

Date: 28 June 2011
On behalf of: Daisy Group plc ('the Group', 'the Company' or 'Daisy Group')
Embargoed until 0700hrs

Daisy Group plc

Audited preliminary results for the 12 months to 31 March 2011

Daisy Group plc (AIM: DAY), a leading provider of unified business communications services, is pleased to announce its audited preliminary results for the year ended 31 March 2011.

Summary

	Audited 12 months ended 31 March 2011 £million	Restated Audited 15 months ended 31 March 2010 £million
Results from continuing operations		
Revenue	266.3	134.4
Adjusted EBITDA	40.7	11.0
Basic EPS on adjusted profit	9.8p	4.1p
Operating loss	(15.8)	(21.0)
Basic EPS	(4.7)p	(8.9)p

Reported results

Cash generated from / (used in) operations	29.7	(1.6)
Net debt	(66.2)	(8.4)

Financial highlights

- Significant growth in revenue, adjusted EBITDA and basic EPS on adjusted profit
- Post exceptional free cash flow of £20.2 million, ahead of market expectations
- Strong cash conversion with 98% of post exceptional adjusted EBITDA converting to operating cash
- Reduction in operating losses

Operational highlights

- Continued strengthening of the unified product portfolio
- Eight strategic acquisitions completed and disposal of non-core assets
- Significant synergies realised

Outlook

The Board expects Daisy Group plc to trade towards the upper end of the current market expectations for profit in the financial year ahead and anticipates further improvement in cash generation.

Whilst strategically important acquisitions will continue to be considered by the Board, it is expected that the rate of acquisitions will reduce versus historic levels of activity.

The Group has developed a strong unified product portfolio that leaves it well positioned to capitalise on today's rapidly evolving business communications market and looks forward with confidence to delivering long term growth for our shareholders.

Matthew Riley, CEO of Daisy, commented:

"This year has been a period of growth and further transformation for the Daisy Group. Growth in revenue, adjusted EBITDA, underlying EPS and free cash flow has been strong and has been achieved whilst we continue to invest in the future of the business. The acquisitions we have completed are already yielding significant strategic benefits, material financial synergies and have enhanced the breadth of our product offering for customers."

"Against an uncertain macro economic backdrop, we have delivered a strong set of results, with particularly robust levels of free cash flow. At the same time, our acquisitions have strengthened our product portfolio and positioned us well for future growth."

"Visibility across the Group is improving and we face the financial year to March 2012 with confidence."

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Notes to Editors:

About Daisy Group plc

Daisy Group plc (AIM: DAY) is a leading provider of unified communications to businesses.

The Group provides unified communications across a product portfolio including data, mobile, systems, maintenance and voice, offering an end to end solution for all business communications needs.

For more information on the Group please visit www.daisygroupplc.com

CHAIRMAN'S STATEMENT

OVERVIEW

Daisy Group plc ("Daisy Group" or "the Group") has developed over this 12 month period to become an industry leading provider of unified communications to the SME and mid-market business sector in the UK.

Progress this year has been impressive and I thank our employees for their contribution and continued hard work and commitment. Revenue has grown by 98%, from £134.4 million to £266.3 million. Adjusted EBITDA has increased from £11.0 million to £40.7 million, an uplift of 270%. Operating losses have reduced from £21.0 million to £15.8 million. These performance improvements have been delivered thanks to the effective execution of the Group's strategy of consolidating the fragmented SME and mid-market communications sector.

ACQUISITIONS AND DISPOSALS

Daisy Group has completed seven corporate and one customer base acquisition during the year and one further trade and asset acquisition post year end. Management has maintained its commitment to integrate new acquisitions quickly. All of the six substantial acquisitions that were completed prior to the start of February 2011 have been fully integrated and, with the exception of NEG, now trade under the Daisy brand. All acquisitions from the prior period have been fully integrated. Integration activity is well advanced on each of the three remaining acquisitions and is expected to be completed by 30 September 2011.

A total of £81.8 million in cash has been committed on the seven corporate acquisitions completed during the period and a further £8.1 million has been spent on the customer base acquisition. Exceptional costs relating to restructuring activities accounted for £10.2 million of expenditure, whilst an additional £2.0 million has been incurred on transaction costs.

Whilst the acquisition and integration activity has been intensive, the Group has also disposed of non-core assets. The most significant of these was the disposal of the WiMAX spectrum licences which were sold in June 2010 for a total cash consideration of £12.5 million. The Freedom4 sub-group has now ceased to trade.

FUNDING

The Group entered into a new £75.0 million banking facility in June 2010, to fund strategic acquisitions and to provide additional working capital. This facility was provided via a club arrangement involving Lloyds TSB Bank plc, Yorkshire Bank and HSBC Bank plc. The facility was increased to £115.0 million in February 2011, when Barclays Bank plc joined the club arrangement.

The increase in facility was provided to fund further acquisition opportunities. I thank the banks for their continuing support of our growth strategy.

Cash generation has been robust during the year. Cash inflow from operations was £29.7 million, representing 98.0% of post exceptional adjusted EBITDA. Free cash flow was £20.2 million. Net debt at the year end was £66.2 million.

OPERATIONAL DEVELOPMENT

In addition to the strong improvements in financial performance, the Group has made strategic acquisitions which have been designed to provide additional product capability and reduce the dependence on fixed line network services, whilst enhancing earnings.

The Group now operates via three trading divisions, Daisy Retail, Daisy Wholesale and Daisy Distribution, which provide access to multiple segments of the UK business communications market.

Daisy Retail has a base of over 75,000 SME and mid-market customers. This division provides unified communications across a product portfolio including data, mobile, systems, maintenance and voice, offering an end-to-end solution for all business communications needs.

CHAIRMAN'S STATEMENT (continued)

OPERATIONAL DEVELOPMENT (CONTINUED)

Daisy Wholesale provides the same unified product set as Daisy Retail and in addition provides managed billing services via the Group's own proprietary billing software. The division has over 1,000 active partners including telecoms resellers and carriers, small to medium ISPs and IT resellers benefitting from Daisy Wholesale's white-label offering. These supply arrangements exist as a result of the Group's ability to offer smaller resellers access to better pricing and more user-friendly portals than they could obtain direct from carriers and ISPs.

Daisy Distribution offers a full range of mobile handsets and airtime tariffs from Vodafone, O2 and Orange. Its customers are mobile dealers and with in excess of 450 active partners, Daisy Distribution is starting to see an increase in its unified communications offering to its dealers with Vodafone's One Net and O2's JUC (Joined Up Communications) program.

Whilst strategic acquisition opportunities will always be considered by the Group, we do not expect the volume of acquisitions to continue at the rate achieved to date. Increasing the number of products and services existing customers take from Daisy will become an increasingly important part of the Group's strategy to deliver long-term growth. The Group has developed a strong unified product portfolio that leaves it well positioned to capitalise on today's rapidly evolving business communications market. In particular, our in-house data centres, managed 10Gb core IP network and our bespoke VoIP platform provide us with strong capability in cloud technologies that will become increasingly relevant in the future.

BOARD CHANGES

I would like to take this opportunity to welcome Gareth Kirkwood to the board of Daisy Group. Gareth joined the Group in 2009, focussing on the successful integration of acquired businesses and on building a team to drive growth in the Group's three divisions. Gareth was appointed to the board as Chief Operating Officer on 1 April 2011 and he will play a key role in driving the Group through its next phase of growth.

On 5 October 2010 Ian Butcher, a non-executive director of the Group, stepped down from his position to devote more time to the continuing development of his property business. On behalf of the board, I thank Ian for his contribution to the Group and wish him every success in the future.

With effect from 28 June 2011, and following almost three years with the Group, Anthony Riley has decided to step down as Chief Financial Officer to pursue other interests. The Board would like to thank Anthony for his significant contribution to the Company's development and growth since 2009. We wish him well for the future.

The Board is delighted to announce the appointment of Steve Smith as Chief Financial Officer with effect from 28 June 2011. Details of his appointment are set out in a separate statement issued by the Company today.

OUTLOOK

We believe that our strategy has created a strong base from which we can continue to develop and we look forward with confidence to delivering long-term growth for our shareholders.

PETER DUBENS
Executive Chairman

27 June 2011

Chief Executive's review

OVERVIEW

Daisy Group has made strong progress this year.

Revenue of £266.3 million and adjusted EBITDA of £40.7 million has been generated in the reported 12 month period. Cash conversion was strong, with 98.0% of post exceptional adjusted EBITDA converting to operating cash, and post exceptional free cash flow rising significantly to £20.2 million.

We have continued to deliver on our strategy to consolidate the fragmented SME and mid-market communications sector, completing seven corporate acquisitions and one customer base acquisition during the year. In addition, we completed one trade and assets acquisition post year end.

Our disciplined and diligent approach to integration has been maintained and all acquisitions completed before February 2011 were fully integrated before the financial year end. In addition, non-core assets have been sold and the proceeds utilised to support our consolidation strategy.

Growth in revenue, adjusted EBITDA, underlying EPS and free cash flow has been strong and has been achieved whilst we continue to invest in the future of the business. Daisy Group is now one of the largest providers of unified communications to the SME and mid-market business sector in the UK.

Our product portfolio has been enhanced and we have reduced our reliance on our traditional voice business. New acquisitions have brought further strengths in data, mobile and systems, whilst our hosting business has been reinvented by direct investment and new product opportunities developed.

We have completed the restructuring of the Group and now trade via three distinct divisions, Daisy Retail, Daisy Wholesale and Daisy Distribution. The management team has been further strengthened and together with our product offerings we are well positioned for further growth.

Against the back-drop of a challenging macro economic climate, our performance is very much a reflection of the effort and commitment of all employees from across the Group. I would like to thank them all for the work that has allowed us to make such significant progress over this trading period.

GROWTH AND DEVELOPMENT

Our primary market is the SME and mid-market business sector within the UK. Under the guidance of Steve Smith and David McGlennon, our experienced in-house team, the business has delivered against our strategy to consolidate the fragmented SME and mid-market communications sector. We have developed a blueprint for the identification, completion and integration of strategic acquisitions and this process has allowed us to enhance existing product areas, integrate specialised sales teams and embark on supplementing the business' portfolio with complementary products and offerings. In addition, we have generated significant cost saving synergies and ultimately delivered enhanced earnings for our shareholders.

