Thus Group PLC
21 November 2005

21 November 2005

THUS Group plc

Interim results for the six months ended 30 September 2005

Sustained sales growth, sharply reduced losses

Financial highlights

- Group turnover £176.8 million.
- Turnover from continuing operations(1) up 5% to £174.5 million.
- EBITDA(2) from continuing operations £18.1 million (H1 05 £18.0 million).
- Operating loss in continuing operations reduced 75% to £5.8 million.
- Free cash flow positive(3) for fourth consecutive half year at £0.7 million.
- Net debt £30.1 million. Net gearing 9%.
- Bank facility refinanced at £55 million on improved terms and conditions.

Sustained customer growth

- Sustained growth, with new customer contracts and expansion of existing customer relationships compensating for decline in carrier pre-select and legacy narrowband, dial-up Internet access.

- New corporate customer contracts include PA, GNER, Babcock International, SMG, EMAP Radio and Brewin Dolphin.

- New public sector customer contracts include British Waterways, Cheshire County Council, Manchester City Council and Rochdale Metropolitan Borough Council.

- Demon UK broadband customers exceed 100,000, up 44% year on year.

Service innovation

- 20 service innovations and product enhancements, including SIP interconnect enabling carrier class IP telephony.

- THUS service solution for GCap Media wins 'Communication in Business Most Innovative Networking Project'.

- THUS wins 'Service Provider Channel Program' at Channel Network Awards.

1 Excludes Contact centre (sold on 4 August 2004) and Interactive (sold on 7 October 2004)

2 Earnings before interest, tax, depreciation (including impairment), amortisation and gain on sale of discontinued operations (See Note 4 to the Interim Financial Statements)
3 Operating cash flow after capital expenditure and net interest

Commenting on today's results, Chief Executive, William Allan said:

'During the first half, THUS has continued to grow and generate cash, with a sharp reduction in operating losses.

'Our early investment in a 'next generation network' coupled to our continued focus on service, quality and innovation have enabled us to maintain a good rate of growth in new customer contracts, particularly for IP MPLS enabled services, and continued expansion of business with existing customers.

'The UK telecommunication market is undergoing a fundamental change from investment in new networks and service capability, and industry consolidation. We believe these changes will benefit the industry and our customers in the longer term but, in the shorter term, we expect aggressive pricing to continue throughout this year.

'In addition to organic growth, we confirm our intent to explore and capitalise on opportunities from industry consolidation but only if these opportunities create value for our shareholders and accelerate our business plan to generate a return on capital employed.

'While we believe market conditions will remain challenging, we expect to continue to grow and to generate positive free cash flow for the second half and the full year.'

For further information, please contact:

THUS Group plc

Kathryn Rhinds
Investor Relations Manager 07974 160013

Deborah Rodger
Head of Press and Corporate Communications 0141 566 3167

Smithfield

John Antcliffe or Tehsin Nayani 020 7360 4900

An analysts' conference will be held this morning at 9.00am for 9.30am at the offices of Investec, 2 Gresham Street, London, EC2V 7QP. A simultaneous webcast of the conference will be screened at

www.thus.net

via the following link http://streamstudio.world-television.com/CCUIv3/login.aspx?ticket=415-416-3163&target=en Webcast participants are advised to visit the web link at least 15 minutes before the start of the conference to ensure they have all necessary software to take part.

Performance overview

Results for the first half have been prepared on the basis of International Financial Reporting Standards (IFRS) expected to be applicable at 31 March 2006. Results for the comparative period and the full year last year have been restated to conform to IFRS. A full reconciliation is provided in a separate document that will be published via the Regulatory News Service today and made available on the Company's website at

www.thus.net

.

Summary of operating performance

The Consolidated Income Statement is shown on pages 6 to 8.

The table below summarises the performance of the Group's continuing, discontinued and total operations, enabling a clearer understanding of the underlying movement in gross profit before depreciation, impairment and amortisation, EBITDA and operating loss.

