



Daisy Group plc

Interim results for the nine month period ended 30 September 2009

Integration of acquisitions progressing to plan and focus on organic and acquisitive growth

Daisy Group plc ("Daisy" or the "Group", LSE: DAY.L), the complete provider of telecommunication services in the UK, announces its interim results for the nine month period ended 30 September 2009.

FINANCIAL HIGHLIGHTS

- For the nine month period ended 30 September 2009:
 - Revenues from continuing operations of £30.9m
 - EBITDA from continuing operations of £1.4m
 - Loss before tax from continuing operations of £2.1m

- Cash of £22.5m as at 30 September 2009

Revenues from continuing operations commenced on 21 July 2009 and are in respect of trade from the various acquisitions listed in the business highlights section below.

BUSINESS HIGHLIGHTS

- Transformation of the business:
 - Reverse takeover (under AIM rules) of Freedom4 Group plc on 21 July comprising:
 - Acquisition of Daisy Communications for £85.6m
 - Acquisition of Vialtus for £44.0m
 - Raising of £83.0m (before expenses) under a share placing
 - Acquisitions of Redstone plc's telecommunications division, the trade and assets of each of Eurotel and AT Communications, for a combined £36.0m
- Integration of the acquired businesses on target to be completed pre-financial period end
- Approximately 65,000 SME and mid-market customers
- Comprehensive product set
- Firm foundations created for future growth

Matthew Riley, CEO of Daisy, commented:

"The strategy of consolidating the currently fragmented UK SME and mid-market telecoms sector remains the right one for Daisy. Whilst the integration of the acquired businesses remains our immediate focus, we are continuing to assess further opportunities to grow market share through acquisition. With the integrations going to plan, the systems and processes now in place provide a solid foundation for the future acquisitive growth."

"The Board is happy with current expectations for the 15 month period ended 31 March 2010 and the current run rate is in line with this. Furthermore, we are comfortable with market expectations for the year ended 31 March 2011 which show revenues of £225m and EBITDA of £37m."

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About Daisy Group plc

Daisy is a leading provider of integrated voice and data services to the small-medium business market.

Daisy provides a combined product set including access, hosting, voice, managed services and mobile telephony. Offering business-quality communications with unrivalled and award winning customer care, the Company operates from its business centres in London and Lancashire.

Daisy has recently acquired and now includes Daisy Communications, Vialtus Solutions and Redstone Telecom as well as the trading assets of AT Communications and Eurotel.

If you would like to find out more about Daisy's products, services and offers, please visit www.daisyplc.com

CHAIRMAN'S STATEMENT

OVERVIEW

From 1 January 2009 to 21 July 2009 the Group continued to develop its wireless broadband strategy.

The Group changed its name from Freedom4 Group plc to Daisy Group plc on 20 July 2009, following which, on 21 July 2009 the Group completed the acquisition of the entire issued share capital of Daisy Communications Limited ("Daisy Communications") and Vialtus Solutions Limited ("Vialtus") together with a share placing which raised £83.0 million before expenses. Subsequent to this the Group has seen further growth through acquisition.

The trading results of the Group for the nine month period ended 30 September 2009, comprising the costs of running the plc since the start of the period together with the trading results of the current year acquisitions from their various purchase dates, have been included within continuing operations. The Group has decided to divest from its wireless businesses and they have been included within discontinued operations.

STRATEGIC TRANSACTIONS

The Group commenced the year focussed on the development of its wireless broadband proposition. Alongside this, the Board carried out a detailed review of the UK business telecommunications market. It considered that the fragmented nature of the UK SME and mid-market telecommunications sector, and the current depressed valuations of some operators, represented significant consolidation opportunities.

The Board believed that the substantial cash reserves and short term receivables of the Group (then Freedom4 Group plc) left it well positioned to undertake a consolidation strategy in the business telecommunications services market.

The Board identified Daisy Communications and Vialtus as acquisition targets that would provide the platform for potential further growth due to their combination of consolidation and integration expertise, critical mass, customer scale, broad product offering and strong operational capability.

Acquisition of Daisy Communications and Vialtus

On 1 July 2009, the Group announced that it had conditionally agreed to acquire Daisy Communications, the SME value added reseller, and Vialtus, the mid-market managed solutions provider, in conjunction with a proposed share placing to raise up to £83.0 million before expenses. The transactions were completed on 21 July 2009.