The acquisitions that have been completed this year are set out below, together with an explanation of the rationale for each transaction:

Cole Robert & Co Limited ("CRC") was acquired in April 2010. CRC was a wholesale telecoms and internet service provider, with the majority of the business being a white-label broadband offering, over a range of broadband networks. The transaction was completed to broaden the product offering and reseller base of our Wholesale division.

In June 2010 the Group acquired Fone Logistics Limited ("Fone Logistics"), a provider of handsets and airtime to the SME market through an independent dealer channel. The trade of Fone Logistics was similar to that of our own Distribution division. We now have a distribution business of increased scale and improved profitability that is able to service an enhanced dealer network.

Murphx Innovative Solutions Limited ("Murphx") was acquired in June 2010. Murphx was a provider of data connectivity and hosted solutions, predominantly to the reseller market place. The acquisition allowed our Wholesale division to further strengthen its non-voice product offering and bring in technical expertise within the data product set. In addition, Murphx brought 450 new reseller customers that provide a clear opportunity for cross-sell of our existing product portfolio.

Chief Executive's review (continued)

GROWTH AND DEVELOPMENT (CONTINUED)

In September 2010 the Group acquired a business customer base from Telstra. This base consisted of largely mid-market business entities taking a range of networks and data services. The base is now managed by our Retail division and we will be looking to cross-sell other products across this base. In addition, a small number of wholesale customers were also acquired and these customers are managed by our Wholesale division.

We acquired SpiriTel plc ("SpiriTel") in November 2010. This acquisition brought further scale to our Retail division and enhanced our mobile and systems offerings in particular. SpiriTel had strong commercial arrangements in place with both O2 and Vodafone and these have been improved further following the acquisition. In addition, the SpiriTel systems offering with its strong Mitel focus and directly employed engineering workforce has broadened our existing systems capability.

In December 2010, we acquired NEG MBO Two Limited ("NEG"). NEG provides network services, telephony hardware, installation and maintenance support. The business is principally focussed on the General Practitioners sector and currently delivers services to over 800 surgeries. We believe that there is scope for further development of this sector as well as the opportunity to expand the offering into areas with a similar inbound high intensity call handling requirement. This business forms part of our Retail division.

O-Bit Telecom Limited ("O-Bit") was acquired in February 2011 and it brings us improved access to the reseller channel. O-Bit provides wholesale services aimed at internet service providers, telecoms resellers and IT services organisations that resell to the SME and mid-market business sector. In addition O-Bit has a number of SME and mid-market business customers of its own, to whom it supplies communication services. O-Bit's wholesale business will remain as a separately branded sales and marketing division within Daisy Wholesale, with operational integration expected to be complete by 30 September 2011. The SME and mid-market business customers are anticipated to be managed by Daisy Retail by 30 September 2011.

The final acquisition of the financial year was that of Hamsard 3155 Limited ("Outsourcery"). This business provides mobile voice and data solutions to the SME and mid-market business sectors. This acquisition provides us with greater scale for our mobile division and the opportunity to further develop our strong relationship with Vodafone. Outsourcery will be integrated within our Retail division before next financial half year end. The acquisition of Outsourcery makes us Vodafone's largest service provider in the UK by number of customers.

Post year end, we purchased the trade and assets of Telinet Limited and certain trade and assets of Ipitomi Limited (together "Telinet"). Telinet supplied data solutions, telephone systems, unified communications, connectivity and collaboration solutions to mid-market business sector customers. The acquisition further bolsters Daisy's existing presence in the mid-market space and enhances our data and engineering capabilities, with Avaya and Mitel trained engineers joining the Group's existing UK-wide engineering team.

We believe that our determination in quickly integrating acquisitions distinguishes us from other communications industry consolidators. Our integration activity has again been exhaustive this year and all acquisitions completed before the start of February 2011 were integrated by the end of the financial year. We aim to complete the integration of the more recent acquisitions of O-Bit, Outsourcery and Telinet by 30 September 2011 and will continue to refine and consolidate the business in future periods.

Whilst we have been tremendously busy on the acquisition front this year, we have been equally determined to divest ourselves of non-core assets. In June 2010 we were able to dispose of the WiMAX spectrum licences held within the Freedom4 sub-group. This sub-group had been identified as discontinuing last year and the licences were actively marketed for a number of months. I believe that the £12.5m received for the licences represents fair value and the proceeds were put to good use in support of our on-going consolidation strategy.

This year has also seen us dispose of a number of smaller ex-Redstone subsidiaries where we did not see the prospect for future growth or cost savings. In addition, we have moved out of the calling card market, turned off related switches and distanced ourselves from the low margin PRS business, all of which came from the Redstone acquisition in 2009. Whilst not significant at EBITDA level, these actions have reduced Group revenues in the current year.

Chief Executive's review (continued)

DIVISIONAL REPORTING

The Group operates three distinct trading divisions: Daisy Retail, Daisy Wholesale and Daisy Distribution.

Daisy Retail

Daisy Retail provides communications services to its 75,000 strong, directly owned customer base across four broad product areas:

Networks	fixed line calls, fixed line rentals, number translation services, select services
Data	hosting, broadband, leased lines, bonded DSL, IP VPN / MPLS networks and VoIP
Mobile	mobile phones, smart phones, airtime and data provision via service provider and dealer arrangements
Systems	maintenance, engineering and equipment

Daisy Retail is the largest of the three trading divisions and a summary of its results for the year ended 31 March 2011 can be seen below, together with the comparatives for 2010.

2011	Daisy				Retail
	Networks	Data	Systems	Mobile	
	£m	£m	£m	£m	£m
Revenue	102.2	42.0	26.3	26.1	196.6
Gross profit	43.3	19.5	17.6	8.4	88.8
Gross margin %	42.4%	46.4%	66.9%	32.2%	45.2%
Adjusted EBITDA					37.3
Adjusted EBITDA %					19.0%

2010	Daisy				Retail
	Networks	Data	Systems	Mobile	
	£m	£m	£m	£m	£m
Revenue	62.6	24.3	11.5	10.7	109.1
Gross profit	26.6	11.8	6.3	2.1	46.8
Gross margin %	42.5%	48.6%	54.8%	19.6%	42.9%
Adjusted EBITDA					11.3
Adjusted EBITDA %					10.4%

Acquisitions have seen this division grow revenues significantly during the period, whilst the divisional gross margin has improved as a result of increased margins enjoyed across mobile and systems product categories.

Mobile gross margins have increased to 32.2% (2010 19.6%) as a result of the enhanced volumes and improved commercials. With the acquisition of Outsourcery and the O2 centre of excellence status that we acquired as a result of the SpiriTel acquisition, we now have over 100,000 connections under management. Our scale and capability make us a key strategic partner for both O2 and Vodafone and have allowed us to improve our commercial arrangements as a consequence. Both relationships have recently been renewed for a minimum of three years. Looking forward we are well positioned to take advantage of the rapid move to voice and data convergence on smart devices including both handsets and tablets.

Chief Executive's review (continued)

DIVISIONAL REPORTING (CONTINUED)

Systems gross margins have improved to 66.9% (2010 54.8%) due to significantly improved terms from equipment providers and the renewal of existing maintenance contracts. The previous financial period saw maintenance services being provided free of charge to customers who had already paid annual subscriptions to companies that we acquired out of administration. The contracts are now through the renewal phase and we are now able to bill and collect subscriptions in the normal manner.

Our capability has increased dramatically in this area over the year. In small systems we have consolidated our supply arrangements on LG technology, improving our commercial terms and simplifying our engineering processes. In larger systems we acquired significant Mitel and Avaya capability with the acquisitions of SpiriTel and Telinet and we now enjoy Premier Partner status with Mitel and Platinum status with Avaya.

Of increasing importance in the marketplace is the capability to offer hosted voice services and SIP trunks as opposed to traditional PBX. Our supply partnerships position us well to take advantage of this developing trend, and our own hosted VoIP platform will therefore be a key strategic asset. We currently have over 1,600 customers taking VOIP products.

Networks margins have remained broadly flat at 42.4% (2010 42.5%). However, given the competitive forces at work in this market, I am pleased at how the margin has been maintained.

We anticipate that Networks will continue to reduce in significance as a result of our decision to diversify the product range and the gradual shift to new technologies and data led solutions for our customers. Nonetheless we are working hard to ensure margins are maintained via continued enhancement activity such as consolidation of supply, improved volume discounts and product bundling to provide improved customer value.

The Data margin reduction to 46.4% (2010 48.6%) is a function of the changing revenue mix in this segment, rather than any underlying price or cost pressures. A large element of the growth in volume this year has been broadband related, diluting the impact of the higher margin products such as hosting.

Perhaps the biggest change within the Retail division in the past year has been in our data capability. Our key strategic supply partnership inherited from the Vialtus acquisition has been renegotiated resulting in significant improvements in competitiveness and a more comprehensive product roadmap including Ethernet capability. Our core network supply contracts have been amended resulting in lower costs, increased bandwidth and greater resilience.

Investment in our existing owned data centres has increased available capacity and improved our facilities. Our current hosting capacity covers approximately 600 racks in total with 60% utilisation. Further investment, to deliver virtualisation, is planned for the coming year which will further enhance our managed hosting capacity.

Chief Executive's review (continued)

DIVISIONAL REPORTING (CONTINUED)

Daisy Wholesale

Daisy Wholesale provides communications services to over a thousand active resellers. These resellers comprise small to medium ISPs, telecoms networks and resellers, and IT service providers. These supply arrangements exist as a result of the Group's ability to obtain better pricing from network carriers and ISPs, combined with the provision of user-friendly portals, which facilitate efficient provisioning for the resellers.

Products offered by Daisy Wholesale comprise:

Networks	fixed line calls, fixed line rentals, number translation services, select billing	services and managed
Data	IPVPN, broadband, ethernet and hosting	
Mobile	a recently added white label offering from O2 and Vodafone	

	Daisy Wholesale		
2011	Networks	Data	Wholesale
	£m	£m	£m
Revenue	18.7	12.9	31.6
Gross profit	3.9	3.4	7.3
Gross margin %	20.9%	26.4%	23.1%
Adjusted EBITDA			3.7
Adjusted EBITDA %			11.7%

	Daisy Wholesale		
2010	Networks	Data	Wholesale
	£m	£m	£m
Revenue	13.2	0.4	13.6
Gross profit	2.5	-	2.5
Gross margin %	18.9%	9.7%	18.4%
Adjusted EBITDA			1.9
Adjusted EBITDA %			14.0%

The significant increase in gross margin is primarily a function of the change in revenue mix during the year. In particular, the integration of the Murphx business, with its strong focus on data has introduced significant broadband related revenues at higher gross margins than those traditionally seen in Networks. However, alongside these higher gross margins come higher operating costs and these additional operating costs have contributed to a lower overall EBITDA margin percentage.