The continuing operations comprise the Group's core Managed solutions, Data and telecoms and Internet operations. The discontinued operations comprise Interactive and Contact centre divisions, both disposed of in the financial year ended 31 March 2005. A number of the Contact centre contracts did not transfer with the sale of the division and THUS continued to fulfil its obligations as principal using sub contract arrangements. As a result, £2.3 million Contact centre turnover continued to be recorded as discontinued operations in the first half. However, the Contact centre business has no material impact on earnings and all commentary on operating performance hereafter is focused on continuing operations.

	First half ended 30 September 2005			First half ended 30 September 2		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	To
Revenue	174.5	2.3	176.8	166.1	11.4	17
Cost of sales before depreciation, impairment and amortisation	(125.9)	(2.3)	(128.2)	(116.8)	(8.4)	(12

Gross profit before depreciation, impairment and amortisation	48.6	-	48.6	49.3	3.0	5
% sales	28%		27%	30%		
S,D&A expenses before depreciation, impairment and amortisation	(31.3)	(0.3)	(31.6)	(31.7)	(3.7)	(3
% sales	18%		18%	19%		
Other operating income	0.8	0.4	1.2	0.4	-	
EBITDA	18.1	0.1	18.2	18.0	(0.7)	1
% sales	10%		10%	11%		
Depreciation, impairment and amortisation charge	(23.9)	-	(23.9)	(41.3)	(3.2)	(4
Operating (loss) / profit before financing costs	(5.8)	0.1	(5.7)	(23.3)	(3.9)	(2

Operating losses have been reduced by 75% compared to the equivalent period last year, with losses reduced to £5.8 million compared with £23.3 million.

Turnover grew by 5% to £174.5 million. Strong growth in Data and telecoms services and Managed solutions compensated for the continued and expected decline in dial-up Internet access and carrier pre-select services.

In spite of the growth, aggressive pricing and the migration of customers from higher margin dial-up Internet access to broadband (DSL) services continued to impact gross margin. As a result, gross profit before depreciation, impairment and amortisation fell £0.7 million to £48.6 million, reducing the corresponding profit margin from 30% to 28%.

Selling, distribution and administrative (S,D&A) costs before depreciation, impairment and amortisation less other operating income fell by £0.8 million to £30.5 million, down from 19% to 17% of revenue, reflecting improved business efficiency and ongoing productivity initiatives.

EBITDA improved slightly to £18.1 million compared to £18.0 million for the first half last year.

Depreciation, impairment and amortisation fell by £17.4 million compared with the same period last year, reflecting a reduction of £11.5 million in impairment charges from that made in the prior period and a reduction in underlying depreciation and amortisation from £29.5 million to £23.6 million following the full depreciation of assets with five year lives put in place during the network roll out in 2000. The depreciation, impairment and amortisation of £23.9 million was charged £17.8 million to cost of sales and £6.1 million to S,D&A.

Review of segmental results

THUS is reporting segmental turnover as usual as well as a segmental operating result for the first time. Within each segment, the principal costs comprise payments to other licensed operators for interconnect and use of their network to collect and deliver services to THUS customers, other directly variable costs, directly attributable S,D&A costs and depreciation on assets directly attributable to that segment.

Notwithstanding, as the majority of services are sold onto, provisioned and run from a unified network infrastructure, THUS maintains a large pool of central costs, comprising £45.4 million, that cannot be directly allocated to individual segments. These unallocated expenses comprise £20.2 million of depreciation, impairment and amortisation, £14.0 million of corporate overheads and £11.2 million of costs for network operations and maintenance.

Managed solutions

Managed solutions turnover grew 9% to £35.2 million, with operating profit up 46% to £4.6 million, representing an operating margin of 13%. Expansion was driven by growth in turnover from our £42 million, 6 year integrated IP solution contract with Glasgow City Council, the addition of RBS into the segment and growth in Internet, Ethernet and IP MPLS service adoption across individual customer accounts.

Data and telecoms

Data and telecoms turnover, excluding carrier pre-select services, grew 22% to £63.7 million, with strong growth from new customers and incremental sales from existing customers, particularly for carrier, Ethernet and IP MPLS services.

As expected, carrier pre-select sales continued to decline and fell 13% from £36.7 million in the first half last year to £32.0 million. This reflects a decline in one of THUS's major carrier pre-select accounts, offset to some extent by growth in carrier pre-select sales through other third party channel partners.

