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EXPANSYS PLC
(“EXPANSYS” or the “Group”)

INTERIM RESULTS FOR THE 6 MONTHS ENDED 31 OCTOBER 2010

EXPANSYS plc, a leading global online retailer of wireless technology and provider of mobile network solutions, announces its interim results for the 6 months ended 31 October 2010.

Financial Highlights

- Revenue up 61% to £32.7m (6 months to 31 October 2009: £20.4m)
- Return to profitability (on an adjusted basis)
- EBITDA increased significantly to £1.8m (2009: £0.3m)
- Adjusted profit before tax increased substantially to £1.4m (2009: loss of £0.2m) (Unadjusted loss before tax of £0.04m (2009: £0.02m))
- Adjusted diluted Earnings Per Share of 0.1p (2009: loss per share of 0.1p) (Unadjusted diluted Loss Per Share of 0.1p (2009: loss per share of 0.1p))
- Cash of £5.5m (2009: £0.5m)
- Cash generated from operations £1.3m excluding acquisition costs. £0.9m including acquisition costs (2009: outflow of £1.5m)

Operational Highlights

- Board further strengthened by the appointment of Bob Wigley, Peter Jones CBE and Brian Collie as non-executive Directors
- Successful placing of £30m in the year which has expanded and strengthened our institutional investor base
- Transformational acquisition of Data Select Network Solutions Ltd (“DSNS”) and PJ Media Ltd (“PJ Media”) in July, delivering enhanced profitability and strong cash generation
- EXPANSYS Retail sales up 31% like for like
- Smartphone Sales up 32% like for like

Bob Wigley, Chairman of EXPANSYS plc, commented:

“I am pleased to report that we have delivered on our objectives for the first half. The businesses we acquired in July are now fully integrated and have performed in line with our initial forecasts and the online retail business is delivering improving results in a challenging global market.”

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EXPANSYS

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CHIEF EXECUTIVE'S STATEMENT

Markets

We are pleased that internal improvements within the EXPANSYS Retail business are delivering growth in challenging markets worldwide. Within DSNS, the growth of the SIM card proposition continues, as it develops its position within the Pre-pay and SIM-only markets in the UK. PJ Media customers are responding well to new product and service offerings from the company.

Operational Review

Our retail focus in the last 6 months has been upon conversion of existing web traffic, which has brought benefit across most of our core websites. We have begun the evolution of our websites, with a number of functional improvements designed to support our conversion strategy. We have also begun to invest in a CRM strategy that should benefit the medium to long term performance of our online retail business.

Regionally, our European team continues to grow revenue, margin and profits, with a fast reaction to product trends and the development of new revenue streams such as the Parrot AR Drone partnership, which was a very successful product launch for both companies.

The UK business grew both revenue and margin on a like for like basis and began to drive incremental traffic through some innovative social media activity utilising our new Brand Ambassador, Jason Bradbury.

The Americas region has grown revenues against the same period last year and we would expect its performance in the second half of our financial year to improve further as we develop and implement our short-to-medium term strategy for that market.

In Asia, we installed new leadership in Q2 and have begun to see a substantial improvement in trading performance. We have been especially pleased with the development of a mutually beneficial partnership with JCI, a Japanese MVNO who have developed significant market share in Japan through innovative product offerings, supported by EXPANSYS Asia.

DSNS had a strong Q2 in terms of sales activity within existing channels in the UK and continues discussions with a view to developing partnerships in new territories.

PJ Media maintained and developed its pipeline of projects, and also supported EXPANSYS strongly using its online marketing and execution skills.

Financial Review

Revenue increased by 61% year on year as a result of like for like sales (up 31%) and the impact of acquisitions.

EBITDA of £1.8m, increased from £0.3m as reported in the first half of last year, has been driven by the impact of acquisitions and the increase in retail revenue. Conversion into cash in the first half of the year has been strong through robust management of working capital and this is reflected in the cash balance at the end of the period.

