



Date: 27 September 2002
On behalf of: Zipcom plc
Embargoed until: 0700hrs

Zipcom plc

INTERIM RESULTS 2002

Chairman's Statement

Overview

Zipcom is now firmly established as a significant player in the business telecommunications market focusing on delivering broadband services in the local loop.

The economic climate continues to be difficult but I am pleased to report that substantial progress has been made in revitalising HighwayOne, the business we acquired from its administrators in June 2001. The rationalisation programme has been completed, which generated significant cost savings. Churn rates, resulting from customer uncertainty prior to its acquisition, have been reduced to industry norms.

Results

Turnover for the half year was £2,324,000 (2001: £522,000). Whilst this was up considerably on the comparative period for 2001, it was lower than the second half of 2001. This was due to a significant number of HighwayOne customers serving notice whilst, and as a result of, the business having been in administration.

Operating losses of £3,957,000 (2001: £2,883,000) represent an £846,000 improvement on the six months to 31 December 2001, although the comparative period included a one-off impairment charge of £795,000. The losses also incorporate the costs of rationalisation, and the significant costs associated with the recruitment and training of a large direct sales force.

The Company continues to exercise tight financial controls and ended the period with £6,668,000 (£2001: £7,214,000) of cash at bank and in hand.

Sales and Marketing

We now have in place a highly motivated and experienced sales team, which has generated strong order intake growth over the past six months, including a significant increase in voice orders in the period.

Post Balance Sheet Event

We have announced today the proposed acquisition of Transigent, together with a fund raising to raise £4.5 million (before expenses) through the issue of new ordinary shares and convertible loan stock.

The Acquisition brings together two organisations, which provide a range of complementary telecommunications products and services to businesses throughout the United Kingdom. The Directors believe that this exciting opportunity provides a very strong strategic fit of two very similar businesses. The acquisition will provide a step change increase in revenues and customer base. The combined business will provide Zipcom with attractive cross-selling opportunities across the base, and in particular for the enlarged group to sell its voice services into the 3,500 strong customer base of Transigent.

Full details of the proposed Acquisition are set out in a Circular to shareholders issued today.

Board Changes

It became apparent early in the negotiations of the Acquisition of Transigent that Paul Maher had a business conflict (arising from his being a partner in the firm of Mayer, Brown, Rowe & Maw) as a result of which he has resigned from the Board with effect from today. It is proposed that Peter Dubens, a substantial shareholder and a director of Transigent, will join the Board in a non-executive capacity on completion of the Acquisition.

Dividend

The Directors do not recommend the payment of an interim dividend (2001: nil).

Prospects

We believe that a significant opportunity exists to increase our market share in the provision of local loop telecommunications services across the United Kingdom. Our proposed acquisition of Transigent will further enhance our market position and customer base. We now have the structures and people in place to enable us to fully capitalise on the significant opportunities available to us in our market.

Grahame Purvis
Chairman
27 September 2002

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For further information please visit: www.zipcom.com

Consolidated profit and loss account (unaudited)

for the six months to 30 June 2002

	Note	6 months to 30 June 2002 Unaudited £'000	6 months to 30 June 2001 Unaudited £'000	Year to 31 Dec 2001 Audited £'000
Turnover		2,324	522	3,320
Cost of sales		(1,980)	(468)	(2,629)
Gross profit		344	54	691
Operating expenses		(4,301)	(2,937)	(8,377)
Operating loss		(3,957)	(2,883)	(7,686)
Net Interest receivable		26	215	207
Loss on ordinary activities before taxation		(3,931)	(2,668)	(7,479)
Tax on loss on ordinary activities		-	-	-
Loss for the financial year		(3,931)	(2,668)	(7,479)
Loss per ordinary share - basic	3	1.4p	1.8p	4.7p

There are no recognised gains or losses other than the loss for the financial year and accordingly no Statement of Total Recognised Gains and Losses has been produced

Consolidated balance sheet (unaudited)

at 30 June 2002

	<i>At 30 June 2002 Unaudited £'000</i>	<i>At 30 June 2001 Unaudited £'000</i>	<i>At 31 Dec 2001 Audited £'000</i>
Fixed assets			
Intangible assets - negative goodwill	(657)	(1,388)	(770)
Tangible assets	4,207	7,362	4,890
	<u>3,550</u>	<u>5,974</u>	<u>4,120</u>
Current assets			
Debtors	1,005	1,540	1,906
Cash at bank in hand	6,668	7,214	10,503
	<u>7,673</u>	<u>8,754</u>	<u>12,409</u>
Creditors: amounts falling due within one year	<u>(4,156)</u>	<u>(4,302)</u>	<u>(5,266)</u>
Net current assets	<u>3,517</u>	<u>4,452</u>	<u>7,143</u>
Total assets less current liabilities	<u>7,067</u>	<u>10,426</u>	<u>11,263</u>
Creditors: amounts falling due after one year	<u>(1,675)</u>	<u>(1,960)</u>	<u>(1,906)</u>
Provisions for liabilities and charges	<u>(13)</u>	<u>(87)</u>	<u>(47)</u>
Net assets	<u>5,379</u>	<u>8,379</u>	<u>9,310</u>
Capital and reserves			
Called up share capital	2,857	1,523	2,857
Share premium account	16,595	12,187	16,595
Capital reserve	207	207	207
Profit and loss account	(14,280)	(5,538)	(10,349)
Equity shareholders' funds	<u>5,379</u>	<u>8,379</u>	<u>9,310</u>