Total turnover in the Data and telecoms segment was £95.7 million, up 8% year on year, with a 5% increase in the segment result to £18.9 million delivering an operating margin of 20%.

Internet

UK broadband turnover grew 24% to £17.4 million, with Demon broadband customers now exceeding 100,000, up from 70,000 a year ago.

To aid retention and remain competitive for small and medium sized business customers, Demon repackaged its broadband services to offer greater speed and better value. THUS is also preparing to take part in BT's 8Mbit/s broadband trials.

Growth from UK broadband was offset by the continued decline in traditional dial up Internet access, where turnover fell by £4.3 million year on year, down 39% to £6.6 million. The decline in traditional narrowband Internet access, although a short term phenomenon, had a particularly acute impact on profit, reducing gross profit before depreciation, impairment and amortisation by some £3.4 million.

Total Internet turnover fell 3% to £43.6 million, with UK turnover down 5% to £33.4 million and the Netherlands stable at £10.2 million. The segmental operating profit fell 6% to £16.2 million, representing a margin of 37%.

Loss before tax and loss per share

After a net financing cost of £2.5 million, the Group net loss before tax and the gain on sale of discontinued businesses was £8.2 million, a 72% decrease compared with the same period last year (H1 05 £29.0 million).

Capital expenditure

Total capital expenditure was £15.5 million (H1 05 £17.3 million), representing 9% of sales in continuing operations compared with 10% in the first half last year. Approximately 85% of capital expenditure was tied to turnover growth, including supporting direct customer connections and network and product enhancements to underpin future growth.

Continuing operations EBITDA less capital expenditure was positive at £2.6 million compared with £0.8 million in the first half last year.

Cash flows

THUS has now reported its fourth consecutive half year of positive free cash flow(1).

Cash inflow before changes in working capital was £19.4 million compared with £18.3 million for the first half last year, with net cash from operating activities of £19.3 million compared with £21.3 million. The reduction, from last year, in net cash from operating activities reflects a £2.9 million reduction in the contribution from working capital movements, principally as a result of a decrease in both receivables and payables and a small tax payment of £0.2 million for overseas tax due for the Netherlands operations.

Cash inflow after capital expenditure and net interest was £0.7 million compared with an equivalent figure of £0.9 million for the first half of last year and £3.7 million for the year as a whole. THUS has now reported positive free cash flow(1) for the last four consecutive half year periods.

A further £5.7 million was repaid on the Group's £57 million loan facility.

Net debt

At 30 September 2005, net debt stood at £30.1 million compared with £31.0 million at the year end. Gearing, based on net debt, was 9%.

Loan facility

The Group's £57 million loan facility converted to an amortising term loan on 1 April 2004 and as at 30 September 2005, THUS had repaid £7.1 million. Since the original facility was put in place, THUS has progressed through EBITDA positive to a sustainable free cash flow positive position. As a result, on 15 November 2005, THUS replaced the loan with a new £55 million facility repayable between December 2006 and June 2010 at improved terms and conditions.

Outlook

The UK telecommunication market is undergoing a fundamental change from investment in new networks and service capability, and industry consolidation. We believe these changes will benefit the industry and our customers in the long term. However, in the short term, we expect aggressive pricing to continue throughout this year.

In addition to organic growth, we confirm our intent to explore and capitalise on opportunities from industry consolidation, but only if these opportunities create value for our shareholders and accelerate our business plan to generate a return on capital employed.

While we believe market conditions will remain challenging, we expect to continue to grow and to generate positive free cash flow for the second half and the full year.