At the same time, the Group also undertook a share consolidation on the basis of 1 consolidated ordinary share of 2 pence each for every 20 unconsolidated ordinary shares of 0.1 pence each.

The entire issued share capital of Daisy Communications was acquired for £30 million in cash and the issue of 63,750,000 fully paid consolidated ordinary shares in the Group.

The entire issued share capital of Vialtus was acquired for £13 million in cash and the issue of 36,250,000 fully paid consolidated ordinary shares in the Group.

CHAIRMAN'S STATEMENT (continued)

To provide funding for the Daisy Communications and Vialtus acquisitions and for possible future acquisitions, the Group raised £83 million (before expenses of £4.5m) through the issue via a placing of 103,750,000 consolidated ordinary shares at a placing price of 80 pence each.

The 103,750,000 consolidated ordinary shares issued pursuant to the placing and the 100,000,000 consolidated ordinary shares issued pursuant to the acquisitions, represented 40.6 per cent and 39.1 per cent respectively of the enlarged share capital of the Group immediately following these transactions.

In conjunction with these transactions, the name of the Group was changed from Freedom4 Group plc to Daisy Group plc and the financial reporting year end was changed from 31 December to 31 March. Accordingly, the interim reporting date was changed to 30 September.

Acquisition of AT Communications Assets and Eurotel Assets

On 3 August 2009 the Group acquired the trading assets of AT Communications Group plc ("AT Communications"). On the same day it acquired the trading assets of the Eurotel business ("Eurotel") from Belle Holdco Limited. Both businesses were acquired out of administration.

AT Communications was a Harlow based information and communications technology company focused on the delivery of converged solutions that consist of IP and traditional telephony services to small, medium and large enterprises. AT Communications has two principal revenue streams:

- fixed line network services
- maintenance, engineering and system installations

The consideration for the acquisition of AT Communications was satisfied through the payment of £7 million in cash and the issue of 1,169,591 warrants, each exercisable into one ordinary share in the Group at a price of 85.5 pence each.

Eurotel was a Halifax based telecoms services and equipment supplier. Eurotel has three principal revenue streams:

- fixed line network services
- maintenance, engineering and system installations
- mobile services

The consideration for the acquisition of Eurotel was satisfied through the payment of £13.5 million in cash and the issue of 584,795 warrants, each exercisable into one ordinary share in the Group at a price of 85.5 pence each.

Acquisition of the Telecommunications Division of Redstone plc

On 14 August 2009, the Group entered into an agreement to acquire the telecommunications division of Redstone plc ("Redstone"). The division included the assets of Redstone plc's fixed line and mobile network business and the shares of its indirectly wholly owned subsidiaries Symphony Telecom Limited (which has interests in a number of businesses in fixed line and mobile network services provision) and Anglia Telecom Centres Limited (which operated its mobile distribution business).

CHAIRMAN'S STATEMENT (continued)

The acquisition completed on 28 August 2009 and the consideration was settled through the payment of £17.0 million in cash.

BOARD CHANGES

The current interim period has seen a number of changes to the Board. Matthew Riley was appointed Chief Executive Officer on 21 July 2009. Ian McKenzie and Laurence Blackall joined the Board as Non Executive Directors on the same date. Ian Butcher was appointed as a Non Executive Director on 3 August 2009.

On 31 August 2009, following nine years with the Group, Stewart Porter stepped down from his role as Chief Financial Officer and Company Secretary. Stewart was replaced by Anthony Riley, former Chief Financial Officer of Daisy Communications.

On 27 October 2009, David McGlennon was appointed as General Counsel and took on the responsibility of Company Secretary.

On 7 December 2009, Mike Read, Chief Executive Officer of Freedom4 Group plc prior to the reverse acquisition and a member of the main Board since 2003, stepped down from his position following nine years with the Group.

I would like to take this opportunity to thank Stewart and Mike for all their work on behalf of the shareholders and Board.

OPERATIONAL REVIEW

Following the acquisitions of Daisy Communications and Vialtus and the subsequent acquisitions of Eurotel, AT Communications and Redstone, the Group now provides its customers with a product set which includes network services, system services (maintenance, engineering and system installations), mobile services and managed solutions (data hosting).

The strategy of the Group is to create, through a combination of acquisitions and organic growth, one of the largest UK providers of telecommunications services and solutions to the SME and mid-market sectors. The ultimate aim is to provide a comprehensive portfolio of products from a single operating platform and on a single bill.