Adjusted profit before tax turned from a loss of £0.2m in the first half of last year to a profit of £1.4m this year, demonstrating a return to profit and positive adjusted diluted EPS for the EXPANSYS group.

£30.0m (£28.2m net of costs) was raised from the placing of 535,714,286 ordinary shares for cash during the year, with £24.4m used to fund the acquisitions and pay back the acquired net debt of DSNS and PJ Media.

People

As mentioned above, we recruited a new leader for our Asian business, Sean Ho, who brings with him relevant technology experience and an impressive track record of developing sales channels and relationships in the Asian region.

The Board has been strengthened this year with the appointments of Bob Wigley as non-executive Chairman, Tim Eltze as Chief Operating Officer, and Peter Jones CBE and Brian Collie as non-executive directors. As described in the announcement made on 30 November 2010, Brian Collie's salary is payable half in cash and half in Ordinary Shares of EXPANSYS. Accordingly, pursuant to the terms of the employment contract the Company will issue new shares to Brian Collie on an on-going monthly basis on the last day of each month. The number of shares to be issued each month will be determined by the closing mid-market share price of the ordinary shares on the trading day immediately prior to the issue of the ordinary shares.

We are delighted at the response of the existing and new team members to the changing shape and expectations of the new EXPANSYS group, and would like to thank them, as always, for their hard work and contribution in the first half of the year.

Strategic Update

We are pleased with the progress of our strategic execution, as highlighted in our last annual report. To summarise progress against our noted objectives:

- We are pleased to report that progress on developing a 'connected' smartphone proposition, and allowing us to target the majority of the market in the UK is going well. We already have 3 of the 5 major UK networks 'live' with the others due to follow early in the new year;
- Our online execution is improving steadily, with a focus upon existing customers; and
- We will continue to look at acquisition opportunities, and will update the market as appropriate.

Future Outlook

We are encouraged by what the business has achieved in H1 as the strategic benefits of the new group structure including DSNS and PJ Media begin to flow into our activities and results. As we move into H2 and the important Christmas trading period,, in what continues to be a challenging global market, we hope to see continued improvements across the group as we shape EXPANSYS for the future.

Anthony Catterson
Chief Executive
15 December 2010

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GROUP STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 31 October 2010

	Note	6 months ended 31 October 2010 £000	6 months ended 31 October 2009 £000
Revenue		32,735	20,391
Cost of sales		(25,247)	(15,511)
Gross profit		7,488	4,880
Distribution costs		(2,507)	(1,930)
Exceptional administrative items	2	(295)	152
Amortisation of acquired intangibles		(925)	-
Share-based payments expense		(138)	-
Other administrative expenses		(3,650)	(3,117)
Administrative expenses		(5,008)	(2,965)
Operating loss	3	(27)	(15)
Finance income		-	2
Finance costs		(12)	(11)
Loss before taxation	4	(39)	(24)
Income tax charge		(408)	(138)
Loss for the half year		(447)	(162)
Attributable to owners of the parent		(449)	(162)
Attributable to non-controlling interests		2	-
Currency translation differences		(91)	329
Total comprehensive (expense)/income for the half year		(538)	167
Attributable to owners of the parent		(540)	167
Attributable to non-controlling interests		2	-
Earnings per share (pence)			
Basic earnings/(loss) per share for the half year	5	(0.1p)	(0.1)p
Diluted earnings/(loss) per share for the half year	5	(0.1p)	(0.1)p
Adjusted basic earnings/(loss) per share for the half year *	5	0.1p	(0.1)p
Adjusted diluted earnings/(loss) per share for the half year *	5	0.1p	(0.1)p

* The Directors believe that reporting adjusted measures provides a more useful comparison of business performance and reflects the way in which the business is controlled. The method of calculating adjusted earnings is detailed in note 4.