At 31 March 2011 this division had over 100,000 fixed lines and 95,000 broadband tails under management.

Daisy Distribution

The Mobile Distribution division provides a full range of mobile handsets and airtime tariffs from O2, Vodafone and Orange via a dealer network.

	Daisy Distribution		
2011	Mobile	Distribution	
	£m	£m	£m
Revenue	38.1		38.1
Gross profit	7.4		7.4
Gross margin %	19.4%		19.4%
Adjusted EBITDA			3.9
Adjusted EBITDA %			10.2%

Chief Executive's review (continued)

DIVISIONAL REPORTING (CONTINUED)

2010	Daisy	
	Mobile	Distribution
	£m	£m
Revenue	11.6	11.6
Gross profit	2.2	2.2
Gross margin %	19.0%	19.0%
Adjusted EBITDA		1.0
Adjusted EBITDA %		8.6%

This division has seen significant growth this year, due in large part to the acquisition of Fone Logistics. Fone Logistics was a competitor to our existing Distribution division and its acquisition and subsequent integration has proved beneficial for both revenue and EBITDA.

The enlarged division has rolling three year agreements in place with the mobile networks on market-leading commercials. The division now has over 450 active dealers and 165,000 connections under management, with plans to develop further the dealer network and product penetration.

Over the last 12 months we have also started to sell both O2 JUC (Joined Up Communications) and Vodafone (One Net) fixed line offers. Whilst not significant in volume or value in the financial year ended 31 March 2011, we believe that these products will become more prevalent and will help us remain at the forefront of the unified communications offerings in the UK.

Revenue by product - Group

Across the Group as a whole, the £266.3m of Group revenue can be viewed as:-

Product	2011		2010	
	£m	% of total	£m	% of total
Networks	120.9	45%	75.8	56%
Data	54.9	21%	24.7	18%
Systems	26.3	10%	11.5	9%
Mobile	64.2	24%	22.3	17%
	266.3	100%	134.3	100%

This demonstrates the diverse product mix, covering the broad spectrum of communications services that Daisy Group delivers to its customers. There has been a marked decrease in the proportion of revenues coming from Networks, reflecting the impact of our strategic acquisitions during the year.

MARKET OPPORTUNITY

We understand that businesses do not want to deal with multiple suppliers. We believe that by providing a unified product set and a single point of contact, we can provide an 'end to end' customer experience that provides us with a clear competitive advantage in this marketplace.

The key to future growth in Daisy Retail will be our ability to increase the number of products and services taken by our customer base.

Chief Executive's review (continued)

MARKET OPPORTUNITY (CONTINUED)

We provided an analysis of the percentage split of the average number of products per customer of Daisy Retail in last year's annual report and we update that analysis below:

Products per customer

Number of Products	March 2011	March 2010
1	40%	46%
2	41%	39%
3	16%	13%
4	3%	2%

The average number of products per customer for those customers that were part of Daisy Retail at 31 March 2010 has increased from 1.71 to 1.82 by 31 March 2011.

At 31 March 2011 the Retail customer base enjoyed direct debit penetration of 73% (2010 69%) and e-billing penetration of 52% (2010 49%), enabling increased efficiencies in our administrative functions.

INVESTING FOR FURTHER GROWTH

The appointment of Gareth Kirkwood (Chief Operating Officer) to the plc board is a welcome addition to the team and further additions to the operating boards have been completed in the period. We now have an experienced executive team, fully proficient in leading the Group towards its stated ambition of being the main consolidator in the sector and the leading provider of unified communications to the SME and mid-market business customer.

We have invested almost £1 million in software development this year. This investment has ensured that we have the required CRM and billing systems that will enable us to service a growing customer base taking multiple products, over the medium term. In addition we have enhanced our network infrastructure and data centres in preparation for future growth. A total of £2.5 million has been spent on property, plant and equipment with the bulk of this expenditure relating to new computers and office equipment at our continuing locations.

The new financial year will bring further integration activity and we will ensure that we invest sufficient funds to manage the change, ensuring our IT systems and network infrastructure will facilitate further growth.

SUMMARY

The last 12 months have seen Daisy Group make strong progress against its stated ambition of consolidating the SME and mid-market business communications market.

We have completed a significant amount of corporate activity in the last 12 months, but just as importantly, we have undertaken a tremendous amount of integration activity. We have in place the platform, the systems, the people and the product set to allow us to continue to grow both organically and via strategic acquisitions where the opportunity arises.

We look forward to the coming financial year with confidence and believe that we are well placed to take advantage of the future unified communications demands of the SME and mid-market sector.

Matthew Riley
Chief Executive Officer

27 June 2011

Financial review

The trading results of the Group for the year ended 31 March 2011 comprising the trading results of the three operating divisions, Daisy Retail, Daisy Wholesale and Daisy Distribution, together with central costs have been included within continuing operations.

The Group completed seven substantial corporate acquisitions and a customer base acquisition within the year together with one further trade and asset acquisition in April 2011. In addition, the Group disposed of three small subsidiaries during the year and it also completed the sale of the WiMAX licences held by its discontinued Freedom4 sub group. The Freedom4 subgroup has now ceased to trade.

Integration activity has proceeded to plan and synergies have been delivered in line with management expectations. At 31 March 2011, only the three acquisitions completed since February 2011 remain to be integrated.

ACQUISITIONS AND DISPOSALS

Acquisition of Cole Robert & Co Limited (“CRC”)

On 22 April 2010 the Group acquired the entire issued share capital of CRC, a wholesale telecoms and internet service provider, with the majority of the business being a white-label broadband offering, over a range of broadband networks.

Purchase consideration was £2.1 million, all of which has been settled in cash. The acquisition resulted in the recognition of goodwill of £0.3 million and customer relationship intangible assets of £2.3 million.

All business supporting information, accounting and billing records have been transferred to the Group's proprietary systems. CRC's original offices in Stoke have been closed and the lease surrendered. The acquired business is now part of the Wholesale division.

Acquisition of Fone Logistics Limited (“Fone Logistics”)

On 10 June 2010 the Group announced the acquisition of the entire issued share capital of Fone Logistics, a provider of mobile handsets and airtime to the SME market via an independent dealer channel.

Purchase consideration of £3.7 million was settled in cash. The acquisition resulted in the recognition of goodwill of £4.5 million.

The former business of Fone Logistics now forms part of the Distribution division. Fone Logistics' offices in Cramlington have been closed and the lease surrendered. All business supporting information and accounting records have been transferred to the division's existing systems in Ipswich.

Acquisition of Murphx Innovative Solutions Limited (“Murphx”)

On 22 June 2010 the Group announced the acquisition of the entire issued share capital of Murphx, a provider of data connectivity and hosted solutions.

The initial £4.8 million purchase consideration for the acquisition was settled in cash. Further consideration will become payable based on growth over a two year period. A discounted liability of £8.4 million, representing the estimated amount of contingent consideration payable, has been included within the balance sheet. The acquisition resulted in the recognition of goodwill of £5.5 million and customer relationship intangible assets of £9.8 million.

The post-acquisition trade is included within the Wholesale division which is managed from the original Murphx premises in Eastleigh.

Acquisition of customer base

On 22 September 2010 the Group acquired a business customer base from Telstra. The base consisted predominantly of mid-market business entities taking a range of products from traditional wholesale line rental to leased lines and other data products. Purchase consideration of £6.9 million has been settled in cash and a further £1.2 million included within deferred consideration at the year end. The gross consideration of £8.1 million has been included in customer lists within intangible assets. The mid-market business customers are now managed by Daisy Retail. In addition, a small number of wholesale customers acquired as part of this transaction are now managed by Daisy Wholesale.

Financial review (continued)

ACQUISITIONS AND DISPOSALS (CONTINUED)

Acquisition of SpiriTel plc (“SpiriTel”)

On 10 November 2010 the Group announced a recommended cash offer to acquire 100% of the share capital of SpiriTel, a provider of a fully integrated range of mobile, voice and data services directly to business customers.

Total consideration was £27.3 million in cash and the settlement of £6.2 million of bank debt. The acquisition resulted in the recognition of goodwill of £15.1 million and customer relationship intangible assets of £32.7 million.

SpiriTel's two main locations in Wigan and London have now been closed and the leases surrendered. Customer information, billing and accounting records have been transferred to the Group's proprietary systems and the post-acquisition trade is included within the Retail division, based in Nelson.

Acquisition of NEG MBO Two Limited (“NEG”)

On 1 December 2010 the Group acquired the entire issued share capital of NEG, which provides network services, telephony hardware, installation and maintenance support and is principally focussed on the General Practitioners sector.

The initial purchase consideration of £23.8 million was settled in cash with a further £0.1 million deferred consideration being payable. The acquisition resulted in the recognition of goodwill of £7.6 million and customer relationship intangible assets of £22.6 million.

The business has been rebranded and now trades as Daisy NEG. The original premises in Basildon have been retained and the post-acquisition trade is included within the Retail division.

Acquisition of O-Bit Telecom Limited (“Obit”)

On 11 February 2011 the Group acquired the entire issued share capital of Obit. Obit provides services aimed at internet service providers, telecoms resellers and IT services organisations that resell to SME and mid-market business customers. In addition it provides communication services directly to its own SME and mid-market business customers.

The initial consideration of £3.0 million was settled in cash. Further consideration will become payable based on maintenance of the recurring gross margin and the successful re-sign of a large customer contract. A provision for £5.3 million, representing the estimated amount of contingent (£4.6 million) and deferred (£0.7 million) consideration that will become payable, has been included within the balance sheet.

The acquisition resulted in the recognition of goodwill of £2.0 million and customer relationship intangible assets of £9.2 million. The post-acquisition trade is included within our Wholesale division.