Since 28 August, the Directors have been focussed on the integration of the acquired businesses and the following key deliverables are currently being progressed:

- Network services trade is intended to be managed wholly from the Group's head office in Nelson by the end of March 2010. It is planned that all current trade will be transferred onto the Daisy billing and CRM platforms by this date and these will be the chosen platforms for all new network services business.
- System services trade is intended to be consolidated within one trading division before the end of the current financial period. This will facilitate the rationalisation of the engineer base and provide the Group with an integrated service delivery capability across the wide spectrum of telecommunications systems.

CHAIRMAN'S STATEMENT (continued)

- Mobile network activity is intended to be consolidated and managed within one trading division and from one CRM system and billing platform by the end of the current financial period. Medium term plans are being developed to manage this business on the Daisy billing and CRM platforms.
- The main operating locations of Redstone and Eurotel will be closed before the end of the financial period and their activities transferred to the Group's offices at Nelson, Heathrow or Harlow.

As a result of the above, the number of employees within the Group is expected to reduce from a peak of 1,150 at the end of August 2009 to approximately 850 by the end of March 2010.

As a consequence of the refocus of the Group, the Board does not consider that Freedom4 Limited and Freedom4 Wifi Limited form part of the ongoing Group strategy. The Board has decided to divest from its wireless businesses and is considering its options in relation to these. Accordingly these businesses have been included within discontinued operations.

Freedom4 Limited owns the largest UK WiMAX broadband wireless spectrum licence consisting of two blocks of 84MHz in the frequency band 3.6 – 4.2GHz. In the last twelve months the management of Freedom4 Limited has successfully developed the technical capability to deliver mobile WiMAX and on 6 October 2009 was granted a licence variation by Ofcom that enables it to offer mobile WiMAX services to its customers.

Freedom4 Wifi Limited provides its customers with a plug in dongle which utilises combined 3G and Wifi software to select the highest quality connectivity at any given location nationwide to provide users with a flexible wireless service. Whilst early interest in this service from a number of corporate businesses and ISPs has been encouraging, the Board believes that the Group's resource could be better directed to delivery of its core strategy.

FINANCIAL OVERVIEW

Continuing operations

The trading results of the Group for the nine month period ended 30 September 2009, comprising the costs of running the plc since the start of the period together with the trading results of the current year acquisitions from their various purchase dates, have been included within continuing operations.

All of the continuing revenue recognised in the current period occurred between 21 July 2009 and 30 September 2009. The revenue and earnings before amortisation of intangibles, depreciation, impairment, net exceptional operating income and share based payments costs (EBITDA) for continuing operations were £30.9 million and £1.4 million respectively (6 month period to June 2008: £nil million and £(1.5) million respectively). Continuing activity for the comparative period, the six months ended 30 June 2008, comprised the costs of running the plc only. The operating loss from continuing operations was £(3.9) million compared to £(3.1) million for the six months to 30 June 2008.

CHAIRMAN'S STATEMENT (continued)

Amortisation of intangibles in the period was £5.2 million (6 month period to June 2008: £nil million) and relates primarily to the customer lists acquired from Daisy Communications, Vialtus, AT Communications, Eurotel and Redstone. These customer lists have been valued on the basis of expected future discounted cash flows and are generally being written down over periods from 3 to 7 years.

Depreciation for the period totalled £0.7 million (6 month period to June 2008: £nil million) and consists largely of depreciation charges relating to assets acquired as part of the Vialtus and Daisy Communications acquisitions.

Net exceptional operating income amounted to £0.6 million (6 month period to June 2008: £nil million) and comprised restructuring costs of £(4.9) million and negative goodwill of £5.5 million. The restructuring costs and negative goodwill principally relate to businesses purchased out of administration. Additional restructuring is expected to be completed by 31 March 2010.

Net finance income was £1.8 million (6 month period to June 2008: £1.8 million). The majority of this was received in relation to the £17.5 million loan note arising on the sale of the Group's hosting and network division in 2008. The loan note was repaid in full before the end of September 2009.

The loss before tax for the period was £(2.1) million (6 month period to 30 June 2008: £(1.3) million).

Discontinued operations

Discontinued operations comprise Freedom4 Wifi Limited (the Wifi business) and Freedom4 Limited (the WiMAX business), the joint venture with Intel Capital. Given the new focus of the Group, these operations are no longer core and the Board is considering its strategic options.

