



## Daisy Group plc

### Unaudited interim results for the 6 months ended 30 September 2011

Daisy Group plc (AIM: DAY), a leading provider of unified business communications services, is pleased to announce its unaudited interim results for the half year ended 30 September 2011.

<b>Summary</b>	<b>Unaudited 6 months ended 30 Sep 11 £million</b>	<b>Unaudited 6 months ended 30 Sep 10 £million</b>
<b>Results from continuing operations</b>		
Revenue	176.0	120.0
Adjusted EBITDA*	26.6	16.1
Basic EPS on adjusted profit (pence)	6.6	4.3
Operating loss	(6.1)	(8.3)
Basic EPS (pence)	(2.0)	(2.3)
Net cash generated from operating activities	13.1	10.2
Net debt**	(79.7)	(3.8)

#### Financial highlights

- Significant growth in revenue, adjusted EBITDA and basic EPS on adjusted profit.
- Free cash flow\*\*\* of £16.9m (2010: £11.2m).
- Reduction in operating losses.

#### Operational highlights

- Organic revenue growth achieved.
- All 2010 and 2011 acquisitions now integrated.
- Progress in cross-selling our unified product portfolio to our SME and mid-market customer base.

#### Outlook

- Confident in meeting full year expectations, despite difficult macro-economic environment.
- Expect continued organic revenue growth and further strong cash conversion.
- The board will continue to consider strategic acquisitions that provide clear value for shareholders.

\*Adjusted EBITDA is the operating result from continuing operations before amortisation, depreciation, net exceptional operating items and share-based payment charges.

\*\*Net debt is stated after adjusting for unamortised bank borrowing fees.

\*\*\*Free cash flow is cash generated from operations after the purchase of both tangible and intangible assets, and adjusting for net interest and specific items including exceptional items and working capital movements directly linked with acquisitions.

**Matthew Riley, CEO of Daisy, commented:**

“We are pleased to report the results for this period, which have seen a healthy increase in market share, plus revenue and profit growth across all divisions and product areas, in spite of the difficult macro-economic environment.

“The business has continued to demonstrate strong cash generation and with all acquisitions integrated, significant synergies have been achieved.

“With an improvement in its revenue mix, the Group has continued to decrease reliance on traditional fixed lines and calls, with an increased proportion of revenues from its mobile, systems and data product sets.

“The business is focused on driving further organic growth and continues to consider strategic acquisitions that provide clear value for shareholders. Notwithstanding the current economic climate, we are confident for the second half of the year.”

**- ends -**

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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](http://www.daisygroupplc.com)

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# CHAIRMAN'S STATEMENT

## OVERVIEW

The 6 month period ended 30 September 2011 has seen the Group continuing to make progress towards its stated aim of being one of the largest providers of unified communications services in the UK to the SME and mid-market sector.

The Group acquired the trade and assets of Telinet in April 2011, which together with all prior year acquisitions, have been successfully integrated.

Revenues have increased by 47% to £176.0 million and adjusted EBITDA (operating result before depreciation, amortisation, share-based payments and net exceptional operating items) by 65% to £26.6 million. In addition the Group has continued to generate strong operating cash flows.

## ACQUISITIONS AND DISPOSALS

On 15 April 2011 the Group completed the acquisition of the trade and assets of Telinet Limited and certain trade and assets of Ipitomi Limited (together "Telinet") for cash consideration of £15.1 million. Telinet supplies telephone systems, unified communications, connectivity, presence and collaboration solutions to a mid-market customer base.

On 29 July 2011 the Group disposed of its 50% shareholding in NT Independent Networks Limited for a cash consideration of £0.1 million. This resulted in a profit on disposal of £0.1 million and has been included within net exceptional operating income. Revenue for the period up to disposal was £0.6 million.