1 Operating cash flow after capital expenditure and net interest

THUS Group plc

Unaudited Consolidated Income Statement

for the six months ended 30 September 2005

	Notes	Continuing operations £'000	Discontinued operations £'000	Total £'000
			First half 2005-06	
Revenue	2	174,510	2,294	176,804
Cost of sales		(143,665)	(2,321)	(145,986)
Gross profit / (loss)		30,845	(27)	30,818
Selling and distribution expenses		(9,800)	(9)	(9,809)
Administrative expenses		(27,643)	(253)	(27,896)
Other operating income		820	400	1,220
Operating (loss) / profit before financing costs	2	(5,778)	111	(5,667)
Financial income		2,062	-	2,062
Financial expenses		(4,597)	-	(4,597)
Net financing costs		(2,535)	-	(2,535)
(Loss) / profit before tax and gain on sale of discontinued operations		(8,313)	111	(8,202)
Income tax expense	5	(351)	-	(351)
(Loss) / profit after tax but before gain on sale of discontinued operations		(8,664)	111	(8,553)

	Notes			
Gain on sale of discontinued operations, net of tax		-	200	200
(Loss) / profit for the period attributable to equity shareholders		(8,664)	311	(8,353)
Basic and diluted (loss) / earnings per ordinary share (pence)	6	(0.65)	0.02	(0.63)

There were no acquisitions in the period.

The comparative periods are shown on pages 7 and 8.

The Notes on pages 12 to 17 form part of these Interim Financial Statements.

THUS Group plc

Unaudited Consolidated Income Statement

for the six months ended 30 September 2004

		First half 2004-05		
		Continuing operations	Discontinued operations	Total
	Notes	£'000	£'000	£'000

Revenue	2	166,140	11,410	177,550
Cost of sales		(151,170)	(8,723)	(159,893)
Gross profit		14,970	2,687	17,657
Selling and distribution expenses		(10,848)	(775)	(11,623)
Administrative expenses		(27,864)	(5,870)	(33,734)
Other operating income		453	-	453
Operating loss before financing costs	2	(23,289)	(3,958)	(27,247)
Financial income		2,068	-	2,068
Financial expenses		(3,868)	-	(3,868)
Net financing costs		(1,800)	-	(1,800)
Loss before tax and gain on sale of discontinued operations		(25,089)	(3,958)	(29,047)
Income tax expense	5	(425)	-	(425)
Loss after tax but before gain on sale of discontinued operations		(25,514)	(3,958)	(29,472)
Gain on sale of discontinued operations, net of tax		-	75	75
Loss for the period				

attributable to equity shareholders		(25,514)	(3,883)	(29,397)
Basic and diluted loss per ordinary share (pence)	6	(1.92)	(0.29)	(2.21)

There were no acquisitions in the period.

The comparative periods are shown on pages 6 and 8.

The Notes on pages 12 to 17 form part of these Interim Financial Statements.

THUS Group plc

Unaudited Consolidated Income Statement

for the year ended 31 March 2005

		Full year 2004-05		
	Notes	Continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue	2	340,605	19,411	360,016
Cost of sales		(296,248)	(16,650)	(312,898)
Gross profit		44,357	2,761	47,118
Selling and distribution		(22,217)	(803)	(23,020)

expenses				
Administrative expenses		(57,240)	(5,957)	(63,197)
Other operating income		1,415	-	1,415
Operating loss before financing costs	2	(33,685)	(3,999)	(37,684)
Financial income		3,979	-	3,979
Financial expenses		(8,396)	-	(8,396)
Net financing costs		(4,417)	-	(4,417)
Loss before tax and loss on sale of discontinued operations		(38,102)	(3,999)	(42,101)
Income tax expense	5	(741)	-	(741)
Loss after tax but before loss on sale of discontinued operations		(38,843)	(3,999)	(42,842)
Loss on sale of discontinued operations, net of tax		-	(314)	(314)
Loss for the period attributable to equity shareholders		(38,843)	(4,313)	(43,156)
Basic and diluted loss per ordinary share (pence)	6	(2.92)	(0.32)	(3.24)

There were no acquisitions in the period.

The comparative periods are shown on pages 6 and 7.

The Notes on pages 12 to 17 form part of these Interim Financial Statements.

THUS Group plc

Unaudited Consolidated Statement of Changes in Equity

for the six months ended 30 September 2005

	First half 2005-06 £'000	First half 2004-05 £'000	Full year 2004-05 £'000
Opening shareholders' funds	332,787	376,402	376,402
Foreign exchange translation differences	(23)	22	36
Actuarial losses on defined benefit pension plan	-	(675)	(1,351)
Loss for the period	(8,353)	(29,397)	(43,156)
Movement relating to share-based payments and ESOP trusts	593	420	856
Closing shareholders' funds	325,004	346,772	332,787

The Notes on pages 12 to 17 form part of these Interim Financial Statements.