The Wifi business contributed a loss after tax of £(0.2) million in the period (6 month period to June 2008: £(0.1) million). The Group's share of the loss of the WiMAX joint venture was £(2.4) million (6 month period to June 2008: £(5.5) million).

Balance sheet

Net assets for the Group at 30 September 2009 were £189.8 million, compared to £31.1 million at 30 June 2008, reflecting the injection of equity funding and the subsequent acquisitions during the period.

Intangible assets acquired stand at £154.7 million (30 June 2008: £0.1 million) and consist predominantly of acquired customer lists. Goodwill totals £50.2 million (30 June 2008: £nil million). The deferred tax asset of £12.6 million (30 June 2008: £nil million) primarily relates to tax losses and fixed asset timing differences in respect of Vialtus, which are expected to be utilised against future profits.

Trade and other receivables were £39.6 million (30 June 2008: £29.3 million) and comprised trade receivables of £18.6 million (30 June 2008: £nil million) and prepayments and other receivables of £21.0 million (30 June 2008: £29.3 million). Cash in the balance sheet at the period end was £22.5 million (30 June 2008: £4.3 million).

CHAIRMAN'S STATEMENT (continued)

Disposal groups classified as held for sale of £4.0 million (30 June 2008: £nil million) represent the carrying value of the Group's interest in the WiMAX and Wifi businesses.

Trade and other payables totalled £54.5 million (30 June 2008: £7.5 million) and consisted of trade creditors of £19.1 million (30 June 2008: £4.0 million), accruals and deferred income of £21.3 million (30 June 2008: £nil million) and other creditors of £14.1 million (30 June 2008: £3.5 million). Total borrowings were £13.1 million (30 June 2008: £nil million), primarily relating to bank debt, £5.0 million of which is repayable within the next twelve months. Overall net cash is £9.4 million (30 June 2008: £4.3 million).

Provisions of £2.6 million (30 June 2008: £0.5 million) relate to onerous lease provisions within the Vialtus business, whilst the substantial deferred tax liability of £30.9 million (30 June 2008: £0.5 million) has largely been created by the IFRS acquisition treatment of the customer base valuations. This element of the liability will unwind over the coming periods as the customer base intangible assets are amortised.

OUTLOOK

The Board is committed to continuing its strategy of consolidating the currently fragmented UK SME and mid-market telecommunications sector. Whilst the immediate focus is the continued integration of the acquired businesses, which is progressing to plan, it continues to assess further opportunities to grow market share by acquisition.

The Board is satisfied that the systems and processes put in place for integration will allow the Group to continue to pursue its acquisition strategy with confidence.

Finally, I would like to express my gratitude on behalf of the Board, to the Group's employees who have shown exemplary commitment in their support of the Group's strategy in this interim period.

PETER DUBENS
Executive Chairman

7 December 2009

CONSOLIDATED INCOME STATEMENT

for the nine month period ended 30 September 2009

	Note	Nine month period ended 30 September 2009 £'000	Restated Six month period ended 30 June 2008 £'000	Restated Year ended 31 December 2008 £'000
CONTINUING OPERATIONS :				
Revenue	2	30,885	-	-
Cost of sales		(19,333)	-	-
Gross profit		11,552	-	-
Operating costs		(15,460)	(3,090)	(5,019)
Operating loss		(3,908)	(3,090)	(5,019)
Operating profit / (loss) before amortisation of intangibles, depreciation, impairments, net exceptional operating income and share based payment costs				
		1,406	(1,508)	(3,438)
Amortisation of intangibles		(5,228)	(2)	-
Depreciation		(650)	(9)	(1)
Impairment of property, plant and equipment		-	(306)	(315)
Net exceptional operating income	5	564	-	-
Share based payment costs		-	(1,265)	(1,265)
Operating loss		(3,908)	(3,090)	(5,019)
Finance income		2,083	1,752	3,523
Finance costs		(265)	-	-
Net finance income		1,818	1,752	3,523
Loss before tax		(2,090)	(1,338)	(1,496)
Income tax credit	7	1,231	13	13
Loss from continuing operations		(859)	(1,325)	(1,483)
DISCONTINUED OPERATIONS :				
(Loss)/profit from discontinued operations	4	(2,620)	43,915	40,838
(Loss)/profit after tax		(3,479)	42,590	39,355
Attributable to:				
Equity shareholders of the parent company		(3,475)	42,590	39,365
Minority interests		(4)	-	(10)
(Loss)/profit after tax		(3,479)	42,590	39,355
(Loss)/earnings per share (pence)*:				
Basic (loss)/earnings per share :				
From continuing operations		(0.80)	(1.51)	(2.09)
From discontinued operations		(2.45)	49.90	57.53
		(3.25)	48.39	55.44
Diluted (loss)/earnings per share :				
From continuing operations		(0.80)	(1.51)	(2.09)
From discontinued operations		(2.45)	47.73	57.53
		(3.25)	46.29	55.44

* The comparative figures for earnings per share have been restated to reflect the 20:1 share consolidation that took place in July 2009.