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GROUP STATEMENT OF FINANCIAL POSITION

	6 months ended 31 October 2010	6 months ended 31 October 2009
Note	£000	£000
ASSETS		
Non current assets		
Plant and equipment	693	408
Intangible assets	51,844	5,164
Deferred income tax assets	1,365	1,183
	<hr/>	<hr/>
	53,902	6,755
Current assets		
Inventories	3,159	2,081
Trade and other receivables	5,246	2,298
Cash and short term deposits	5,493	502
	<hr/>	<hr/>
	13,898	4,881
	<hr/>	<hr/>
Total assets	67,800	11,636
LIABILITIES		
Current liabilities		
Trade and other payables	(10,668)	(5,654)
Financial liabilities	(77)	(150)
Income tax payable	(745)	(37)
Government grants	(43)	(71)
Provisions	(51)	(24)
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	(11,584)	(5,936)
Non current liabilities		
Financial liabilities	(97)	(160)
Deferred income tax liabilities	(379)	-
	<hr/>	<hr/>
	(476)	(160)
	<hr/>	<hr/>
Total liabilities	(12,060)	(6,096)
	<hr/>	<hr/>
Net assets	55,740	5,540
Capital and reserves		
Equity share capital	2,890	445
Equity share premium	61,215	10,641
Merger reserve	750	750
Currency translation	998	1,017
Retained earnings/(losses)	(10,151)	(7,313)
	<hr/>	<hr/>
Equity attributable to equity holders of the parent company	55,702	5,540
Non-controlling interests	38	-
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Total equity	55,740	5,540
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GROUP STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 31 October 2010

	Equity share capital £000	Equity share premium £000	Merger reserve £000	Currency translation reserve £000	Retained earnings £000	Non-controlling interests £000	Total equity £000
At 1 May 2010	445	10,641	750	1,089	(9,840)	-	3,085
Equity share issue	2,445	52,327	-	-	-	-	54,772
Cost associated with equity share issue	-	(1,753)	-	-	-	-	(1,753)
Share-based payment credit	-	-	-	-	138	-	138
Acquisitions	-	-	-	-	-	36	36
Loss for the year	-	-	-	-	(449)	2	(447)
Exchange differences*	-	-	-	(91)	-	-	(91)
At 31 October 2010	2,890	61,215	750	998	(10,151)	38	55,740

	Equity share capital £000	Equity share premium £000	Merger reserve £000	Currency translation reserve £000	Retained earnings £000	Non-controlling interests £000	Total equity £000
At 1 May 2009	112	9,053	750	688	(7,151)	-	3,452
Equity share issue	333	1,588	-	-	-	-	1,921
Share based payment	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	(162)	-	(162)
Exchange differences*	-	-	-	329	-	-	329
At 31 October 2009	445	10,641	750	1,017	(7,313)	-	5,540

*Exchange differences relate to the retranslation of net assets of subsidiary undertakings.

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GROUP CASH FLOW STATEMENT

For the 6 months ended 31 October 2010

	6 months ended 31 October 2010	6 months ended 31 October 2009
Note	£000	£000
Operating activities		
Loss for the half year	(447)	(162)
Income tax expense	408	138
Net interest charge	12	9
Equity-settled share-based payment expense	138	-
Foreign exchange	62	41
Depreciation	154	108
Amortisation of intangible assets	1,191	281
Cash flow from operating activities before changes in working capital	1,518	415
Increase in inventories	(971)	(541)
Decrease/(increase) in trade and other receivables	1,099	(216)
Decrease in trade and other payables	(750)	(1,112)
Cash generated from/(used in) operations	896	(1,454)
Interest paid	(12)	(9)
Income tax paid	(302)	36
Net cash flow generated from/(used in) operating activities	582	(1,427)
Purchase of property, plant and equipment	(18)	(61)
Purchase of intangible assets	(231)	(196)
Purchase of subsidiaries	6 (13,443)	-
Cash acquired with subsidiaries	417	-
Cash flow used in investing activities	(13,275)	(257)
Issue of ordinary share capital	30,000	2,000
Fees associated with share issue	(1,753)	(78)
Capital repayment of borrowings	(10,985)	(30)
Capital repayment of finance leases and hire purchase contracts	(17)	(57)
Net cash from financing activities	17,245	1,835
Increase in cash and cash equivalents	4,552	151
Cash and cash equivalents as at 1 May	924	316
Effects of exchange rate changes	17	-
Cash and cash equivalents as at 31 October	5,493	467