Acquisition of Hamsard 3155 Limited (“Outsourcery”)

On 30 March 2011 the Group acquired the entire issued share capital of Outsourcery. Outsourcery provides mobile voice, mobile data and hosted solutions to the SME and mid-market business sectors.

The initial purchase consideration of £10.9 million was settled in cash. There is further deferred cash consideration payable of £1.1 million. Immediately following acquisition, the Group disposed of Outsourcery's hosting business and part of its mobile solutions assets to Outsourcery Hosting Limited for a nominal consideration. The acquisition resulted in the recognition of goodwill of £0.9 million and customer relationship intangible assets of £16.6 million. The post-acquisition trade will be included within our Retail division.

Post year end acquisitions

Acquisition of trade and assets

On 15 April 2011 we completed the acquisition of the trade and assets of Telinet Limited and certain trade and assets of Ipitomi Limited (together “Telinet”) for a cash consideration of up to £15.4 million. The trade and assets are primarily networks and data focussed.

Financial review (continued)

ACQUISITIONS AND DISPOSALS (CONTINUED)

Disposals

On 27 April 2010 the Group disposed of its 50% shareholding in Network Business Call Limited ("NBC") for cash consideration of £0.1 million. NBC generated annual revenues of £1.2 million in the last full year before acquisition by the Daisy Group.

On 10 May 2010 the Group disposed of its 50% shareholding in Network Billing Services Limited ("NBS") for cash consideration of £0.2 million. NBS generated revenues of £1.4 million in the last full year before acquisition by the Daisy group.

On 23 March 2011 the Group disposed of its 50% shareholding in Unitel Network Services Limited for a total consideration of £0.2 million. Revenue for the period up to disposal was £1.2 million.

The combined profit on disposal from these three disposals was £0.1 million and has been included within net exceptional operating costs.

FUNDING

On 4 June 2010 the Group entered into a £75.0 million revolving credit facility. This facility was amended on 2 February 2011 to include a further £25.0 million revolving credit facility and a term loan of £15.0 million. The amended facility is provided by Lloyds TSB plc, Yorkshire Bank, HSBC Bank plc and Barclays Bank plc. This facility provides the Group with finance to support its acquisition strategy. The revolving credit facility and term loan terminate on 30 June 2013.

CONTINUING OPERATIONS

Continuing operations for the year ended 31 March 2011 include the results of all businesses that were owned and designated as continuing at the start of the financial year (including the Group's holding company), together with the post-acquisition results of businesses acquired during the year and the pre-disposal results of those businesses sold during the year.

In order to provide greater comparability, the Group has opted to restate the prior period figures for the impact of IFRS 3 (revised) from 1 January 2009. The principal impact has been to reflect £3.5 million of costs relating to business combinations within net exceptional costs in the income statement, with a corresponding adjustment to goodwill.

Continuing operations for the 15 month period ended 31 March 2010 include the restated results of those businesses acquired during that period and the costs of running the Group's holding company.

For both the year ended 31 March 2011 and the 15 months ended 31 March 2010, the results of the wireless broadband business contained within the Freedom4 Limited sub-group have been included within discontinued operations.

The revenue and adjusted EBITDA (operating loss before amortisation, depreciation, net exceptional operating costs and share based payment costs) from continuing operations were £266.3 million (2010 £134.4 million) and £40.7 million (2010 £11.0 million) respectively. The 98% growth in revenue is reflective of the acquisition activity that has taken place during the last two accounting periods. The 270% growth in adjusted EBITDA reflects both the businesses acquired and the cost synergies delivered by integration.

The operating loss from continuing operations was £15.8 million (2010 £21.0 million).

Amortisation of intangible assets in the year was £42.4 million (2010 £20.5 million) and relates primarily to the customer relationships acquired during the current and prior periods. These customer relationships have been valued based on expected future discounted cash flows and are amortised over periods from 3 to 7 years.

Depreciation for the period totalled £3.1 million (2010 £1.9 million) and consists largely of charges for computers and office equipment and network infrastructure.

Financial review (continued)

CONTINUING OPERATIONS (CONTINUED)

Net exceptional operating costs were £10.4 million (2010 £9.3 million). These include employee and other restructuring costs of £10.2 million (2010 £11.6 million) and costs directly relating to acquisitions of £2.2 million (2010 £3.8 million). Costs directly relating to acquisitions were previously included within the purchase consideration of a business combination whereas under IFRS 3 (revised), they are recognised in the income statement. Exceptional credits included within net exceptional operating costs include negative goodwill of £nil (2010 £6.2 million), re-measurement of contingent consideration of £1.9 million (2010 £nil) in relation to the prior period Managed Communications Limited and AT Communications acquisitions and a profit on disposal of subsidiary companies of £0.1 million (2010 £nil).

Net finance costs were £3.9 million (2010 income £1.3 million) and predominantly consist of finance costs of £2.9 million relating to the bank facility and discounts on provisions and contingent consideration £1.0 million.

The Group reported a net loss before tax from continuing operations for the year of £19.7 million (2010 £19.6 million).

DISCONTINUED OPERATIONS

On 17 June 2010 the Group announced the disposal of its WiMAX spectrum licences to UK Broadband Limited, part of the PCCW group, for a cash consideration of £12.5 million.

The WiMAX spectrum licences were held within the Freedom4 Limited sub-group, which was classified as a disposal group held for sale. The carrying value of the Group's investment in Freedom4 Limited at 31 March 2010 was £4.9 million. Inter-company funding and provisions for closure costs made in the year to 31 March 2011 totalled £2.0 million, whilst fees associated with the disposal amounted to £0.1 million. In addition, corporation tax due on disposal of the licences has been estimated at £1.3 million. Accordingly, the disposal of the licences and the closure costs in the year gave rise to a net profit of £4.2 million which has been included within discontinued operations.

TAXATION

The effective tax rate for the year end 31 March 2011 was 40.2% (2010 25.5%).

The main reasons for the increased tax rate were the utilisation of unrecognised and unconsolidated tax losses, adjustments in respect of prior years and the impact of the main corporation tax rate reduction on deferred tax liabilities.

EARNINGS PER SHARE

Basic and diluted loss per share from continuing operations reduced by 48% to 4.65p (2010 8.90p).

Basic adjusted earnings per share from continuing operations increased to 9.80p (2010 4.10p). Fully diluted adjusted earnings per share from continuing operations is 9.72p (2010 4.07p).

The adjusted earnings per share calculation excludes the after tax effect of amortisation of acquisition related intangible assets, share based payment costs and net exceptional operating costs.

BALANCE SHEET

Net assets of the Group were £168.4 million at 31 March 2011, compared to £175.8 million at 31 March 2010. The impact of the significant acquisition activity during the year ended 31 March 2011 is reflected in most balance sheet areas.

Intangible assets excluding goodwill increased to £230.1 million (2010 £168.0 million) as a result of £93.3 million of assets acquired through business combinations, a further £11.2 million of additions (including £10.2 million spent on customer lists) less the amortisation charge for the year of £42.4 million (2010 £20.5 million). Goodwill arising on acquisitions totalled £36.1 million, taking the year end position to £94.9 million (2010 £58.8 million).

The deferred tax asset of £12.2 million (2010 £12.0 million) primarily relates to tax losses and fixed asset timing differences for the former Vialtus business, which are expected to be utilised against future profits.

Financial review (continued)

BALANCE SHEET (CONTINUED)

Net current liabilities were £33.2 million (2010 £27.3 million). The increase masks the impact of the current year's acquisitions on receivables and payables, both of which have increased significantly. Additionally, last year's current borrowings have been effectively transferred to non-current liabilities as a result of the bank facility entered into during the year.

Non-current borrowings stand at £91.4 million (2010 £0.5 million). This balance consists of gross bank borrowings of £93.5 million, finance lease liabilities of £0.1 million less deferred finance fees of £2.2 million which will be released over the remaining period of the bank facility.

CASH FLOW

Cash generated from operations was £29.7 million (2010 £1.6 million outflow). This represents 98.0% of the adjusted EBITDA less net exceptional operating costs and demonstrates the strong operating cash generation of the Group. This includes working capital utilisation of £1.1 million (2010 £0.7 million).

The key components of the working capital utilisation were:

- Reduction in payables of £3.3 million due to resolution of queries relating to outstanding creditor balances
- Increase in inventories of £0.5 million
- Reduction in receivables of £2.5 million due to improved customer cash collection
- Increase in provisions of £0.2 million

Net capital expenditure outflows (including software and licences) totalled £3.4 million in the year (2010 £1.2 million) and were largely attributable to computers, office equipment and software.

Interest paid was £2.1 million (2010 £0.5 million), whilst arrangement fees paid amounted to £2.3 million (2010 £nil). The Group made taxation payments of £1.9 million (2010 £0.02 million receipt) and these mostly related to settlement of pre-acquisition liabilities.

Post exceptional free cash flow for the Group was £20.2 million (2010 £0.9 million outflow).

At 31 March 2011 the Group had unutilised bank facilities of £21.5 million (2010 £3.9 million), cash balances of £27.8 million (2010 £20.0 million) and net debt of £66.2 million (2010 £8.4 million).

	2011	2010
	£ million	£ million
Cash generated		
from operations	29.7	(1.6)
Interest (paid) / received*	(4.2)	1.9
Taxation	(1.9)	-
Capital expenditure	(3.4)	(1.2)
Free cash flow	20.2	(0.9)
Net investing outflows	(77.7)	(75.5)
Net financing inflows	81.3	75.7
Net cash inflow / (outflow)	23.8	(0.7)

* - includes £2.3 million, paid in 2011, in respect of arrangement fees for bank borrowings

Anthony Riley
Chief Financial Officer

27 June 2011

Consolidated income statement

	Note	Year ended 31 March 2011 £'000	Restated fifteen month period ended 31 March 2010 £'000
Revenue	2	266,316	134,355
Cost of sales		(162,773)	(82,779)
Gross profit	2	103,543	51,576
Operating costs		(119,350)	(72,554)
Operating loss		(15,807)	(20,978)
Adjusted EBITDA		40,653	10,975
Amortisation of intangible assets	9	(42,397)	(20,506)
Depreciation		(3,115)	(1,945)
Net exceptional operating costs	5	(10,394)	(9,291)
Share based payment costs		(554)	(211)
Operating loss		(15,807)	(20,978)
Finance income		116	2,117
Finance costs		(4,055)	(771)
Net finance (expense) / income		(3,939)	1,346
Loss before tax		(19,746)	(19,632)
Income tax credit		7,944	5,004
Loss from continuing operations		(11,802)	(14,628)
Profit / (loss) from discontinued operations	10	4,177	(2,855)
Loss after tax		(7,625)	(17,483)
Attributable to:			
Equity shareholders of the parent		(7,687)	(17,633)
Minority interests		62	150
Loss after tax		(7,625)	(17,483)
(Loss)/earnings per share (pence)			
Basic (loss)/earnings per share :			
From continuing operations		(4.65)	(8.90)
From discontinued operations		1.64	(1.72)
	7	(3.01)	(10.62)
Diluted (loss)/earnings per share :			
From continuing operations		(4.65)	(8.90)
From discontinued operations		1.63	(1.72)
	7	(3.02)	(10.62)

A separate consolidated statement of comprehensive income has not been presented as there are no further items of comprehensive income other than as presented in the consolidated income statement above.