The Group has no recognised items of income or expense other than the loss for the current period and profit for the comparative periods.

CONSOLIDATED BALANCE SHEET

as at 30 September 2009, 30 June 2008 and 31 December 2008

		30 September 2009 £'000	30 June 2008 £'000	31 December 2008 £'000
	Note			
ASSETS				
Non-current assets				
Goodwill		50,183	28	-
Intangible assets		154,668	83	64
Property, plant and equipment		6,212	31	32
Deferred tax asset		12,565	-	-
Investment in joint venture		-	5,762	5,142
		223,628	5,904	5,238
Current assets				
Inventories		1,500	-	3
Trade and other receivables		39,558	29,281	19,014
Cash and cash equivalents		22,493	4,297	4,595
		63,551	33,578	23,612
Disposal groups classified as held for sale	4	4,061	-	-
		67,612	33,578	23,612
LIABILITIES				
Current liabilities				
Trade and other payables		(54,502)	(7,475)	(1,178)
Borrowings		(5,317)	-	-
Provisions		-	(500)	-
		(59,819)	(7,975)	(1,178)
Liabilities associated with disposal groups classified as held for sale	4	(60)	-	-
		(59,879)	(7,975)	(1,178)
Net current assets		7,733	25,603	22,434
Non-current liabilities				
Borrowings		(7,808)	-	-
Provisions		(2,643)	-	-
Deferred tax liability		(30,936)	(446)	(18)
Other non-current liabilities		(210)	-	-
		(41,597)	(446)	(18)
NET ASSETS		189,764	31,061	27,654
Equity attributable to the equity holders of the parent				
Share capital		5,110	1,071	1,076
Share premium reserve		84,013	8,237	8,286
Share merger reserve		83,500	-	-
Translation reserve		-	(500)	-
Other reserves		1,490	-	753
Retained earnings		14,936	22,253	17,539
		189,049	31,061	27,654
Minority interests		715	-	-
TOTAL EQUITY		189,764	31,061	27,654

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 30 September 2009, 30 June 2008 and 31 December 2008

	Share capital reserve £'000	Share premium reserve £'000	Translation reserve £'000	Merger reserve £'000	Other reserves		Retained earnings £'000	Minority interest £'000	Total equity £'000
					Capital reserve £'000	Treasury shares reserve £'000			
At 1 January 2008	24,092	96,848	25	8,119	-	-	6,961	-	136,045
Capital reduction scheme	(21,683)	(96,848)	-	(2,309)	-	-	120,840	-	-
Capital reduction and tender offer costs	-	-	-	-	-	-	(1,774)	-	(1,774)
Tender offer	(1,489)	-	-	-	-	-	(153,299)	-	(154,788)
Share based payment costs	-	-	-	-	-	-	1,265	-	1,265
Share of JV share based payment cost	-	-	-	-	-	-	(140)	-	(140)
JV exchange difference	-	-	(500)	-	-	-	-	-	(500)
Exercise of options	151	8,237	-	-	-	-	-	-	8,388
Disposal of subsidiaries	-	-	(25)	(5,810)	-	-	5,810	-	(25)
Profit for the period	-	-	-	-	-	-	42,590	-	42,590
At 30 June 2008 and 1 July 2008	1,071	8,237	(500)	-	-	-	22,253	-	31,061
Tender offer	(1)	-	-	-	1,490	-	(1,489)	-	-
Share buy back	-	-	-	-	-	(737)	-	-	(737)
JV exchange difference	-	-	500	-	-	-	-	-	500
Exercise of options	6	49	-	-	-	-	-	-	55
Acquisition of minority interest	-	-	-	-	-	-	-	10	10
Loss for the period	-	-	-	-	-	-	(3,225)	(10)	(3,235)
At 31 Dec 2008 and 1 Jan 2009	1,076	8,286	-	-	1,490	(737)	17,539	-	27,654
Issue of shares	4,075	76,423	-	83,500	-	-	-	-	163,998
Issue of share warrants	-	-	-	-	-	-	810	-	810
Cancellation of treasury shares	(41)	(696)	-	-	-	737	-	-	-
Share of JV share based payment cost	-	-	-	-	-	-	62	-	62
Acquisition of minority interest	-	-	-	-	-	-	-	719	719
Loss for the period	-	-	-	-	-	-	(3,475)	(4)	(3,479)
At 30 Sept 2009	5,110	84,013	-	83,500	1,490	-	14,936	715	189,764

