritel plc (AIM: STP), the telecommunications company, is pleased to announce its preliminary results for the year ended 30 April 2006. The comparative period for these results is the 18 months to 30 April 2005.

Highlights

- Significant progress in delivery of strategy to broaden routes to market to achieve direct relationship with end users
- Pre-tax loss of £736,000, compared with a pre-tax loss of £2.4m for the 18 months ended 30 April 2005
- MyPhone service, to allow unlimited calls to India from the UK for a set monthly fee, launched in March 2006
- Two earnings-enhancing acquisitions – CallPlan Ltd and Networks Direct (UK) Ltd – completed since the year end

Commenting on the results, Lord St John of Bletso, Spiritel's Chairman, said: "Spiritel is now particularly well placed to benefit from the migration from traditional to VoIP telephony. Our strategy of broadening our routes to market through acquisition, combined with our continuing innovation in products, services and corporate relationships, give me confidence in the future."

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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.

For further information please visit www.spiritelplc.com

CHAIRMAN'S STATEMENT

I am pleased to report on another year of progress in the development of the Company. It was a year during which the pace of change in the telecommunications industry was unprecedented and a year in which VoIP (voice over internet protocol) telephony, for which we provide a high quality product suite, attracted considerable attention. The acquisition of Skype by eBay for up to \$4.1 billion gave an insight into the potential value of VoIP and reinforced the fact that incumbent operators of fixed line and mobile networks are increasingly under pressure from new entrants.

The transformation of the telecoms industry continues apace, with incumbent operators upgrading their core networks to next generation IP networks and end users increasingly replacing legacy call management infrastructure with IP-enabled equipment or even services hosted by a service provider off-site. Mobile operator revenues are also now under threat from VoIP with the well documented arrival this year of dual mode mobile handsets which, when within range of a wireless broadband connection, can bypass the mobile operator's network and make calls via a VoIP platform at little or no cost. This so-called fixed-mobile convergence is just one example of the revolutionary changes that are imminent in telecoms. There are now clear indications that the migration to VoIP is beginning to gain traction, underpinned by the ongoing growth in fast, secure IP connectivity.

We believe Spiritel is at the forefront of developing these VoIP services that provide lower cost, highly scalable, converged voice and data services which will reach the market via both independent resellers and by direct to consumer relationships.

During the year, and since the year end, we have evolved our strategy, most importantly by broadening our routes to market with the objective of gaining a direct relationship with the end users of voice and data products and services. Since the year end we have already made an important steps in this direction, first with the earnings-enhancing acquisition of CallPlan Ltd, a sales agency that markets products and services in the UK on behalf of Australia's Telstra, the world's thirteenth largest telecommunications company. In addition, we acquired the significantly profitable Networks Direct (UK) Ltd, which provides voice and data services to more than 300 SMEs across the UK.

We anticipate that direct relationships with end users will be a key differentiator for those seeking to migrate customers towards next generation communication services as users will look first to existing service providers for a road map towards convergence. Through acquisitions, we are positioning ourselves to be the VoIP provider of choice for an existing customer base, who will also act as a showcase for customers of other traditional resellers.

To facilitate the broadening of our routes to market we have reorganised our operational structure into two divisions: Spiritel Wholesale and Spiritel Retail. The Wholesale division includes our call termination business, Expo Communications, the cash flows from which have helped us to build our VoIP product suite. Our Retail division includes our recently acquired direct-to-

consumer companies and we expect this division to grow through further earnings enhancing acquisitions during the year ahead.

In terms of business development, we continued to innovate throughout the year with new products and new corporate relationships. For example, we formed the joint venture MyPhone, a low-cost VoIP-based solution for people in the UK to make unlimited calls to their families and friends in India for a fixed monthly fee.

Financials

Turnover in the 12 months to 30 April 2006 was £15.6 million compared with £32.8 million in the 18 months to 30 April 2005, reflecting the difference in accounting periods and the pressure on wholesale pricing, not least from the OFCOM price controls that only took effect part way through the previous period. The pre-tax loss to 30 April 2006 was £0.74 million, markedly down on the pre-tax loss of £2.4 million in the 18 months to 30 April 2005. The basic loss per share was 0.44p, compared with a loss of 1.94p in the 18 months to 30 April 2005.