## BOARD CHANGES

I would like to take this opportunity to welcome Steve Smith to the board of Daisy Group. Steve was appointed as Corporate Development Director of Daisy Group in 2009 and has been instrumental in the Group's acquisition and disposal program. Steve was appointed to the board as Chief Financial Officer on 28 June 2011 and will be a key asset to the board throughout Daisy Group's next phase of growth.

On 28 June 2011 Anthony Riley decided to step down as Chief Financial Officer to pursue other interests. On behalf of the board, I would like to thank Anthony for his significant contribution to the Company's development and growth since 2009 and wish him well for the future.

## OPERATIONAL REVIEW

The Group now offers a diverse product set to our retail and wholesale customers, with contribution to Group revenues as follows:

Product segment	6 months to 30 September 2011		6 months to 30 September 2010	
	£million	% of total	£million	% of total
Networks	73.8	42%	57.1	48%
Data	33.5	19%	22.4	19%
Mobile	51.2	29%	29.5	24%
Systems	17.5	10%	11.0	9%
	<b>176.0</b>	<b>100%</b>	<b>120.0</b>	<b>100%</b>

Revenues and profitability have increased across all of our divisions and product segments, largely as a result of integration of the businesses acquired during the previous 12 months.

The Retail division has increased revenues to £128.0 million from £89.5 million in the comparative period. This represents 72.7% of Group revenues (2010: 74.6%). The fastest growing product segment has been Mobile (131% increase), reflecting the substantial connections, sales and operational expertise that we gained from the Spiritel and Outsourcery acquisitions.

The Wholesale division has seen growth in revenues to £23.8 million from £12.5 million following the integration of the Murphx data business, the acquisition of O-Bit, and also the introduction of the mobile solutions product set.

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## **CHAIRMAN'S STATEMENT (continued)**

### **OPERATIONAL REVIEW (continued)**

Our Distribution division continues to perform strongly in its market place, showing growth in revenues to £24.2 million from £18.0 million as the operational benefits from acquiring its major competitor, Fone Logistics, are now being realised. The results to 30 September 2011 include a full 6 months trading for Fone logistics compared to 4 months for the comparative half year.

### **FINANCIAL REVIEW**

The significant increase in Group revenues of 47% to £176.0 million (2010: £120.0 million), reflects the impact of the Group's acquisitions through 2010 and the early part of 2011.

Whilst there have been certain regulatory and market factors impacting pricing, our margin management has been robust and we have continued to focus on eliminating cost inefficiencies where appropriate. The result of these management efforts together with our acquisition activity has been to show an increase in adjusted EBITDA to £26.6 million (2010: £16.1 million).

Amortisation of intangible assets has increased to £30.8 million (2010: £18.1 million) relating primarily to the customer lists acquired from our 16 acquisitions since the reverse takeover in 2009. These customer lists have been valued on the basis of expected future discounted cash flows and are being written down over periods from 3 to 7 years.

The Group continues to have low capital expenditure requirements relative to network carriers, reflected in our low depreciation charge of £1.8 million (2010: £1.4 million).

Net exceptional operating income amounted to £0.4 million (2010: costs of £4.5 million). This income relates to the release of a £3.2 million provision for contingent consideration in respect of the acquisitions of Managed Communications Limited and O-Bit Telecom Limited, offset by costs relating to the acquisition and integration activity of the Group.

Net finance costs for the period were £2.8 million (2010: £1.5 million). The term loan and revolving credit facilities of £115 million have been substantially drawn down following the acquisition activity through 2010 and 2011. Our facilities of £115 million provide a comfortable level of headroom against our net debt position at 30 September 2011 of £78.0 million (2010: £2.2 million).

Loss before tax from continuing operations was £8.9 million (2010: £9.8 million). This loss before tax gives rise to an income tax credit of £3.8 million (2010: £4.1 million), resulting in a loss after tax of £5.1 million (2010: profit of £1.0 million). The comparative period profit after tax of £1.0 million was stated after taking credit for a profit on disposal of Wimax licences of £6.7 million.