CONSOLIDATED CASH FLOW STATEMENT

for the nine month period ended 30 September 2009, six month period ended 30 June 2008 and year ended 31 December 2008

	Note	Nine month period ended 30 Sept 2009 £'000	Six month period ended 30 June 2008 £'000	Year ended 31 Dec 2008 £'000
(Loss)/profit for the period				
Profit from disposal of discontinued operations		(3,479)	42,590	39,355
Income tax credit		(1,231)	(8)	(8)
Loss arising on joint venture	4	12	120	167
Interest receivable		(2,083)	(1,853)	(3,624)
Interest payable		269	236	237
Operating loss from continuing and discontinued operations				
		(6,512)	(7,680)	(13,795)
Adjustments for:				
Depreciation		664	10	7
Share of loss of joint venture (discontinued operation)		2,372	5,533	9,399
Impairment of property, plant and equipment		-	306	315
Amortisation of intangible assets		5,249	2	21
Negative goodwill	5	(5,452)	-	-
Loss on sale of fixed assets		-	203	203
Share based payment costs		-	1,265	1,265
Operating cash flows before movements in working capital				
		(3,679)	(361)	(2,585)
Increase in inventories		(63)	-	(3)
Increase in receivables		(5,779)	(3,023)	(3,085)
Increase in payables		5,760	12,284	6,324
Decrease in provisions		(231)	(1,616)	(596)
Cash (used)/generated from operating activities				
		(3,992)	7,284	55
Interest paid		(175)	(99)	(87)
Interest element of finance lease repayments		(10)	(137)	(150)
Income taxes received		-	14	14
Net cash (used)/generated from operating activities				
		(4,177)	7,062	(168)
Cash flows from investing activities				
Acquisition of subsidiaries net of cash acquired	3	(74,246)	(115)	-
Payment to acquire intangible assets		(117)	-	(85)
Cash left in disposal group		-	(2,395)	(2,395)
Investment in joint venture		(336)	(3,913)	(6,118)
Purchase of property, plant and equipment (held for sale)		-	-	(3,977)
Purchase of property, plant and equipment		(339)	(4,003)	(33)
Proceeds from sale of property, plant and equipment		-	7,023	7,149
Proceeds from sale of subsidiaries		-	87,856	97,513
Proceeds from redemption of loan note		17,500	-	-
Interest received		2,373	962	1,422
Net cash (used)/generated in investing activities				
		(55,165)	85,415	93,476
Cash flows from financing activities				
Proceeds from the exercise of share options		-	8,388	8,443
Proceeds from issuance of ordinary shares		78,498	-	-
Payments to buy back shares - tender offer		-	(156,562)	(156,562)
Payments to buy back shares - treasury		-	-	(737)
Repayment of borrowings		(1,255)	-	-
Drawdown of new finance leases		-	397	396
Repayment of finance lease liabilities		(3)	(1,153)	(1,003)
Net cash generated / (used) from financing activities				
		77,240	(148,930)	(149,463)
Net increase / (decrease) in cash and cash equivalents				
		17,898	(56,453)	(56,155)
Cash and cash equivalents at the beginning of the period				
		4,595	60,750	60,750
Cash and cash equivalents at the end of the period				
		22,493	4,297	4,595

NOTES TO THE INTERIM GROUP FINANCIAL STATEMENTS

for the nine month period ended 30 September 2009

1. Basis of preparation

The condensed consolidated interim financial statements ("interim financial statements") should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which were prepared in accordance with IFRS as adopted by the European Union.

The Group is listed on the Alternative Investment Market ("AIM") of the London Stock Exchange and has prepared the interim financial statements in accordance with AIM rule 18. The Group has elected not to adopt the full scope of IAS 34 "Interim Financial Reports", which is a voluntary requirement.