THUS Group plc

Unaudited Consolidated Balance Sheet

as at 30 September 2005

	Notes	30 September 2005 £'000	30 September 2004 £'000	31 March 2005 £'000
Assets				
Non-current assets				
Property, plant and equipment	7	358,913	383,573	370,868
Intangible assets	8	5,846	2,161	2,302
Total non-current assets		364,759	385,734	373,170
Current assets				
Inventories		3,315	3,183	3,101
Trade and other receivables	9	65,117	87,248	76,836
Cash and cash at bank		23,688	27,739	28,548
Total current assets		92,120	118,170	108,485
Total assets		456,879	503,904	481,655

Liabilities				
Current liabilities				
Bank overdraft		-	-	(8)
Interest-bearing loans and borrowings		(15,823)	(7,260)	(11,541)
Trade and other payables		(72,857)	(92,458)	(85,085)
Current tax liabilities		(712)	(1,249)	(563)
Provisions		(75)	(349)	(172)
Total current liabilities		(89,467)	(101,316)	(97,369)
Non-current liabilities				
Interest-bearing loans and borrowings		(36,430)	(51,249)	(45,980)
Retirement benefit obligations	12 (b)	(5,368)	(3,871)	(4,896)
Provisions		(610)	(696)	(623)
Total non-current liabilities		(42,408)	(55,816)	(51,499)
Total liabilities		(131,875)	(157,132)	(148,868)
Net assets		325,004	346,772	332,787
Equity				
Issued capital		33,715	33,715	33,715
Merger reserve		566,560	566,560	566,560
Capital redemption reserve		23,248	23,248	23,248

Other reserves		13	22	36
Cumulative loss reserve		(298,532)	(276,773)	(290,772)
Total equity attributable to shareholders		325,004	346,772	332,787

The Notes on pages 12 to 17 form part of these Interim Financial Statements.

Approved by the Board on 18 November 2005 and signed on its behalf by

William Allan John Maguire
Chief Executive Chief Financial Officer

THUS Group plc

Unaudited Consolidated Statement of Cash Flows

for the six months ended 30 September 2005

		First half 2005-06 £'000	First half 2004-05 £'000	Full year 2004-05 £'000
Cash flows from operating activities				
Loss after tax and gain / (loss) on sale of				

discontinued operations	(8,353)	(29,397)	(43,156)
Adjustments for:			
Depreciation	23,502	44,151	74,631
Amortisation	378	382	811
Interest receivable	(2,062)	(2,068)	(3,979)
Interest payable	4,597	3,868	8,396
Movement relative to defined benefit pension scheme	701	572	1,143
Share-based payment expenses	482	416	830
Taxation	351	425	741
(Gain) / loss on sale of discontinued operations	(200)	(75)	314
Cash inflow before changes in working capital	19,396	18,274	39,731
Decrease in trade and other receivables	8,591	9,680	19,989
(Increase) / decrease in inventories	(214)	(58)	24
Decrease in trade and other payables	(8,269)	(6,553)	(13,873)
Decrease in provisions	(10)	(44)	(194)
Cash generated from operations	19,494	21,299	45,677
Income tax paid	(202)	-	(1,002)
Net cash from operating activities	19,292	21,299	44,675

Cash flows from investing

activities				
Proceeds from the sale of discontinued businesses		90	598	(11)
Funds on deposit		-	-	(400)
Interest received		389	812	1,312
Acquisition of property, plant and equipment		(15,323)	(19,374)	(36,977)
Acquisition of intangible assets		(780)	-	(570)
Net cash used in investing activities		(15,624)	(17,964)	(36,646)
Cash flows from financing activities				
Receipts from exercise of share options		111	4	26
Repayments of borrowings		(5,700)	-	(1,425)
Payment of finance lease liabilities		(70)	(155)	(220)
Interest paid		(2,861)	(1,866)	(4,691)
Net cash used in financing activities		(8,520)	(2,017)	(6,310)
Net (decrease) / increase in cash and cash equivalents		(4,852)	1,318	1,719
Cash and cash equivalents at start of period		28,140	26,421	26,421
Cash and cash equivalents at end of period		23,288	27,739	28,140

The Notes on pages 12 to 17 form part of these Interim Financial Statements.