People

I would like to thank all of Spiritel's staff for their commitment to the Company throughout the year and since the year end in what has been, and continues to be, an exciting phase in the Company's development.

Outlook

We believe that Spiritel is now particularly well placed to benefit from the migration from traditional to VoIP telephony. Our strategy of broadening our routes to market through acquisition, combined with our continuing innovation in products, services and corporate relationships, give me confidence in the future.

Lord St John of Bletso
Chairman

19 October 2006

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

I am pleased to report on progress in the year to 30 April 2006 and to review progress since the year end. We are operating in a market in transition where telephony users are increasingly migrating from traditional, legacy networks to converged, IP-based solutions using voice over internet protocol (VoIP). This transition is widely accepted as inevitable. As a company created to capitalise on the opportunities created by this change, we are constantly reviewing our market and evolving our business model and suite of products and services to best position Spiritel for success.

Turnover in the 12 months to 30 April 2006 was £15.6 million, compared with £32.8 million in the 18 months to 30 April 2005. Our turnover in the year came almost entirely from our call termination business. Lower revenue reflects a full year's impact of the 2004 OFCOM price controls and continued price pressure on global wholesale voice services. We expect that this pressure on wholesale voice pricing will continue but this is factored in to our business model, where the cash flow from our call termination business has helped to contribute to the development of our own VoIP products and services.

The Company has continued to invest in R&D during the year and now offers an impressive suite of ready-for-market VoIP products. In addition, during the migration to VoIP, our ability to offer both traditional voice services alongside emerging VoIP products is of considerable benefit as the two are complementary – for example, most calls originated via IP still require termination to a fixed line or mobile phone via traditional networks.

The quality of our call termination is highlighted by the fact that our customers include the majority of the top 10 fixed line telecommunications companies in the UK, such as the recently merged ntl:Telewest. Achieving the most appropriate routes to market has been one of my most important strategic objectives over the past year. Initially, Spiritel chose indirect, non-exclusive relationships with resellers as the primary route to market for our VoIP product suite. However, we also see a real benefit in gaining a direct relationship with the end users of voice and data products and to this end took the strategic decision to embark on a series of acquisitions. We believe that a direct relationship with customers will provide a competitive advantage in the future sale of VoIP solutions whilst delivering strong cash flows to Spiritel from existing products and services, until the migration of customers to VoIP telephony takes place.

We announced our first such acquisition, of the profitable and rapidly growing company CallPlan Ltd, on 12 September 2006. This acquisition, for a maximum potential consideration of £505,000, after deducting cash balances acquired of £127,000, was immediately earnings enhancing. CallPlan, which has a current run rate of £150,000 net profit per annum, markets products and services for the UK arm of Australia's Telstra. We quickly followed with our second earnings-enhancing acquisition, Networks Direct (UK) Ltd, on 13 October 2006, which has given us access to more than 300 SME customers across the UK. In the year to 31 May 2006 Networks Direct generated £488,000 of operating profit excluding management fees. This acquisition, for a consideration of £1.6 million in cash and shares, presents an ideal platform from which to sell VoIP and other voice and data services. We anticipate further acquisitions in due course.

To support the broadening of our routes to market we have reorganised into two divisions: Spiritel Wholesale and Spiritel Retail. The Wholesale division comprises Expo Communications, our call termination business and Spiritel Technologies, which has developed the Company's VoIP products. The Retail division comprises the direct-to-customer initiatives, including CallPlan and Networks Direct. Shortly before the year end, we launched the MyPhone joint venture in which Spiritel has a 50% stake and which is based on one of the Company's VoIP platforms. MyPhone is a lower cost alternative to calling cards, which are a widely used method for making low cost international calls. The MyPhone service allows people in the UK to make unlimited phone calls to their families and friends in India, for a fee of £13 per month. The service is currently being promoted by a number of major Indian corporates to their UK based staff.