Following the reverse acquisition (under AIM rules) that took place in July, the Group has changed its year end from 31 December to 31 March and consequently has extended its interim period end from 30 June to 30 September. The current interim period results therefore reflect nine months trading compared to the prior period interim report which covered the six months to 30 June 2008.

In accordance with IFRS 5, the comparative income statements have been restated so that the discontinued operations disclosed relate to all discontinued operations at the balance sheet date (refer to note 4).

These interim financial statements do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and are unaudited. The comparative information for the six months ended 30 June 2008 is also unaudited. The comparative figures for the year ended 31 December 2008 have been extracted from the Group financial statements as filed with the Registrar of Companies. The report of the auditors on those accounts (KPMG Audit plc) was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under duties of auditors section 498 of the Companies Act 2006.

The accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2008.

2. Segmental information

The Group is in the process of finalising its reporting structure. The figures below illustrate the revenues by product category for continuing operations:

	£'000
Fixed line network services	22,969
Maintenance, engineering and system installations	2,348
Mobile services	3,479
Managed solutions	2,089
	30,885

NOTES TO THE INTERIM GROUP FINANCIAL STATEMENTS (continued)

for the nine month period ended 30 September 2009

3. Acquisitions

The Group has made various acquisitions during the period, the costs of which are summarised in the table below:

	Daisy Communications Limited and subsidiaries	Vialtus Holdings Limited and subsidiaries	Aerofone (UK) Limited (i)	Redstone (ii)	Eurotel (iii)	ATC (iv)	Total
Date of acquisition	21 July 09	21 July 09	13 Aug 09	28 Aug 09	3 Aug 09	3 Aug 09	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Share issue	54,506	30,994	-	-	-	-	85,500
Cash	30,500	13,000	1,710	16,500	13,500	5,700	80,910
Share warrants	611	-	-	-	116	199	926
Associated costs	2,002	499	39	388	161	232	3,321
Cost of acquisition	87,619	44,493	1,749	16,888	13,777	6,131	170,657
Cash consideration including associated costs	32,502	13,499	1,749	16,888	13,661	5,932	84,231
Consideration adjustment	(500)	-	-	500	(29)	1,300	1,271
Cash acquired	(8,210)	(2,649)	(161)	(1,899)	-	-	(12,919)
Net cash outflow	23,792	10,850	1,588	15,489	13,632	7,232	72,583
Deferred consideration relating to a subsidiary of Daisy Communications Limited							1,663
							74,246

- (i) The Group increased its shareholding in Aerofone (UK) Limited from 50% to 100%.
- (ii) The Group acquired the fixed line telecom and mobile service provider business and assets from Redstone plc in addition to the ordinary share capital of Anglia Telecom Centres Limited and Symphony Telecom Limited.
- (iii) The Group acquired the trade and assets from Belle Holdco Limited and its subsidiaries which traded under the Eurotel name.
- (iv) The Group acquired the trade and assets of AT Communications Group plc.

The provisional total fair value of net assets acquired pursuant to the acquisitions was £125.9 million, which gave rise to provisional goodwill of £50.2 million and negative goodwill of £5.5 million which has been credited to the income statement in the period to 30 September 2009.

The summary above is based on preliminary numbers which will be finalised at the year end at which point full disclosure will be made in accordance with IFRS 3.

NOTES TO THE INTERIM GROUP FINANCIAL STATEMENTS (continued)

for the nine month period ended 30 September 2009

4. Disposal groups held for sale

The Board has decided to divest its interest in Freedom4 Limited, the joint venture with Intel Capital, and Freedom4 Wifi Limited and is considering its strategic options. The results for the nine months to 30 September 2009 have been included within discontinued operations and the financial position is reflected within assets and liabilities classified as held for sale in accordance with IFRS 5.

Analysis of the results of the discontinued operations is as follows:

	Nine month period ended 30 September 2009 £'000	Restated Six month period ended 30 June 2008 £'000	Restated Year ended 31 December 2008 £'000
Revenue	57	22,181	22,230
Cost of sales	(33)	(10,462)	(10,506)
Gross profit	24	11,719	11,724
Operating costs	(256)	(10,776)	(11,101)
Share of loss of joint venture	(2,372)	(5,533)	(9,399)
Operating loss	(2,604)	(4,590)	(8,776)
Net finance expense	(4)	(135)	(136)
Loss arising on joint venture	(12)	(120)	(167)
Loss before tax	(2,620)	(4,845)	(9,079)
Income tax	-	(5)	(5)
Loss after tax before profit from disposal of discontinued operations	(2,620)	(4,850)	(9,084)
Profit from disposal of discontinued operation net of tax	-	48,765	49,922
(Loss) / profit for the period	(2,620)	43,915	40,838

The comparative figures have been restated to incorporate the results of Freedom4 Limited and Freedom4 Wifi Limited.