The comparative figures have been restated to reflect the impact of IFRS3 (revised).

Consolidated balance sheet

	Note	31 March 2011 £'000	Restated 31 March 2010 £'000
ASSETS			
Non-current assets			
Goodwill	8	94,882	58,830
Other intangible assets	9	230,065	167,968
Property, plant and equipment		7,940	6,294
Deferred tax asset		12,222	11,992
		345,109	245,084
Current assets			
Inventories		2,344	1,288
Trade and other receivables		58,170	39,631
Cash and cash equivalents		27,767	20,034
		88,281	60,953
Disposal groups classified as held for sale	10	-	4,891
		88,281	65,844
LIABILITIES			
Current liabilities			
Trade and other payables		(118,609)	(63,705)
Current tax liability		(1,666)	(611)
Borrowings	11	(345)	(27,871)
Provisions		(815)	(997)
		(121,435)	(93,184)
Net current liabilities		(33,154)	(27,340)
Non-current liabilities			
Borrowings	11	(91,421)	(451)
Provisions		(2,774)	(1,905)
Deferred tax liability		(48,701)	(34,779)
Other non-current liabilities		(615)	(4,763)
		(143,511)	(41,898)
NET ASSETS		168,444	175,846
Equity attributable to the equity holders of the parent			
Share capital		5,294	5,261
Share premium reserve		88,040	86,743
Share merger reserve		83,500	83,500
Other reserves		1,490	1,490
Retained earnings		(10,227)	(1,892)
		168,097	175,102
Minority interests		347	744
TOTAL EQUITY		168,444	175,846

The comparative figures have been restated to reflect the impact of IFRS3 (revised).

Consolidated statement of changes in equity

	Share capital £'000	Share premium reserve £'000	Share merger reserve £'000	Other reserves £'000	Retained earnings £'000	Attributable to equity holders of the parent £'000	Minority interests £'000	Total equity £'000
At 1 January 2009	1,076	8,286	-	753	17,539	27,654	-	27,654
Cancellation of treasury shares	(41)	(696)	-	737	-	-	-	-
Share issue net of associated costs	4,075	76,423	83,500	-	-	163,998	-	163,998
Share issue to employee benefit trust	151	2,730	-	-	(2,881)	-	-	-
Share based payments	-	-	-	-	1,083	1,083	-	1,083
Business combinations	-	-	-	-	-	-	594	594
(Loss)/profit for the period	-	-	-	-	(17,633)	(17,633)	150	(17,483)
At 31 March 2010 (Restated)	5,261	86,743	83,500	1,490	(1,892)	175,102	744	175,846
At 1 April 2010	5,261	86,743	83,500	1,490	(1,892)	175,102	744	175,846
Share based payments	-	-	-	-	498	498	-	498
Share issue to employee benefit trust	33	1,297	-	-	(1,330)	-	-	-
Shares exercised from employee benefit trust	-	-	-	-	184	184	-	184
Disposal of subsidiary undertakings	-	-	-	-	-	-	(436)	(436)
Business combinations	-	-	-	-	-	-	(23)	(23)
(Loss)/profit for the year	-	-	-	-	(7,687)	(7,687)	62	(7,625)
At 31 March 2011	5,294	88,040	83,500	1,490	(10,227)	168,097	347	168,444

Consolidated cash flow statement

	Note	Year ended 31 March 2011 £'000	Restated fifteen month period ended 31 March 2010 £'000
Net cash generated / (used) from operating activities	12	27,749	(1,599)
Cash flows from investing activities			
Business combinations, net of cash acquired	3	(78,531)	(90,499)
Payment to acquire intangible assets	9	(10,789)	(1,465)
Proceeds from the sale of intangible assets		15	-
Proceeds from disposal of assets held by discontinued operations	10	12,392	-
Investment in discontinued operations / joint venture	10	(1,114)	(1,378)
Purchase of property, plant and equipment		(2,489)	(846)
Proceeds from sale of property, plant and equipment		123	-
Net cash (outflow) / inflow from sale of subsidiaries	4	(624)	4
Proceeds from redemption of loan note		-	17,500
Interest received		116	2,408
Net cash used in investing activities		(80,901)	(74,276)
Cash flows from financing activities			
Proceeds from the exercise of share options		184	-
Proceeds from issuance of ordinary shares		-	78,498
Proceeds from bank borrowings net of fees		100,782	-
Repayment of borrowings		(21,273)	(2,567)
Interest paid		(2,063)	(497)
Payment of finance lease liabilities		(639)	(226)
Net cash generated from financing activities		76,991	75,208
Net increase / (decrease) in cash and cash equivalents		23,839	(667)
Cash and cash equivalents at the start of the period		3,928	4,595
Cash and cash equivalents at the end of the period		27,767	3,928

Notes to the preliminary financial statements

1. Basis of preparation

Daisy Group plc (“the Company”) and its subsidiaries (together “the Group”) provide telecommunication and managed services to UK SME and mid-market businesses. The Company is a public limited company which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is Daisy House, Lindred Road Business Park, Nelson, Lancashire BB9 5SR.

The financial information presented in this preliminary announcement is extracted from, and is consistent with, the Group’s audited financial statements for the year ended 31 March 2011. The financial information set out above does not constitute the Company’s statutory financial statements for the periods ended 31 March 2011 or 31 March 2010 but is derived from those financial statements. Statutory financial statements for 2011 will be delivered following the Company’s annual general meeting. The auditors have reported on those financial statements; their report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Group’s results have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The preliminary announcement has been agreed with the company’s auditors for release.

2. Segment information

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group board of directors. Operating segments, for the year to 31 March 2011, were determined on the basis of the reports reviewed by the Group board of directors. The segments at 31 March 2011 comprised:

Daisy Retail

Daisy Retail provides services across four product areas to SME and mid-market business customers:

Networks	fixed line calls, fixed line rentals, number translation services, select services
Data	hosting, broadband, leased lines, bonded DSL, IP VPN/MPLS networks and VoIP
Mobile	mobile phones, smart phones, airtime and data provision via service provider and dealer arrangements
Systems	maintenance, engineering and equipment

Daisy Wholesale

Daisy Wholesale provides services to the reseller channel in the following product categories:

Networks	fixed line calls, fixed line rentals, number translation, select services and managed billing
Data	IPVPN, broadband, ethernet and hosting

Daisy Distribution

Daisy Distribution provides mobile handsets and airtime tariffs from O2, Vodafone and Orange to the dealer channel.

Central costs

Central costs consist of central activities which do not represent a separate reportable segment in accordance with IFRS 8.

Segmental revenue represents the total revenue of each business within a reporting segment and includes inter segment revenues. Segmental profit is the measure used to assess performance internally and is calculated as earnings before interest, taxation, depreciation, amortisation, share based payments and net exceptional operating costs (“adjusted EBITDA”).

The Group has opted to disclose additional information on revenue and gross profit in respect of the product categories described above.

Systems Services was recorded as a separate segment in the prior period financial statements. Following a restructure of this business, it has been incorporated into the Daisy Retail segment. Prior periods have been restated accordingly.

All businesses are based in the UK. Inter segmental transactions are carried out on an arm’s length basis. The Group does not have any customers who contribute more than 10% of total revenue.

Notes to the preliminary financial statements (continued)

2. Segment information (continued)

The segment information for the year ended 31 March 2011 is as follows:

	Daisy Retail £'000	Daisy Wholesale £'000	Daisy Distribution £'000	Central costs £'000	Continuing operations £'000
Networks	102,232	18,718	-	-	120,950
Data	41,979	15,577	-	-	57,556
Systems	26,310	-	-	-	26,310
Mobile	26,057	-	38,101	-	64,158
Total segment revenue	196,578	34,295	38,101	-	268,974
Inter segment revenue	-	(2,658)	-	-	(2,658)
External revenue	196,578	31,637	38,101	-	266,316
Networks	43,294	3,922	-	-	47,216
Data	19,464	3,442	-	-	22,906
Systems	17,582	-	-	-	17,582
Mobile	8,430	-	7,409	-	15,839
Total segment gross profit	88,770	7,364	7,409	-	103,543
Adjusted EBITDA	37,294	3,688	3,890	(4,219)	40,653
Amortisation	(37,914)	(4,483)	-	-	(42,397)
Depreciation	(2,863)	(210)	(42)	-	(3,115)
Net exceptional operating costs	(7,601)	(331)	(739)	(1,723)	(10,394)
Share based payments	-	-	-	(554)	(554)
Operating (loss) / profit	(11,084)	(1,336)	3,109	(6,496)	(15,807)
Total assets	338,466	48,012	19,016	27,896	433,390

The restated segment information for the 15 months to 31 March 2010 is as follows:

	Daisy Retail £'000	Daisy Wholesale £'000	Daisy Distribution £'000	Central costs £'000	Continuing operations £'000
Networks	62,557	14,163	-	-	76,720
Data	24,344	423	-	-	24,767
Systems	11,476	-	-	-	11,476
Mobile	10,724	-	11,632	-	22,356
Total segment revenue	109,101	14,586	11,632	-	135,319
Inter segment revenue	-	(964)	-	-	(964)
External revenue	109,101	13,622	11,632	-	134,355
Networks	26,622	2,540	-	-	29,162
Data	11,832	41	-	-	11,873
Systems	6,262	-	-	-	6,262
Mobile	2,058	-	2,221	-	4,279
Total segment gross profit	46,774	2,581	2,221	-	51,576
Adjusted EBITDA	11,292	1,894	987	(3,198)	10,975
Amortisation	(19,125)	(1,368)	(13)	-	(20,506)
Depreciation	(1,929)	(9)	(6)	(1)	(1,945)
Net exceptional operating costs	(8,629)	(44)	(10)	(608)	(9,291)
Share based payments	-	-	-	(211)	(211)
Operating (loss) / profit	(18,391)	473	958	(4,018)	(20,978)
Total assets	278,994	19,397	7,576	70	306,037

Notes to the preliminary financial statements (continued)

2. Segment information (continued)

A reconciliation of operating loss to loss before tax and discontinued operations is provided below:

	Year ended 31 March 2011 £'000	Restated 15 months to 31 March 2010 £'000
Operating loss	(15,807)	(20,978)
Net finance (expense) / income	(3,939)	1,346
Loss before tax and discontinued operations	(19,746)	(19,632)

Segment assets are reconciled to total assets as follows:

	31 March 2011 £'000	Restated 31 March 2010 £'000
Non-current assets	345,109	245,084
Current assets (excluding disposal groups)	88,281	60,953
Segment assets	433,390	306,037

3. Business combinations

a) Business combinations in the year ended 31 March 2011

On 22 April 2010 the Group acquired the entire issued share capital of Cole Robert & Co Limited ("CRC"). CRC is a wholesale telecoms and internet service provider, with the majority of the business being a white-label broadband offering, over a range of broadband networks.

On 12 May 2010 the Group acquired IP Professional Services Limited's 50% shareholding in IP Integration Network Services Limited, increasing the Group's shareholding in the company to 100%. IP Integration Network Services Limited was fully consolidated at 31 March 2010 as the Group had control over the operations of the company. Purchase consideration was £0.1 million in cash which gave rise to goodwill of £0.04 million (see note 8). Further analysis of the acquisition has not been provided below due to the non-material nature of the transaction.

On 10 June 2010 the Group acquired the entire issued share capital of Fone Logistics Limited ("FL"). FL is a provider of mobile handsets and airtime to the SME market through an independent dealer channel.

On 22 June 2010 the Group acquired the entire issued share capital of Murphx Innovative Solutions Limited ("Murphx"). Murphx provides a range of services including business broadband, virtual private networks, leased line and ethernet connectivity, co-location, IP transit and application services. Its products are aimed at internet service providers, telecoms resellers and IT services organisations, who resell to SME and mid-market business customers.

On 10 November 2010 the Group announced a recommended cash offer to acquire 100% of the issued share capital of SpiriTel plc ("SpiriTel"). At this date, 94.01% of the share capital was acquired, with 100% being held by 31 March 2011. SpiriTel provides a fully integrated range of voice and data services directly to business customers together with infrastructure and wholesale voice services.

On 1 December 2010 the Group acquired the entire issued share capital of NEG MBO Two Limited ("NEG"). NEG provides network services, telephony hardware, installation and maintenance support. It is principally focussed on the General Practitioners market.

On 11 February 2011 the Group acquired the entire issued share capital of O-Bit Telecom Limited ("Obit"). Obit provides services aimed at internet service providers, telecoms resellers and IT services organisations, reselling to SME and mid-market business customers.

Notes to the preliminary financial statements (continued)

3. Business combinations (continued)

a) Business combinations in the year ended 31 March 2011 (continued)

On 30 March 2011 the Group acquired 100% of the entire issued share capital of Hamsard 3155 Limited ("Outsourcery"). Outsourcery provides mobile voice, mobile data and hosted solutions to the SME market. Immediately following completion of the transaction, the Group disposed of Outsourcery's hosting and part of its mobile service assets to Outsourcery Hosting Limited for a nominal consideration.

The purchase consideration for each acquisition was as follows:

£'000	CRC	FL	Murphx	SpiriTel	NEG	Obit	Outsourcery	Total
Cash paid	2,140	3,717	4,800	33,474	23,813	3,001	10,889	81,834
Contingent cash consideration	-	-	8,354	-	-	4,542	-	12,896
Deferred cash consideration	-	-	-	-	67	748	1,111	1,926
Total consideration	2,140	3,717	13,154	33,474	23,880	8,291	12,000	96,656

The contingent consideration in respect of Murphx is based on earnings before interest, tax, depreciation and amortisation of the business over a 2 year period from 1 July 2010. It has been discounted using the Group's weighted average cost of capital. There is no upper limit on the final contingent consideration and the floor on total consideration is £4.0 million.

The Obit contingent consideration is based on gross margin targets to 31 July 2011 and the successful re-sign of a key contract. There is no upper limit on the final contingent consideration and the floor on total consideration is £3.0 million.

The Outsourcery deferred consideration is payable on the finalisation of working capital movements.

Deferred consideration in respect of NEG is payable upon resolution of a specific liability.

The Obit and Outsourcery consideration has not been discounted because the amounts would not be significant.

The carrying amount of assets and liabilities in the books of the acquiree were as follows:

£'000	CRC	FL	Murphx	SpiriTel	NEG	Obit	Outsourcery	Total
Intangible assets	-	-	-	11,144	-	-	-	11,144
Property, plant, equipment	-	45	330	814	49	-	1,575	2,813
Deferred tax asset	1	11	-	266	-	-	293	571
Inventories	-	81	-	397	-	-	67	545
Trade and other receivables	48	5,897	1,106	12,199	1,293	861	3,292	24,696
Cash and cash equivalents	219	304	705	(886)	1,247	(26)	1,397	2,960
Trade and other payables	(172)	(7,131)	(1,821)	(14,239)	(3,019)	(1,424)	(7,732)	(35,538)
Deferred and contingent consideration	-	-	-	(4,368)	-	-	-	(4,368)
Deferred tax liability	-	-	-	(2,877)	-	-	-	(2,877)
Total carrying amount	96	(793)	320	2,450	(430)	(589)	(1,108)	(54)

The following fair value adjustments have been made:

£'000	CRC	FL	Murphx	SpiriTel	NEG	Obit	Outsourcery	Total
Intangible assets:								
Customer lists	2,318	-	9,845	21,584	22,603	9,241	16,553	82,144
Deferred tax	(603)	-	(2,560)	(5,612)	(5,877)	(2,403)	(4,304)	(21,359)
Total fair value adjustments	1,715	-	7,285	15,972	16,726	6,838	12,249	60,785

Notes to the preliminary financial statements (continued)

3. Business combinations (continued)

a) Business combinations in the year ended 31 March 2011 (continued)

The provisional fair values of the assets and liabilities and the associated goodwill arising from the acquisitions are as follows:

£'000	CRC	FL	Murphx	SpiriTel	NEG	Obit	Outsourcery	Total
Intangible assets	2,318	-	9,845	32,728	22,603	9,241	16,553	93,288
Property, plant, equipment	-	45	330	814	49	-	1,575	2,813
Deferred tax asset	1	11	-	266	-	-	293	571
Inventories	-	81	-	397	-	-	67	545
Trade and other receivables	48	5,897	1,106	12,199	1,293	861	3,292	24,696
Cash and cash equivalents	219	304	705	(886)	1,247	(26)	1,397	2,960
Trade and other payables	(172)	(7,131)	(1,821)	(14,239)	(3,019)	(1,424)	(7,732)	(35,538)
Deferred and contingent consideration	-	-	-	(4,368)	-	-	-	(4,368)
Deferred tax liability	(603)	-	(2,560)	(8,489)	(5,877)	(2,403)	(4,304)	(24,236)
Net assets acquired	1,811	(793)	7,605	18,422	16,296	6,249	11,141	60,731
Goodwill	329	4,510	5,549	15,052	7,584	2,042	859	35,925
Purchase consideration	2,140	3,717	13,154	33,474	23,880	8,291	12,000	96,656

The goodwill is attributable to the cost synergies and cross-selling opportunities that are expected to be achieved from combining the acquired customer bases and trade.

Included within trade and other receivables are trade debtors as follows:

£'000	CRC	FL	Murphx	SpiriTel	NEG	Obit	Outsourcery	Total
Gross contractual amounts receivable	41	1,271	652	3,705	802	1,485	2,442	10,398
Provision for non-collection	(5)	(502)	(51)	(171)	(16)	(787)	(247)	(1,779)
	36	769	601	3,534	786	698	2,195	8,619

Cash flows arising from the acquisitions were as follows:

£'000	CRC	FL	Murphx	SpiriTel	NEG	Obit	Outsourcery	Total
Purchase consideration settled in cash	2,140	3,717	4,800	33,474	23,813	3,001	10,889	81,834
Direct acquisition costs	84	83	272	578	303	240	383	1,943
Cash and cash equivalents in acquiree	(219)	(304)	(705)	886	(1,247)	26	(1,397)	(2,960)
Cash outflow	2,005	3,496	4,367	34,938	22,869	3,267	9,875	80,817

The cash outflow is reconciled to the cash flow statement below:

	£'000
Current year business combinations	80,817
Acquisition of minority interest	63
Prior period business combinations	(2,961)
Deferred consideration liabilities of acquired business combinations	612
Cash flow statement	78,531

Notes to the preliminary financial statements (continued)

3. Business combinations (continued)

a) Business combinations in the year ended 31 March 2011 (continued)

The deferred consideration relates to a liability from the SpiriTel acquisition in respect of a subsidiary acquired by SpiriTel before its acquisition by the Group.

From the date of acquisition to 31 March 2011, the acquired businesses contributed the following revenues, adjusted EBITDA and net profit before tax:

£'000	CRC	FL	Murphx	SpiriTel	NEG	Obit	Outsourcery	Total
Revenue	2,020	29,438	10,656	12,832	4,884	2,845	-	62,675
Adjusted EBITDA	327	1,763	1,061	2,561	1,975	119	-	7,806
Net profit/(loss) before tax	(626)	1,106	(950)	(2,335)	780	(341)	-	(2,366)

If the acquisitions had occurred on 1 April 2010, the Group's revenue, adjusted EBITDA and loss for the year would be as follows:

	£'000
Revenue	336,822
Adjusted EBITDA	54,697
Loss before tax	(23,889)

b) Business combinations after the balance sheet date

On 15 April 2011 the Group acquired the trade and assets of Telinet Limited and certain trading assets of Ipitomi Limited for a cash consideration of £15.4 million of which £3.0 million is being held in an escrow account subject to a working capital adjustment and the assignment of customer contracts. The business supplies telephone systems, unified communications, connectivity, presence and collaboration solutions to a mid-market customer base.