Consolidated cash flow statement (unaudited)

for the six months to 30 June 2002

	<i>6 months to 30 June 2002 Unaudited £'000</i>	<i>6 months to 30 June 2001 Unaudited £'000</i>	<i>Year to 31 Dec 2001 Audited £'000</i>
Operating loss	(3,957)	(2,883)	(7,686)
Depreciation	812	384	2,176
Amortisation	(113)	(31)	(131)
(Increase)/decrease in working capital	(152)	(143)	1,715
Non cash charge in respect of provisions	(34)	(184)	(224)
Cash outflow from operating activities	(3,444)	(2,857)	(4,150)
Returns on investment and servicing of finance			
Interest element of finance lease payments	(104)	(33)	(133)
Interest received	133	324	459
	29	291	326
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(116)	(386)	(452)
Acquisitions	-	(931)	(931)
Cash outflow before financing	(3,531)	(3,883)	(5,207)
Management of liquid resources			
Cash placed on deposit	3,266	-	(8,769)
Financing			
Issue of ordinary share capital	-	-	5,998
Expenses on issue of ordinary share capital	-	-	(242)
Net cash (outflow)/inflow on finance leases	(304)	1,019	(125)
	(304)	1,019	5,631
Decrease in cash in the period	(569)	(2,864)	(8,345)

Reconciliation of net cash flow to movement in net funds (unaudited)

for the six months to 30 June 2002

	<i>6 months to 30 June 2002 Unaudited £'000</i>	<i>6 months to 30 June 2001 Unaudited £'000</i>	<i>Year to 31Dec 2001 Audited £'000</i>
Decrease in cash in period	(569)	(2,864)	(8,345)
Net movement in liquid resources	3,266	-	8,769
Net movement in finance leases	-	(3,559)	(3,209)
	2,697	(6,423)	(2,785)
Opening net funds	7,293	10,078	10,078
Closing net funds	9,990	3,655	7,293

Reconciliation of movements in shareholders' funds (unaudited)

for the six months to 30 June 2002

	<i>6 months to 30 June 2002 Unaudited £'000</i>	<i>6 months to 30 June 2001 Unaudited £'000</i>	<i>Year to 31Dec 2001 Audited £'000</i>
Loss for the financial year	(3,931)	(2,668)	(7,479)
New share capital subscribed (net of issue costs)	-	-	5,742
Net reduction in shareholders' funds	(3,931)	(2,668)	(1,737)
Opening shareholders' funds	9,310	11,047	11,047
Closing shareholders' funds	5,379	8,379	9,310

Notes

Financial Information

The financial information contained in this interim report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Financial information is presented on the basis of the accounting policies of the Group as set out in the Annual Report for the year ended 31 December 2001.

The consolidated profit and loss account and cash flow statements for the 6 months to 30 June 2002 and 30 June 2001 and the consolidated balance sheets at 30 June 2002 and 30 June 2001 are unaudited. The financial information for the year ended 31 December 2001 has been extracted from the statutory accounts files with the Registrar of Companies which contained an unqualified audit report and no adverse statement under Section 237 (2) or (3) of the Companies Act 1985.

Dividend

The directors do not recommend the payment of an interim dividend (2001: nil)

Loss per share

	<i>6 months to 30 June 2002</i>	<i>6 months to 30 June 2001</i>	<i>Year to 31Dec 2001</i>
Loss for the financial period attributable To shareholders	<u>£3,931,000</u>	<u>£2,668,000</u>	<u>£7,479,000</u>
Weighted average number of equity shares in issue	<u>285,724,272</u>	<u>152,264,272</u>	<u>115,348,409</u>
Basic loss per equity share	<u>1.4p</u>	<u>1.8p</u>	<u>4.7p</u>

Independent review report by KPMG Audit Plc to Zipcom Group plc

We have been instructed by the company to review the financial information set out on pages 3 to 7 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in the Bulletin 1999/4: *'Review of Interim Financial Information'* issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

KPMG Audit Plc
Chartered Accountants
London

27 September 2002



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