Net cash generated from operating activities in the period was £13.1 million (2010: £10.2 million). Free cash flow (cash generated from operations after the purchase of both tangible and intangible assets, and adjusting for net interest and specific items including exceptional items and working capital movements directly linked with acquisitions) in the period was £16.9m (2010: £11.2m).

### **OUTLOOK**

The Group is focussed on driving further organic growth through cross-sell opportunities across its customer base. Whilst the level of acquisition activity has declined, we will continue to investigate strategic acquisitions that provide clear shareholder value.

Against the background of the current economic climate the board remains confident of meeting full year market expectations.

**PETER DUBENS**  
**EXECUTIVE CHAIRMAN**  
**30 November 2011**

## CONSOLIDATED INCOME STATEMENT

	Note	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year ended 31 March 2011 £'000
<b>Revenue</b>	3	175,984	119,973	266,316
Cost of sales		(108,492)	(73,745)	(162,773)
<b>Gross profit</b>	3	<b>67,492</b>	<b>46,228</b>	<b>103,543</b>
Operating costs		(73,617)	(54,558)	(119,350)
<b>Operating loss</b>		<b>(6,125)</b>	<b>(8,330)</b>	<b>(15,807)</b>
<b>Adjusted EBITDA</b>	3	<b>26,590</b>	<b>16,076</b>	<b>40,653</b>
Amortisation of intangible assets	9	(30,774)	(18,147)	(42,397)
Depreciation		(1,803)	(1,436)	(3,115)
Net exceptional operating income / (costs)	5	375	(4,513)	(10,394)
Share-based payment costs		(513)	(310)	(554)
<b>Operating loss</b>	3	<b>(6,125)</b>	<b>(8,330)</b>	<b>(15,807)</b>
Finance income		185	41	116
Finance costs		(2,987)	(1,551)	(4,055)
<b>Net finance expense</b>		<b>(2,802)</b>	<b>(1,510)</b>	<b>(3,939)</b>
<b>Loss before tax</b>		<b>(8,927)</b>	<b>(9,840)</b>	<b>(19,746)</b>
Income tax credit		3,779	4,078	7,944
<b>Loss from continuing operations</b>		<b>(5,148)</b>	<b>(5,762)</b>	<b>(11,802)</b>
<b>Profit from discontinued operations</b>		<b>-</b>	<b>6,716</b>	<b>4,177</b>
<b>(Loss) / profit after tax</b>		<b>(5,148)</b>	<b>954</b>	<b>(7,625)</b>
<b>Attributable to:</b>				
Equity shareholders of the parent		(5,137)	870	(7,687)
Minority interests		(11)	84	62
<b>(Loss) / profit after tax</b>		<b>(5,148)</b>	<b>954</b>	<b>(7,625)</b>
<b>(Loss)/earnings per share (pence)</b>				
<b>Basic (loss)/earnings per share :</b>				
From continuing operations		(2.01)	(2.29)	(4.65)
From discontinued operations		-	2.63	1.64
	6	<b>(2.01)</b>	<b>0.34</b>	<b>(3.01)</b>
<b>Diluted (loss)/earnings per share :</b>				
From continuing operations		(2.01)	(2.29)	(4.65)
From discontinued operations		-	2.61	1.63
	6	<b>(2.01)</b>	<b>0.32</b>	<b>(3.02)</b>