Net liabilities acquired were £0.2 million which will result in the recognition of provisional customer lists of £18.5 million, a deferred tax liability of £4.8 million and goodwill of £1.8 million. The unaudited management accounts of the acquired assets for the 8 months ended 31 August 2010, showed revenues and gross profit £15.8 million and £4.6 million respectively.

c) Business combinations in the 15 months to 31 March 2010

During the period ended 31 March 2010 the Group acquired Daisy Communications Limited ("Daisy"), Vialtus Holdings Limited ("Vialtus"), the trade and assets of AT Communications Group plc ("ATC"), the trade and assets of the Eurotel business ("Eurotel"), the telecommunications division of Redstone plc ("Redstone"), Managed Communications Limited ("MCL") and BNS Telecom Group plc ("BNS").

The following adjustments have been made to the purchase consideration and net assets acquired, during the year ended 31 March 2011:

£'000	Daisy	Vialtus	ATC	Eurotel	Redstone	MCL	BNS	Total
Cash consideration	-	-	-	-	-	(338)	-	(338)
Decrease in total purchase consideration	-	-	-	-	-	(338)	-	(338)
Trade and other receivables	-	(125)	-	-	(188)	-	-	(313)
Trade and other payables	(50)	330	-	-	(250)	(62)	(80)	(112)
Increase / (decrease) in net assets acquired	(50)	205	-	-	(438)	(62)	(80)	(425)
Increase / (decrease) in goodwill	50	(205)	-	-	438	(276)	80	87

Notes to the preliminary financial statements (continued)

3. Business combinations (continued)

c) Business combinations in the 15 months to 31 March 2010 (continued)

The reduction in consideration in respect of MCL arose from a refund from an escrow account which was not reflected in the original estimate of consideration.

The cash flow arising from the business combinations is as follows:

£'000	Daisy Vialtus	ATC Eurotel	Redstone	MCL	BNS	Total
Cash consideration	-	-	-	(338)	-	(338)
Deferred / contingent consideration	-	(2,250)	(450)	-	91	(2,609)
Direct acquisition costs	-	46	-	(74)	14	(14)
Cash outflow / (inflow)	-	(2,204)	-	(450)	105	(2,961)

Contingent consideration of £2.6 million was initially recognised on the acquisition of MCL. The consideration has been re-assessed to be £1.1 million at 31 March 2011. The difference has been reflected in the income statement (see note 5) in accordance with IFRS 3 (revised).

The balance sheet at 31 March 2010 included contingent consideration receivable of £1.3 million in respect of ATC. £2.3 million has been received during the year with a further £0.6 million payable after the year end. £0.4 million, being the adjustment to the original assessment of contingent consideration, has been reflected within net exceptional costs (see note 5).

4. Disposal of subsidiaries

a) Disposal of subsidiaries in the year ended 31 March 2011

On 27 April 2010 the Group disposed of its 50% shareholding in Network Business Call Limited for cash consideration of £0.1 million.

On 10 May 2010 the Group disposed of its 50% shareholding in Network Billing Services Limited for cash consideration of £0.2 million.

On 23 March 2011 the Group disposed of its 50% shareholding in Unitel Network Services Limited for cash consideration of £0.2 million.

The combined profit on disposal for the three disposals was determined as follows:

	£'000
Property, plant and equipment	4
Trade and other receivables	637
Cash and cash equivalents	1,129
Trade and other payables	(957)
	813
Minority interest	(436)
Net assets	377
Profit on disposal	128
Total net consideration	505
Cash consideration	543
Fees directly attributable to the disposal	(38)
Total net consideration	505

Notes to the preliminary financial statements (continued)

4. Disposal of subsidiaries (continued)

a) Disposal of subsidiaries in the year ended 31 March 2011 (continued)

The net cash outflow from the transactions was:

	£'000
Net consideration	505
Cash and cash equivalents	(1,129)
Cash outflow	(624)

During the year the subsidiaries contributed revenues of £1.3 million (2010 £2.1 million) and adjusted EBITDA and profit before tax of £0.1 million (2010 £0.2 million).

b) Disposal of subsidiaries in the 15 months ended 31 March 2010

On 26 February 2010 the Company disposed of Freedom4 WiFi Limited to management for a nominal consideration satisfied in cash. At the date of disposal the net assets of the company were:

	£'000
Intangible assets	31
Property, plant and equipment	26
Trade and other receivables	37
Cash and cash equivalents	2
Trade and other payables	(38)
Net assets	58
Loss on disposal	(52)
Total consideration satisfied by cash	6

5. Net exceptional operating costs

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 costs are summarised below:

	Year ended 31 March 2011 £'000	Restated 15 months to 31 March 2010 £'000
Employee related restructuring costs (i)	3,159	5,522
Other restructuring costs (ii)	7,019	6,105
Negative goodwill	-	(6,184)
Re-measurement of contingent consideration	(1,869)	-
Disposal of subsidiary undertakings	(128)	-
Costs directly relating to acquisitions (iii)	2,213	3,848
	10,394	9,291

(i) Employee related restructuring principally relates to redundancy costs together with £0.9 million of integration bonuses.

(ii) Included within other restructuring costs is £1.3 million relating to an onerous property lease in respect of BNS Telecom Limited, which was acquired in February 2010. It also includes £2.0 million in respect of an agreement to extract the Group from an onerous contractual commitment within Vialtus Solutions Limited, which was acquired in July 2009.

Notes to the preliminary financial statements (continued)

5. Net exceptional operating costs (continued)

(iii) Costs directly relating to acquisitions were previously included within the purchase consideration of a business combination whereas under IFRS 3 (revised) they are recognised in the income statement. The Group has opted to restate the comparative period. The charge can be reconciled to note 3, business combinations, as follows:

	Year ended 31 March 2011 £'000	Restated 15 months to 31 March 2010 £'000
Business combinations		
current period	1,943	3,848
prior period	(14)	-
post year end	190	-
Acquisition of customer list	94	-
	2,213	3,848

6. Income tax

	Year ended 31 March 2011 £'000	15 months to 31 March 2010 £'000
Current tax		
UK corporation tax	1,585	115
Adjustments in respect of prior periods	444	47
	2,029	162
Deferred tax		
Origination and reversal of temporary differences - current period	(7,097)	(5,166)
Origination and reversal of temporary differences - prior period	(1,162)	-
Changes in tax rates	(1,714)	-
	(9,973)	(5,166)
Total tax credit	(7,944)	(5,004)

Notes to the preliminary financial statements (continued)

6. Income tax (continued)

The credit for the year can be reconciled to the loss from the income statement as follows:

	Year ended 31 March 2011 £'000	Restated 15 months to 31 March 2010 £'000
Loss before tax:		
Continuing operations	(19,746)	(19,632)
Discontinued operations	4,177	(2,855)
	(15,569)	(22,487)
Loss before tax at 28% (2010: 28%)	(4,359)	(6,296)
Adjustment to opening deferred tax on change of tax rates	(1,714)	-
Adjustment for tax rate differences between current and deferred tax	242	-
Tax effect of non-deductible expenses / (non-taxable income)	(135)	1,795
Tax effect of non-deductible amortisation of intangible assets	543	459
Adjustments to current tax charge in respect of prior periods	444	47
Adjustments to deferred tax credit in respect of prior periods	(1,162)	-
Group relief received for nil payment	(1,210)	-
Unrelieved tax losses arising in the period not recognised	-	547
Negative goodwill arising on acquisition	-	(1,731)
Movement on unrecognised deferred tax	(571)	785
Marginal tax rate adjustments	(22)	-
Recognition of previously unrecognised deferred tax	-	(610)
Total tax credit	(7,944)	(5,004)

A number of changes to the UK Corporation tax system were announced in the March 2011 budget statement to reduce the main rate of corporation tax from 28 per cent to a proposed rate of 23 per cent by 1 April 2014. Legislation reducing the main rate of corporation tax from 28 per cent to 26 per cent from 1 April 2011 was enacted by 29 March 2011. The impact on the income statement as a result of this rate change is approximately £1.7 million credit, reflecting a reduction in the net deferred tax liabilities held on balance sheet.

The proposed further reductions of the main rate of corporation tax by 1 per cent per year to 23 per cent by 1 April 2014 are expected to be enacted separately each year. The overall effect of the changes from 26 per cent to 23 per cent, if these applied to the deferred tax balances at 31 March 2011, would be to reduce the deferred tax asset by approximately £1.4 million and deferred tax liabilities by £5.6 million.