NOTES

1. Basis of preparation and accounting policies

The financial information comprises the unaudited results for the six months ended 31 October 2010 and 31 October 2009.

The condensed consolidated financial statements for the six months ended 31 October 2010 should be read in conjunction with the annual financial statements for the year ended 30 April 2010 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Auditors' Report on those statements was unqualified and did not contain any statements under section 498 of the Companies Act 2006.

The Group's principal accounting policies used in preparing this information are as stated in the financial statements for the year ended 30 April 2010, which have been filed with the Registrar of Companies, and are available on our website www.EXPANSYS.com.

2. Exceptional items

	6 months ended 31 October 2010 £000	6 months ended 31 October 2009 £000
Administrative expenses		
Costs associated with acquisitions	385	-
Other, including movement in restructuring provisions	(90)	(152)
	<hr/>	<hr/>
Total exceptional costs/(income)	295	(152)
	<hr/>	<hr/>

3. Reconciliation of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) to Operating Loss

	6 months ended 31 October 2010 £000	6 months ended 31 October 2009 £000
Operating loss	(27)	(15)
Add back:		
Depreciation	154	108
Amortisation of acquired intangibles	925	281
Amortisation of other intangible assets	266	
Exceptional items	295	(152)
Foreign exchange	62	41
Share-based payments expense	138	-
	<hr/>	<hr/>
Total Earnings Before Interest, Tax, Depreciation and Amortisation	1,813	263
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4. Adjusted measures

The Directors believe that reporting adjusted measures provides a more useful comparison of business performance and reflects the way in which the business is controlled.

The tables below illustrate how the key adjusted measures are calculated.

	6 months ended 31 October 2010 £000	6 months ended 31 October 2009 £000
Loss before tax for the half year (as reported)	(39)	(24)
Add back:		
Amortisation of acquired intangibles	925	-
Exceptional items	295	(152)
Foreign exchange	62	18
Share-based payments expense	138	-
	<hr/>	<hr/>
Adjusted profit/(loss) before tax for the half year	1,381	(158)
	<hr/> <hr/>	<hr/> <hr/>
	6 months ended 31 October 2010 £000	6 months ended 31 October 2009 £000
Loss for the half year attributable to equity holders of the parent company (as reported)	(449)	(162)
Add back:		
Amortisation of acquired intangibles	925	-
Exceptional items	295	(152)
Foreign exchange	62	18
Share-based payments expense	138	-
	<hr/>	<hr/>
Adjusted profit/(loss) for the half year attributable to equity holders of the parent company	971	(296)
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Calculations for adjusted earnings/(loss) per share use adjusted profit/(loss) for the half year attributable to equity holders of the parent company (shown above) and are detailed in note 5.

5. Earnings per ordinary share

Basic earning per share amounts are calculated by dividing earnings/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share for the year amounts are calculated by dividing the loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	6 months ended 31 October 2010	6 months ended 31 October 2009
	£000	£000
Loss for the period	(447)	(162)
Less earnings attributable to non-controlling interests	(2)	-
Loss attributable to equity holders of the parent	<u>(449)</u>	<u>(162)</u>
	6 months ended 31 October 2010	6 months ended 31 October 2009
	'000	'000
Basic weighted average number of shares	737,073	144,838
Dilutive potential ordinary shares:		
Employee and consultant options	41,805	12,967
Diluted weighted average number of shares	<u>778,878</u>	<u>157,805</u>

Where ordinary shares are issued at a discount to the market price, the weighted average number of shares should reflect that the discount is effectively a bonus given to shareholders for no consideration. The weighted average number of shares in the current year and prior year reflect this.