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

## CONSOLIDATED BALANCE SHEET

		Unaudited	Restated*	
		30 September 2011	30 September 2010	31 March 2011
	Note	£'000	£'000	£'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	8	96,189	69,779	94,882
Other intangible assets	9	216,123	171,920	230,065
Property, plant and equipment		7,305	6,247	7,940
Deferred tax asset		13,201	10,537	12,222
		<b>332,818</b>	<b>258,483</b>	<b>345,109</b>
<b>Current assets</b>				
Inventories		3,144	1,603	2,344
Trade and other receivables		68,425	42,035	58,170
Cash and cash equivalents		32,949	21,874	27,767
		<b>104,518</b>	<b>65,512</b>	<b>88,281</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	10	(112,115)	(82,875)	(118,609)
Current tax liability		(2,163)	(2,378)	(1,666)
Borrowings	11	(147)	(499)	(345)
Provisions		(756)	(924)	(815)
		<b>(115,181)</b>	<b>(86,676)</b>	<b>(121,435)</b>
<b>Net current liabilities</b>		<b>(10,663)</b>	<b>(21,164)</b>	<b>(33,154)</b>
<b>Non-current liabilities</b>				
Borrowings	11	(110,848)	(23,585)	(91,421)
Provisions		(2,578)	(3,707)	(2,774)
Deferred tax liability		(43,719)	(31,025)	(48,701)
Other non-current liabilities		-	(1,941)	(615)
		<b>(157,145)</b>	<b>(60,258)</b>	<b>(143,511)</b>
<b>NET ASSETS</b>		<b>165,010</b>	<b>177,061</b>	<b>168,444</b>
<b>Equity attributable to the equity holders of the parent</b>				
Share capital	12	5,339	5,294	5,294
Share premium reserve	12	89,868	88,040	88,040
Share merger reserve	12	83,500	83,500	83,500
Other reserves		1,490	1,490	1,490
Retained earnings		(15,346)	(2,010)	(10,227)
		<b>164,851</b>	<b>176,314</b>	<b>168,097</b>
Minority interests		159	747	347
<b>TOTAL EQUITY</b>		<b>165,010</b>	<b>177,061</b>	<b>168,444</b>

\*See note 2 - "Business Combinations" for details of the restatement.

## 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
	Note 12							
At 1 April 2010	5,261	86,743	83,500	1,490	(1,892)	175,102	744	175,846
Share-based payments	-	-	-	-	292	292	-	292
Share issue to employee benefit trust	33	1,297	-	-	(1,330)	-	-	-
Shares exercised from employee benefit trust	-	-	-	-	50	50	-	50
Business combinations	-	-	-	-	-	-	(23)	(23)
Disposal of subsidiary undertakings	-	-	-	-	-	-	(58)	(58)
Profit for the period	-	-	-	-	870	870	84	954
<b>At 30 September 2010 (restated)</b>	<b>5,294</b>	<b>88,040</b>	<b>83,500</b>	<b>1,490</b>	<b>(2,010)</b>	<b>176,314</b>	<b>747</b>	<b>177,061</b>
At 1 October 2010	5,294	88,040	83,500	1,490	(2,010)	176,314	747	177,061
Share-based payments	-	-	-	-	206	206	-	206
Shares exercised from employee benefit trust	-	-	-	-	134	134	-	134
Disposal of subsidiary undertakings	-	-	-	-	-	-	(378)	(378)
Loss for the period	-	-	-	-	(8,557)	(8,557)	(22)	(8,579)
<b>At 31 March 2011</b>	<b>5,294</b>	<b>88,040</b>	<b>83,500</b>	<b>1,490</b>	<b>(10,227)</b>	<b>168,097</b>	<b>347</b>	<b>168,444</b>
At 1 April 2011	5,294	88,040	83,500	1,490	(10,227)	168,097	347	168,444
Share-based payments	-	-	-	-	429	429	-	429
Share issue to employee benefit trust	22	851	-	-	(873)	-	-	-
Shares exercised from employee benefit trust	-	-	-	-	462	462	-	462
Share issue	23	977	-	-	-	1,000	-	1,000
Disposal of subsidiary undertakings	-	-	-	-	-	-	(177)	(177)
Loss for the period	-	-	-	-	(5,137)	(5,137)	(11)	(5,148)
<b>At 30 September 2011</b>	<b>5,339</b>	<b>89,868</b>	<b>83,500</b>	<b>1,490</b>	<b>(15,346)</b>	<b>164,851</b>	<b>159</b>	<b>165,010</b>