Notes to the preliminary financial statements (continued)

7. (Loss) / earnings per share

Basic earnings per share is calculated by dividing the (loss)/earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The calculation of the statutory and adjusted basic and diluted earnings per share is as follows:

	Year ended 31 March 2011	Restated 15 months to 31 March 2010
Number of shares:	Number million	Number million
Weighted average number of ordinary shares for the purpose of basic (loss) / earnings per share	255	166
Dilution impact of share warrants and options	2	1
Diluted number of ordinary shares for the purpose of diluted (loss) / earnings per share	257	167
Earnings:	£'000	£'000
Loss after tax from continuing operations	(11,802)	(14,628)
Minority interest	62	150
Loss for the period attributable to equity holders of the parent in respect of continuing operations	(11,864)	(14,778)
Profit / (loss) for the period attributable of equity holders of the parent in respect of discontinued operations	4,177	(2,855)
Basic earnings / (loss) per share:	pence	pence
From continuing operations	(4.65)	(8.90)
From discontinued operations	1.64	(1.72)
	(3.01)	(10.62)
Diluted (loss) / earnings per share:	pence	pence
From continuing operations	(4.65)	(8.90)
From discontinued operations	1.63	(1.72)
	(3.02)	(10.62)

Notes to the preliminary financial statements (continued)

7. (Loss) / earnings per share (continued)

The adjusted basic and diluted earnings per share from continuing operations is calculated on the same share base after taking into account the adjustments as described below:

	Year ended 31 March 2011	Restated 15 months to 31 March 2010
Adjusted earnings	£'000	£'000
Loss for the period attributable to equity holders of the parent in respect of continuing operations	(11,864)	(14,778)
Add:		
Net exceptional operating costs	10,394	9,291
Share based payment costs	554	211
Amortisation of intangible assets (excluding software)	41,332	19,906
Income tax charge attributable to minority interests	(33)	24
Less:		
Income tax credit	(7,944)	(5,004)
Adjusted earnings before tax	32,439	9,650
Tax on the above	(7,460)	(2,847)
Adjusted earnings for the period after tax	24,979	6,803
Adjusted earnings per share	pence	pence
Basic earnings per share based on adjusted earnings	9.80	4.10
Diluted earnings per share based on adjusted earnings	9.72	4.07

8. Goodwill

	£'000
Cost and net book amount	
At 1 January 2009	-
Business combinations	58,830
At 31 March 2010 (Restated)	58,830
At 1 April 2010	58,830
Business combinations:	
current year	35,925
acquisition of minority interest	40
prior period	87
At 31 March 2011	94,882

In accordance with IAS 36, goodwill is not amortised, but is reviewed annually for indications of impairment or more frequently if there are indications that it may be impaired. Goodwill has been allocated to cash generating units ("CGU") as follows for impairment testing:

	31 March 2011 £'000	Restated 31 March 2010 £'000
Daisy Retail	74,554	50,932
Daisy Wholesale	13,602	5,682
Daisy Distribution	6,726	2,216
	94,882	58,830

Notes to the preliminary financial statements (continued)

8. Goodwill (continued)

Testing for impairment is performed by allocating goodwill to the relevant CGU and assessing the recoverable amount for each CGU based on value in use calculations. These calculations use cash flow projections derived from the most recent three year financial plans approved by the board. Revenue growth rates are based on past experience and management's expectation of future changes in the Group's business and markets.

Cash flows beyond three years for the CGUs to which individually significant amounts of goodwill were allocated were extrapolated using a 2.0% growth rate, which does not exceed the expected long-term growth rate in the United Kingdom, the principle market of the Group.

Pre-tax discount rates of 10.0%, derived from the Group's weighted average cost of capital, have been used in discounting the projected cash flows and calculating the terminal value at the end of year three. This discount rate reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs.

Based on the results of the current period impairment review, no impairment charges have been recognised by the Group in the year ended 31 March 2011 (2010: £nil). Having assessed the anticipated future cash flows the directors do not consider there to be any reasonably possible changes in assumptions that would lead to such an impairment charge in the year ended 31 March 2011.

9. Other intangible assets

	Customer lists £'000	Computer software £'000	Supplier relationships £'000	Licences £'000	Total £'000
Cost					
At 1 January 2009	85	-	-	-	85
Acquisitions through business combinations	181,025	2,346	3,570	69	187,010
Additions	1,079	386	-	-	1,465
Disposal of subsidiaries	(85)	-	-	-	(85)
At 31 March 2010	182,104	2,732	3,570	69	188,475
At 1 April 2010	182,104	2,732	3,570	69	188,475
Acquisitions through business combinations	93,209	-	-	79	93,288
Additions	10,235	982	-	4	11,221
Disposals	-	-	-	(15)	(15)
At 31 March 2011	285,548	3,714	3,570	137	292,969
Amortisation and impairment					
At 1 January 2009	21	-	-	-	21
Amortisation for the period	18,691	600	1,238	11	20,540
Disposal of subsidiaries	(54)	-	-	-	(54)
At 31 March 2010	18,658	600	1,238	11	20,507
At 1 April 2010	18,658	600	1,238	11	20,507
Amortisation for the year	39,526	1,065	1,785	21	42,397
At 31 March 2011	58,184	1,665	3,023	32	62,904
Net book amount					
At 1 January 2009	64	-	-	-	64
At 31 March 2010	163,446	2,132	2,332	58	167,968
At 31 March 2011	227,364	2,049	547	105	230,065

Notes to the preliminary financial statements (continued)

9. Other intangible assets (continued)

Customer list additions for the year include £8.1 million in respect of a customer base acquired from Telstra. £1.2 million of the total cash consideration is included within current liabilities as deferred consideration at 31 March 2011. Other intangible additions can be reconciled to the cash flow statement as follows:

	Year ended 31 March 2011 £'000	15 months to 31 March 2010 £'000
Additions	11,221	1,465
Deferred consideration:		
Current year additions	(1,163)	-
Prior period pre acquisition	637	-
Transaction fees	94	-
Cash outflow	10,789	1,465

The prior period deferred consideration relates to payments for a customer base that Daisy Communications Limited acquired prior to it becoming part of the Daisy Group.

All amortisation above is included within operating costs and is disclosed separately on the face of the income statement. Employee costs totalling £0.5 million (2010: £0.2 million) have been capitalised within the computer software additions above.

Notes to the preliminary financial statements (continued)

10. Disposal groups classified as held for sale and discontinued operations

a) Disposal groups classified as held for sale

	£'000
At 1 January 2009	-
Transfer from investments in joint ventures	4,211
Intercompany funding	680
At 31 March 2010	4,891
At 1 April 2010	4,891
Intercompany funding	1,114
Provision for further funding	2,210
Disposal of operations	(8,215)
At 31 March 2011	-

During the year the Group disposed of its WiMAX spectrum licences, which were held by the subsidiary undertakings of Freedom4 Limited, for a cash consideration of £12.5 million. At 31 March 2011 the trade had ceased. Funding by the Group during the year, together with a provision for further funding has resulted in a profit on disposal as follows:

	£'000
Proceeds	12,500
Less:	
Costs associated with the disposal	(108)
Disposal of operations	(8,215)
Profit on disposal	4,177

The provision for further funding includes an estimated £1.3 million corporation tax liability.

b) Discontinued operations

Discontinued operations comprise Freedom4 Limited, its subsidiary undertakings and Freedom4 WiFi Limited which was sold in the prior period as detailed in note 4.

	Year ended 31 March 2011 £'000	15 months to 31 March 2010 £'000
Revenue	-	82
Expenses	-	(405)
Share of losses of joint venture	-	(2,480)
Loss after tax of discontinued operations	-	(2,803)
Profit / (loss) on disposal	4,177	(52)
Profit / (loss) for the period from discontinued operations	4,177	(2,855)

The information presented in the consolidated cash flow statement is the total cash flow arising from the Group's operations. Cash flow in respect of discontinued operations is as follows:

	Year ended 31 March 2011 £'000	15 months to 31 March 2010 £'000
Net cash used in operating activities	-	(3)
Net cash generated / (used) in investing activities	11,278	(1,378)
	11,278	(1,381)

Notes to the preliminary financial statements (continued)

11. Borrowings

	31 March 2011 £'000	31 March 2010 £'000
Non-current		
Bank borrowings	93,500	-
Unamortised fees associated with bank borrowings	(2,172)	-
Finance lease liabilities	93	451
	91,421	451
Current		
Bank overdrafts	-	16,106
Bank borrowings	-	11,273
Unamortised fees associated with bank borrowings	-	(134)
Finance lease liabilities	345	626
	345	27,871

The carrying value of the Group's external borrowings, which consist of floating rate and fixed rate borrowings, approximates to fair value. All of the Group's borrowings are denominated in sterling.

a) Bank facilities

During the year the Group entered into a floating rate revolving credit facility for £100.0 million together with a £15.0 million floating rate term loan. The facilities expire on 30 June 2013 and are syndicated by Yorkshire Bank, HSBC Bank plc, Lloyds TSB Bank plc and Barclays Bank plc. Both facilities are secured by way of a charge over shares in the Group's subsidiary undertakings. The facilities have principally been arranged to refinance the existing indebtedness of the Group and to fund investment in new acquisitions. Interest on the facilities is being charged at floating rates of interest of 2.75% above LIBOR as that rate fluctuates.

Covenants based on leverage and interest cover are tested on a quarterly basis. The Group has passed all covenant tests to date.

The Group has entered into derivative transactions in the form of interest rate cap arrangements. The purpose of this is to manage the interest rate risk arising from the Group's operations and its sources of finance.

The Group had £21.5 million of unutilised bank borrowing facilities at 31 March 2011 (2010 £nil). At the balance sheet date the Group also had a £10.0 million overdraft facility for working capital purposes which expired on 30 April 2011. None of the facility was utilised at the year end (2010 £3.9 million unutilised overdraft facility).

b) Finance lease liabilities

Amounts due under finance leases and hire purchase contracts are payable as follows:

	31 March 2011 £'000	31 March 2010 £'000
Gross finance lease liabilities - minimum lease payments		
Within 1 year	387	726
Between 1 and 5 years	108	560
	495	1,286
Future finance charges on finance leases	(57)	(209)
Present value of finance lease liabilities	438	1,077
The present value of finance lease liabilities is as follows:		
Within 1 year	345	626
Between 1 and 5 years	93	451
	438	1,077

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Notes to the preliminary financial statements (continued)

12. Cash flow statement

	Year ended 31 March 2011 £'000	Restated fifteen month period ended 31 March 2010 £'000
Loss for the period	(7,625)	(17,483)
(Profit) / loss from disposal of discontinued operations	(4,177)	52
Income tax credit	(7,944)	(5,004)
Loss arising on joint venture	-	12
Interest receivable	(116)	(2,117)
Interest payable	4,055	776
Operating loss	(15,807)	(23,764)
Adjustments for:		
Depreciation charge	3,115	1,964
Share of loss of joint venture	-	2,468
Direct acquisition costs	2,213	3,848
Re-measurement of contingent consideration	(1,869)	-
Amortisation of intangible assets	42,397	20,540
Negative goodwill	-	(6,184)
Profit on disposal of subsidiary undertakings	(128)	-
Loss on sale of property, plant and equipment	414	-
Share based payment costs	498	211
Operating cash flows before movements in working capital	30,833	(917)
(Increase) / decrease in inventories	(510)	598
Decrease / (increase) in receivables	2,456	(2,992)
(Decrease) / increase in payables	(3,278)	2,321
Increase / (decrease) in provisions	219	(579)
Cash generated / (used) from operations	29,720	(1,569)
Interest element of finance lease repayments	(74)	(50)
Income taxes (paid) / received	(1,897)	20
Net cash generated / (used) from operating activities	27,749	(1,599)