Financial review

Net losses in the year were £628,000 after a positive tax contribution of £82,000, reflecting ongoing investment in R&D and pressure on wholesale voice prices. These results compare with a net loss in the 18 months to 30 April 2005 of £2.5 million after a tax charge of £108,000. Net cash inflow from operating activities in the year was £31,000, which compares favourably with an operating cash outflow of £289,000 in the 18 months to 30 April 2005. The basic loss per share was 0.44p, compared with a loss of 1.94p in the 18 months to 30 April 2005.

During the year, and since the year end, we have strengthened our balance sheet through a debt restructuring, a series of placings of ordinary shares and by the issue of loan notes.

Summary

A key attraction of our business model is that the ongoing success of our call termination business is allowing us to position ourselves to capitalise on the migration to VoIP telephony as it provides us with strong relationships with leading telecommunications companies and gives us a competitive cost base for all voice services. We enter the current year with the clear strategic objective of broadening our routes to market to gain a direct relationship with end users of VoIP services. We are already on the path to achieving this through our acquisitions of CallPlan and Networks Direct and intend to complete further transactions to achieve our objective.

Alastair Mills
Chief Executive
19 October 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 April 2006

	Note	Year ended 30 April 2006 Audited £000	18 months ended 30 April 2005 Audited £000
Turnover - continuing operations	2	15,564	32,791
Costs of sales		(13,671)	(28,740)
Gross profit		1,893	4,051
Operating expenses			
Administrative expenses		(2,615)	(3,811)
Exceptional operating expenses	3	-	(2,557)
Total operating expenses		(2,615)	(6,368)
Operating loss - continuing operations		(722)	(2,317)
Share of operating loss of joint venture		(16)	-
		(738)	(2,317)
Net interest		2	(86)
Loss on ordinary activities before taxation		(736)	(2,403)
Tax on loss on ordinary activities		82	(108)
Loss on ordinary activities after taxation		(654)	(2,511)
Minority interest		26	-
Loss for the financial year		(628)	(2,511)
Loss per share in pence			
Basic	5	(0.44)	(1.94)

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

CONSOLIDATED BALANCE SHEET AT 30 APRIL 2006

	30 April 2006 Audited £000	Restated 30 April 2005 Audited £000
Fixed assets		
Intangible assets	33	-
Tangible assets	864	639
	<u>897</u>	<u>639</u>
Current assets		
Debtors	1,016	934
Cash at bank and in hand	98	430
	<u>1,114</u>	<u>1,364</u>
Creditors: amounts falling due within one year	(1,919)	(1,226)
Net current (liabilities)/assets	(805)	138
Total assets less current liabilities	<u>92</u>	<u>777</u>
Creditors: amounts falling due after more than one year	4,694	6,694
Provisions for liabilities	18	73
	<u>4,712</u>	<u>6,767</u>
Capital and reserves		
Called up share capital	1,654	1,378
Share premium account	2,850	1,128
Reverse acquisition reserve	(5,763)	(5,763)
Profit and loss account	(3,361)	(2,733)
Shareholders' deficit	<u>(4,620)</u>	<u>(5,990)</u>
	<u>92</u>	<u>777</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2006

	Note	Year ended 30 April 2006 Audited £000	18 months ended 30 April 2005 Audited £000
Net cash inflow/(outflow) from operating activities	6	31	(289)
Returns on investments and servicing of finance			
Interest received		5	14
Interest paid		(3)	(6)
		<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance		2	8
Taxation			
Corporation tax paid		(151)	(18)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(655)	(559)
		<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment		(655)	(559)
Acquisitions			
Costs relating to reverse acquisition		-	(480)
Net cash acquired with subsidiary undertaking		-	243
Purchase of minority shares in subsidiary undertaking		(7)	-
		<hr/>	<hr/>
Net cash outflow from acquisitions		(7)	(237)
Cash outflow before financing		(780)	(1,095)
Financing			
Receipts from borrowing		450	-
Issues of shares		-	1,222
Expenses in connection with conversion of loan notes		(2)	(199)
		<hr/>	<hr/>
Net cash inflow from financing		448	1,023
		<hr/>	<hr/>
Decrease in cash in the year	7	(332)	(72)