THUS Group plc

Notes to the Unaudited Consolidated Financial Statements

for the six months ended 30 September 2005

1 Significant accounting policies

THUS Group plc ('the Company') is a company domiciled in the United Kingdom. The consolidated Interim Financial Statements of the Company for the six months ended 30 September 2005 comprise the interim financial statements of the Company and its subsidiaries (together referred to as the 'Group').

The consolidated Interim Financial Statements were authorised for issuance by the Directors on 18 November 2005.

(a) Statement of compliance

In accordance with EU law, the next consolidated annual financial statements of the Group, for the year ending 31 March 2006, will be prepared in accordance with International Financial Reporting Standards ('IFRS'). As such, the Interim Financial Statements have been prepared in accordance with IFRS as adopted by the EU and those expected to be adopted by the EU by 31 March 2006. These are the Group's first IFRS Interim Financial Statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been applied, subject to the exemptions contained in IFRS 1 that the Group has elected to use. The Interim Financial Statements do not include all of the information required for full annual financial statements.

(b) Status of financial information

The comparative figures for the year ended 31 March 2005 are not the Company's statutory Financial Statements for that financial year. Those statutory Financial Statements, which were prepared under UK Generally Accepted Accounting Principles ('UK GAAP'), have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under either Section 237(2) or Section 237(3) of the Companies Act 1985.

The financial statements for the year ended 31 March 2005 have been extracted from a restatement of the financial information taken from the Company's financial statements accounts for that financial year.

The Interim Financial Statements are unaudited but have been formally reviewed by the auditors and their report to the Company is set out on page 18.

(c) Transition to IFRS

The date of transition to IFRS was 1 April 2004, which is the beginning of the comparative periods for the six months ended 30 September 2004 and the year ended 31 March 2005. As required by IFRS 1 'First-time Adoption of International Financial Reporting Standards', an explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group has been published to the London Stock Exchange and is available on our website at

www.thus.net

. This

includes reconciliations of equity, profit or loss and cash flows for comparative periods reported under UK GAAP to those reported for those periods under IFRS.

(d) Basis of preparation

The Interim Financial Statements are prepared on the historical cost basis and are presented in pounds sterling rounded to the nearest thousand.

The preparation of the Interim Financial Statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that either are adopted by the EU and effective (or available for early adoption) at 30 September 2005 or are expected to be adopted and effective (or available for early adoption) at 31 March 2006, the Group's first annual reporting date at which it is required to use accounting standards adopted by the EU. Based on these recognition and measurement requirements the Directors have made assumptions about the accounting policies expected to be applied when the first annual financial statements are prepared in accordance with accounting standards adopted by the EU for the year ending 31 March 2006. In particular, the Directors have assumed that IAS 19 'Employee Benefits' (as amended in December 2004) issued by the International Accounting Standards Board will be adopted by the EU such that it will be available for use in the annual IFRS financial statements for the year ending 31 March 2006.

Notes to the Unaudited Consolidated Financial Statements

for the six months ended 30 September 2005

1 Significant accounting policies continued

(d) Basis of preparation continued

In addition, the accounting standards adopted by the EU that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 March 2006 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally, only when the annual financial statements are prepared for the year ending 31 March 2006.

(e) Accounting policies

The accounting policies that the Group intends to apply for the year ending 31 March 2006 are set out in the document referred to in Note 1 (c) above. The accounting policies have been applied consistently to all periods presented in these Interim Financial Statements, subject to the exemptions contained in IFRS 1 that the Group has elected to use.

2 Segmental reporting

Segment information is presented in the consolidated Interim Financial Statements in respect of the Group's business segments. The business segment reporting format reflects the Group's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, and includes depreciation charges on assets directly attributable to a segment.