The amounts for earnings per share are as follows:

	6 months ended 31 October 2010	6 months ended 31 October 2009
Basic loss per share	<u>(0.1p)</u>	<u>(0.1p)</u>
Diluted loss per share	<u>(0.1p)</u>	<u>(0.1p)</u>

Adjusted earnings/(loss) per ordinary share

The Directors believe that reporting adjusted measures provides a more useful comparison of business performance and reflects the way in which the business is controlled.

To this end, basic and diluted earnings per share are also presented on this basis below.

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Adjusted profit/(loss) for the half year attributable to equity holders of the parent is calculated in note 4 above, and is as follows:

	6 months ended 31 October 2010 £000	6 months ended 31 October 2009 £000
Adjusted profit/(loss) attributable to equity holders of the parent	971	(296)

The amounts for adjusted earnings/(loss) per share using this adjusted profit/(loss) for the half year attributable to equity holders of the parent are as follows:

	6 months ended 31 October 2010	6 months ended 31 October 2009
Adjusted basic earnings/(loss) per share	0.1p	(0.1)p
Adjusted diluted earnings/(loss) per share	0.1p	(0.1)p

6. Acquisitions and disposals

PJ Media Limited

On 26 July 2010 the company acquired control of 100% of the share capital of the PJ Media Limited group of companies (comprising PJ Media Limited and its 80% shareholding in PJ Interactive Romania SRL).

Accordingly all results following this date have been consolidated in the Group financial statements. A summary of the assets acquired is below:

	Book and fair value £000
Net assets acquired:	
Property, plant and equipment	57
Trade and other receivables	1,072
Balances owed by EXPANSYS plc	38
Cash and cash equivalents	129
Trade and other payables	(547)
Corporation Tax	(132)
Non-controlling interest	(37)
	<u>580</u>
Intangible assets – contracts	20
Deferred tax liability on acquired intangibles	(6)
Goodwill	4,406
	<u><u>5,000</u></u>
Consideration paid to shareholders	<u><u>5,000</u></u>
Satisfied by:	
Cash	2,500
Issue of 44,642,857 0.25p ordinary shares at a value of 5.6p per share	2,500

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Data Select Network Solutions Limited

On 26 July 2010 the company acquired control of 100% of the share capital of the Data Select Network Solutions Limited group of companies (comprising Data Select Network Solutions Limited and its 60% shareholding in M-Vend Limited).

Accordingly all results following this date have been consolidated in the Group financial statements. A summary of the assets acquired is below:

	Book and fair value £000
Net assets acquired:	
Property, plant and equipment	218
Inventories	271
Trade and other receivables	2,751
Cash and cash equivalents	288
Trade and other payables	(2,349)
Loans and borrowings	(8,152)
Corporation Tax	(198)
Balances owed to related parties	(2,924)
	<hr style="width: 100%; border: 0.5px solid black;"/> (10,095)
Intangible assets – channel stock	2,288
Deferred tax liability on acquired intangibles	(632)
Goodwill	41,654
	<hr style="width: 100%; border: 0.5px solid black;"/> 33,215
Consideration paid to shareholders	<hr style="width: 100%; border: 0.5px solid black;"/> 33,215
Satisfied by:	
Cash	10,943
Issue of 397,721,850 0.25p ordinary shares at a value of 5.6p per share	22,272
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7. Approval by the Board of Directors and Audit Committee

The interim statement was approved by the Board of Directors and the Audit Committee on 15 December 2010 and is neither audited nor reviewed by the Group's auditors.

The Directors of EXPANSYS plc are listed in the EXPANSYS plc Annual Report for 30 April 2010. A list of current directors is maintained on the EXPANSYS plc website www.EXPANSYS.com.