OTHER PRIMARY STATEMENTS

For the year ended 30 April 2006

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	Year ended 30 April 2006 Audited £000	Restated 18 months ended 30 April 2005 Audited £000
Retained loss for the financial year	(628)	(2,511)
Reverse acquisition adjustment	-	(5,763)
Issue of share capital (net of expenses)	1,998	2,506
	<hr/>	<hr/>
Net increase/(decrease) in shareholders' deficit	1,370	(5,768)
Opening shareholders' deficit	(5,990)	(222)
	<hr/>	<hr/>
Closing shareholders' deficit	<u>(4,620)</u>	<u>(5,990)</u>

NOTES TO THE PRELIMINARY ANNOUNCEMENT

For the year ended 30 April 2006

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 2005. These accounting policies have remained unchanged for the financial year ended 30 April 2006, with the exception of the presentation of the Company's redeemable preference shares following the mandatory adoption of FRS 25 "Financial Instruments : Disclosure and Presentation" (presentation requirements only). The redeemable preference shares are now disclosed as financial liabilities within the balance sheet, whereas previously they were presented as equity.

The financial information in this document does not constitute the Company's statutory accounts for the year ended 30 April 2006 or 2005, but is derived from those accounts. Statutory accounts for 2005 have been delivered to the Registrar of Companies and those for 2006 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

	Year ended 30 April 2006 £000	18 months ended 30 April 2005 £000
United Kingdom	15,449	32,741
Europe	109	49
United States	6	1
	<hr/>	<hr/>
Group turnover	<u>15,564</u>	<u>32,791</u>

NOTES TO THE PRELIMINARY ANNOUNCEMENT

For the year ended 30 April 2006

3). EXCEPTIONAL ITEMS

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

	Year ended 30 April 2006 £000	18 months ended 30 April 2005 £000
Amortisation of goodwill acquired in reverse takeover	-	2,557

4). DIVIDENDS

The Directors do not recommend the payment of a dividend.

5). LOSS PER SHARE

The loss per share is based on the loss of £628,000 (2005: £2,511,000) and 142,278,943 (2005: 129,628,852) ordinary 1p shares, being the weighted average number of shares in issue during the year. The weighted average number of ordinary 1p shares for the period ended 30 April 2005 assumes that the 124,000,000 ordinary 1p shares issued in relation to the reverse acquisition of Spiritel plc existed for the entire period. The share options are not dilutive and therefore a diluted earnings per share calculation has not been presented.

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

	Year ended 30 April 2006 £000	18 months ended 30 April 2005 £000
Operating loss	(722)	(2,317)
Depreciation	428	354
Loss on disposal of fixed assets	2	-
Amortisation of goodwill	-	2,557
Increase in debtors	(66)	(240)
Increase/(decrease) in creditors	389	(643)
Net cash inflow/(outflow) from operating activities	<u>31</u>	<u>(289)</u>

NOTES TO THE PRELIMINARY ANNOUNCEMENT

For the year ended 30 April 2006

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

	Year ended 30 April 2006 £000	Restated 18 months ended 30 April 2005 £000
Decrease in cash in the year	(332)	(72)
Loans received	(450)	-
	<hr/>	<hr/>
Change in net debt resulting from cash flows	(782)	(72)
Loan notes and preference shares issued in connection with acquisition	-	(6,600)
Loan notes converted to ordinary shares	2,000	-
Other non-cash items	-	(94)
	<hr/>	<hr/>
Change in net debt in the year	1,218	(6,766)
Net (debt)/funds at 1 May 2005 (as restated)	(6,264)	502
	<hr/>	<hr/>
Net debt at 30 April 2006	<u>(5,046)</u>	<u>(6,264)</u>

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.