Business segments
The Group's main business segments are:
Managed solutions - the provision of voice, telephony, data and internet services as part of a bespoke contractual arrangement
Data and telecoms - the provision of voice telephony services and data supply products
Internet - the provision of services using internet based products

Unallocated expenses comprise overheads that cannot be directly allocated to individual segments and depreciation and amortisation charges on assets not directly attributable to the business segments.

	First half 2005-06 £'000	First half 2004-05 £'000	Full year 2004-05 £'000
Segment revenue			
Managed solutions	35,212	32,226	69,784
Data and telecoms	95,734	88,783	177,691
Internet	43,564	45,131	93,130
Contact centre and interactive (discontinued)	2,294	11,410	19,411
Consolidated segment			

revenue	176,804	177,550	360,016
Segment results			
Managed solutions	4,573	3,126	5,532
Data and telecoms	18,889	18,046	37,594
Internet	16,183	17,156	34,714
Contact centre and interactive (discontinued)	111	(3,958)	(3,999)
Consolidated segment result	39,756	34,370	73,841
Unallocated expenses	(45,423)	(61,617)	(111,525)
Operating loss before financing costs	(5,667)	(27,247)	(37,684)
Net financing costs	(2,535)	(1,800)	(4,417)
Income tax expense	(351)	(425)	(741)
Gain / (loss) on sale of discontinued operations, net of tax	200	75	(314)
Loss for the			

period	(8,353)	(29,397)	(43,156)

THUS Group plc

Notes to the Unaudited Consolidated Financial Statements

for the six months ended 30 September 2005

3 Impairment

	First half 2005-06 £'000	First half 2004-05 £'000	Full year 2004-05 £'000
Impairment of fixed assets	291	14,616	18,446

Included within the impairment charges for the first half 2004-05 and full year 2004-05 was a £8,126,000 impairment charge for trans-Atlantic capacity purchased in 1998 to 2000 within the 'Gemini cable'. The supplier of the capacity entered bankruptcy preventing any use of this capacity. This charge was included in cost of sales for continuing operations.

4 Pro-forma information - Earnings before interest, tax, depreciation, impairment and amortisation (EBITDA)

	First half 2005-06	First half 2004-05	Full year 2004-05

	£'000	£'000	£'000
Operating loss before financing costs	(5,667)	(27,247)	(37,684)
Depreciation charge for the period	23,502	44,151	74,631
Amortisation charge for the period	378	382	811
EBITDA	18,213	17,286	37,758
Continuing operations	18,102	18,047	38,561
Discontinued operations	111	(761)	(803)
EBITDA	18,213	17,286	37,758

The inclusion of the pro-forma measure of earnings before interest, tax, depreciation, impairment and amortisation (EBITDA) in the Interim Financial Statements has been provided as the Directors consider this measure is relevant as it is the basis of some of the financial covenants relating to the term loan.

5 Income tax

Tax on the loss for the period:	First half 2005-06 £'000	First half 2004-05 £'000	Full year 2004-05 £'000
Overseas tax	351	425	741

No UK tax charge is required for the period due to the availability of tax losses.

The current overseas tax expense for the six months ended 30 September 2005 was calculated at the estimated annual effective tax rate of 30.5%, representing the estimated annual effective tax rate for the full financial year applicable to overseas operations.

THUS Group plc

Notes to the Unaudited Consolidated Financial Statements

for the six months ended 30 September 2005

6 Loss per share

The loss and diluted loss per ordinary share have been calculated in accordance with IAS 33 'Earnings per Share' for all periods. The loss for the period, divided by the weighted average number of ordinary shares in issue during the period, has been used t calculate both the loss and diluted loss per ordinary share. The detailed calculations are as follows:

Loss	First half 2005-06 £'000	First half 2004-05 £'000	Full year 2004-05 £'000
Loss for the period from continuing operations	(8,664)	(25,514)	(38,843)
Profit / (loss) for the period from discontinued operations	311	(3,883)	(4,313)
Total loss for the period -	(8,353)	(29,397)	(43,156)

attributable to equity shareholders

Number of shares (in thousands of shares)	First half 2005-06	First half 2004-05	Full year 2004-05
Issued ordinary shares at start of period	1,348,613	1,348,613	1,348,613
Effect of own shares held	(16,531)	(17,586)	(17,420)
Basic weighted average number of shares at end of period	1,332,082	1,331,027	1,331,193
Effect of dilutive potential ordinary shares - share options	-	-	-
Diluted weighted average number of shares at end of period	1,332,082	1,331,027	1,331,193