5. Net exceptional operating income

Items that are material in size and non-operating or non-recurring in nature are presented as exceptional items in the Income Statement, within the relevant account heading. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance.

Net exceptional operating income is summarised below:

Restructuring costs	£'000 (4,888)
Negative goodwill	5,452
	564

The restructuring costs principally relate to set up costs in respect of businesses purchased out of administration. Negative goodwill relates mainly to businesses purchased out of administration.

NOTES TO THE INTERIM GROUP FINANCIAL STATEMENTS (continued)

for the nine month period ended 30 September 2009

6. (Loss) / Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

The calculation of the statutory basic and diluted earnings per share is based on the following data:

	Nine month period ended 30 September 2009	Restated Six month period ended 30 June 2008	Restated Year ended 31 December 2008
	Number million	Number million	Number million
Weighted average number of ordinary shares for the purposes of basic earnings per share	107	88	71
Dilution impact of share warrants and options	1	4	-
Diluted number of ordinary shares for the purpose of the diluted earnings per share	108	92	71
	£'000	£'000	£'000
(Loss) for the period attributable to equity holders of the parent in respect of continued operations	(855)	(1,325)	(1,483)
(Loss) / profit for the period attributable to equity holders of the parent in respect of discontinued operations	(2,620)	43,915	40,848
	pence	pence	pence
Basic (loss)/earnings per share :			
From continuing operations	(0.80)	(1.51)	(2.09)
From discontinued operations	(2.45)	49.90	57.53
	(3.25)	48.39	55.44
Diluted (loss)/earnings per share :			
From continuing operations	(0.80)	(1.51)	(2.09)
From discontinued operations	(2.45)	47.73	57.53
	(3.25)	46.29	55.44

NOTES TO THE INTERIM GROUP FINANCIAL STATEMENTS (continued)

for the nine month period ended 30 September 2009

6. (Loss) / Earnings per share (continued)

The adjusted basic and diluted earnings per share in respect of continuing operations is calculated on the number of shares above and the following adjusted earnings:

	Nine month period ended 30 September 2009 £'000	Restated Six month period ended 30 June 2008 £'000	Restated Year ended 31 December 2008 £'000
(Loss) for the period attributable to equity holders of the parent in respect of continued operations	(855)	(1,325)	(1,483)
Adjustments* net of tax	1,244	(189)	(1,956)
Adjusted profit / (loss) for the period net of tax	389	(1,514)	(3,439)
	pence	pence	pence
Basic earnings per share based on adjusted profit / (loss)	0.36	(1.72)	(4.84)
Diluted earnings per share based on adjusted profit / (loss)	0.36	(1.72)	(4.84)
* Adjustments			
Amortisation of intangible assets (excluding software)	5,163	2	-
Impairment of property, plant and equipment	-	306	315
Net exceptional operating income	(564)	-	-
Share based payment costs	-	1,265	1,265
Net finance income	(1,818)	(1,752)	(3,523)
Tax on the adjustments above	(1,537)	(10)	(13)
	1,244	(189)	(1,956)

The comparative figures for earnings per share have been restated to reflect the 20:1 share consolidation that took place as part of the share placement in July 2009.

For periods where the Group was loss making, dilution has no effect on loss per share.

7. Taxation

	Nine month period ended 30 September 2009 £'000	Six month period ended 30 June 2008 £'000	Year ended 31 December 2008 £'000
Current tax - continuing operations			
UK corporation tax for the period	-	-	-
Adjustments in respect of prior periods	-	13	13
	-	13	13
Deferred tax - continuing operations			
Origination and reversal of temporary differences	1,231	-	-
Adjustments in respect of prior periods	-	-	-
	1,231	-	-
Total tax credit from continuing operations	1,231	13	13

NOTES TO THE INTERIM GROUP FINANCIAL STATEMENTS (continued)

for the nine month period ended 30 September 2009

8. Dividends

No dividends have been paid in the period to 30 September 2009, which is in accordance with the Group strategy of retaining earnings in the short term to fund development and growth.

9. Published condensed interim financial statements

Copies of this report can be accessed on the internet at www.daisygroupplc.com.

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