7 Property, plant and equipment

	First half 2005-06 £'000	First half 2004-05 £'000	Full year 2004-05 £'000
Assets acquired during the period	11,547	17,335	35,110
Capital commitments at the period end	4,469	12,000	6,096

THUS Group plc

Notes to the Unaudited Consolidated Financial Statements

for the six months ended 30 September 2005

8 Intangible assets

	First half 2005-06 £'000	First half 2004-05 £'000	Full year 2004-05 £'000
Assets acquired during the period	3,922	-	570

9 Trade and other receivables

	First half 2005-06 £'000	First half 2004-05 £'000	Full year 2004-05 £'000
Total amounts falling due within one year	63,417	84,491	74,436
Total amounts falling due after more than one year	1,700	2,757	2,400
	65,117	87,248	76,836

10 Interest-bearing loans and borrowings

The following borrowings have been repaid during the periods presented:

	First half 2005-06 £'000	First half 2004-05 £'000	Full year 2004-05 £'000
Bank overdrafts	8	-	-
Finance leases	70	155	220
Term loan	5,700	-	1,425
Total repayments made	5,778	155	1,645

The finance lease and term loan repayments have been made in line with the relevant repayment schedules.

11 Movement in net debt

	First half 2005-06 £'000	First half 2004-05 £'000	Full year 2004-05 £'000
Net movement in cash and cash equivalents	(4,852)	1,318	1,719
Repayment of borrowings (excluding overdrafts)	5,770	155	1,645
Movement of funds on deposit	-	-	400
Other non-cash movements	-	600	600

Movement in period	918	2,073	4,364
Net debt at beginning of period	(30,990)	(35,354)	(35,354)
Net debt at end of period	(30,072)	(33,281)	(30,990)

THUS Group plc

Notes to the Unaudited Consolidated Financial Statements

for the six months ended 30 September 2005

12 Employee benefits

(a) Share based payments

Analysis of share options granted during the six months ended 30 September 2005:

	Employees entitled	Grant date	Number of shares (000's)	Vesting conditions	Contrac lif opt
THUS Group plc Sharesave Scheme	All employees	27 June 05	6,729	None	3

These share options will be satisfied by shares.

(b) Retirement benefit obligations

The Group operates two pension schemes, details of which are disclosed in the 31 Marc
Annual Accounts. Details of the movement in the defined benefit pension scheme defici
analysed below:

	First half 2005-06 £'000	First half 2004-05 £'000	200 £
Deficit in the Scheme at the start of the period	(4,896)	(2,847)	(2
Contributions paid	1,388	1,387	2
Current service cost	(2,089)	(1,959)	(3
Other finance income	229	223	
Actuarial loss	-	(675)	(1
Deficit in the Scheme at the end of the period	(5,368)	(3,871)	(4

13 Contingencies

There have been no material changes to the Group's contingent liabilities disclosed i
Annual Report and Accounts for the year ended 31 March 2005.

14 Subsequent event

On 31 October 2005, THUS successfully completed the refinancing of its existing term
with a new £55 million facility with improved terms and conditions.
Under the terms of the new facility the first repayment falls due in December 2006 wi
subsequent repayments increasing over time to June 2010.

Independent review report to THUS Group plc

Introduction

We have been engaged by the Company to review the financial information set out on pages 6 to 17 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.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

As disclosed in Note 1 to the financial information, the next annual financial statements of the Group will be prepared in accordance with IFRSs adopted for use in the European Union.

The accounting policies that have been adopted in preparing the financial information are consistent with those that the Directors currently intend to use in the next annual financial statements. There is, however, a possibility that the Directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because, as disclosed in Note 1, the Directors have anticipated that certain standards, which have yet to be formally adopted for use in the EU, will be so adopted in time to be applicable to the next annual financial statements.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. 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 September 2005.

KPMG Audit Plc
Chartered Accountants 8 Salisbury Square
18 November 2005 London
EC4Y 8BB