## CONSOLIDATED CASH FLOW STATEMENT

		Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year ended 31 March 2011 £'000
	Note			
<b>Net cash generated from operating activities</b>	13	<b>13,081</b>	<b>10,224</b>	<b>27,749</b>
<b>Cash flows from investing activities</b>				
Business combinations, net of cash acquired	4	(20,335)	(6,805)	(78,531)
Payment to acquire intangible assets		(3,870)	(7,262)	(10,789)
Proceeds from the sale of intangible assets		-	-	15
Proceeds from disposal of assets held by discontinued operations		-	12,433	12,392
Investment in discontinued operations / joint venture		(501)	(826)	(1,114)
Purchase of property, plant and equipment		(1,309)	(1,091)	(2,489)
Proceeds from sale of property, plant and equipment		147	84	123
Net cash (outflow) / inflow from sale of subsidiaries		(142)	104	(624)
Interest received		185	41	116
<b>Net cash used in investing activities</b>		<b>(25,825)</b>	<b>(3,322)</b>	<b>(80,901)</b>
<b>Cash flows from financing activities</b>				
Proceeds from the exercise of share options		462	50	184
Proceeds from issuance of ordinary shares	12	1,000	-	-
Proceeds from bank borrowings net of fees		18,928	33,186	100,782
Repayment of borrowings		-	(21,273)	(21,273)
Interest paid		(2,218)	(544)	(2,063)
Payment of finance lease liabilities		(246)	(375)	(639)
<b>Net cash generated from financing activities</b>		<b>17,926</b>	<b>11,044</b>	<b>76,991</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,182</b>	<b>17,946</b>	<b>23,839</b>
<b>Cash and cash equivalents at the start of the period</b>		<b>27,767</b>	<b>3,928</b>	<b>3,928</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>32,949</b>	<b>21,874</b>	<b>27,767</b>

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## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 1. Basis of preparation

The condensed consolidated interim financial information ("interim financial information") does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006.

Statutory accounts for the year ended 31 March 2011 were approved by the board of directors on 27 June 2011 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain any emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The unaudited interim financial information has been prepared in accordance with IAS 34 "Interim financial reporting" as adopted by the European Union. Comparatives for the year ended 31 March 2011 have been extracted from the audited statutory accounts.

### 2. Accounting policies

Except as described below, the accounting policies are consistent with those of the financial statements for the year ended 31 March 2011:

#### *Income tax*

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### *Business combinations*

In the financial statements for the year ended 31 March 2011, comparative figures for the 15 months to 31 March 2010 were restated for the impact of IFRS3 (revised) "Business combinations". The reported interim balance sheet at 30 September 2010 did not reflect the accounting policy change for the 9 months to 30 September 2009. Consequently the balance sheet at 30 September 2010 has been restated by reducing both goodwill and retained earnings by £3.5 million.

The main impact of the change in accounting policy is that acquisition-related costs are expensed as opposed to being included in the cost of investment. In addition, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent consideration subsequently re-measured through the income statement as opposed to re-measurement against the cost of investment.

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## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 3. Segment information

The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group board of directors. Operating segments are determined on the basis of the reports reviewed by the CODM.

#### 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 operating result before depreciation, amortisation, share based payments and net exceptional operating items ("adjusted EBITDA").

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

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 INTERIM FINANCIAL INFORMATION (continued)

### 3. Segment information (continued)

The unaudited segment information for the 6 months to 30 September 2011 is as follows:

	Daisy Retail £'000	Daisy Wholesale £'000	Daisy Distribution £'000	Central costs £'000	Continuing operations £'000
Networks	59,087	14,723	-	-	73,810
Data	24,713	11,105	-	-	35,818
Systems	17,491	-	-	-	17,491
Mobile	26,697	301	25,982	-	52,980
<b>Total segment revenue</b>	<b>127,988</b>	<b>26,129</b>	<b>25,982</b>	-	<b>180,099</b>
Inter segment revenue	-	(2,375)	(1,740)	-	(4,115)
<b>External revenue</b>	<b>127,988</b>	<b>23,754</b>	<b>24,242</b>	-	<b>175,984</b>
Networks	25,624	2,362	-	-	27,986
Data	10,135	2,782	-	-	12,917
Systems	11,513	-	-	-	11,513
Mobile	10,030	17	5,029	-	15,076
<b>Total segment gross profit</b>	<b>57,302</b>	<b>5,161</b>	<b>5,029</b>	-	<b>67,492</b>
<b>Adjusted EBITDA</b>	<b>22,843</b>	<b>1,510</b>	<b>3,280</b>	<b>(1,043)</b>	<b>26,590</b>
Amortisation	(26,827)	(3,947)	-	-	(30,774)
Depreciation	(1,675)	(111)	(17)	-	(1,803)
Net exceptional operating (costs) / income	(903)	2,051	-	(773)	375
Share-based payments	-	-	-	(513)	(513)
<b>Operating (loss) / profit</b>	<b>(6,562)</b>	<b>(497)</b>	<b>3,263</b>	<b>(2,329)</b>	<b>(6,125)</b>
<b>Total assets</b>	<b>332,948</b>	<b>47,256</b>	<b>23,969</b>	<b>33,163</b>	<b>437,336</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 3. Segment information (continued)

The unaudited segment information for the 6 months to 30 September 2010 is as follows:

	Daisy Retail £'000	Daisy Wholesale £'000	Daisy Distribution £'000	Central costs £'000	Continuing operations £'000
Networks	49,152	7,953	-	-	57,105
Data	17,792	4,877	-	-	22,669
Systems	10,972	-	-	-	10,972
Mobile	11,542	-	17,967	-	29,509
<b>Total segment revenue</b>	<b>89,458</b>	<b>12,830</b>	<b>17,967</b>	-	<b>120,255</b>
Inter segment revenue	-	(282)	-	-	(282)
<b>External revenue</b>	<b>89,458</b>	<b>12,548</b>	<b>17,967</b>	-	<b>119,973</b>
Networks	20,787	1,518	-	-	22,305
Data	8,802	1,176	-	-	9,978
Systems	7,538	-	-	-	7,538
Mobile	3,164	-	3,243	-	6,407
<b>Total segment gross profit</b>	<b>40,291</b>	<b>2,694</b>	<b>3,243</b>	-	<b>46,228</b>
<b>Adjusted EBITDA</b>	<b>14,386</b>	<b>2,234</b>	<b>1,486</b>	<b>(2,030)</b>	<b>16,076</b>
Amortisation	(16,082)	(2,059)	(6)	-	(18,147)
Depreciation	(1,297)	(124)	(15)	-	(1,436)
Net exceptional operating costs	(2,382)	(54)	(636)	(1,441)	(4,513)
Share-based payments	-	-	-	(310)	(310)
<b>Operating (loss) / profit</b>	<b>(5,375)</b>	<b>(3)</b>	<b>829</b>	<b>(3,781)</b>	<b>(8,330)</b>
<b>Total assets</b>	<b>241,579</b>	<b>43,903</b>	<b>16,412</b>	<b>22,101</b>	<b>323,995</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 3. Segment information (continued)

The audited 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
<b>Total segment revenue</b>	<b>196,578</b>	<b>34,295</b>	<b>38,101</b>	-	<b>268,974</b>
Inter segment revenue	-	(2,658)	-	-	(2,658)
<b>External revenue</b>	<b>196,578</b>	<b>31,637</b>	<b>38,101</b>	-	<b>266,316</b>
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
<b>Total segment gross profit</b>	<b>88,770</b>	<b>7,364</b>	<b>7,409</b>	-	<b>103,543</b>
<b>Adjusted EBITDA</b>	<b>37,294</b>	<b>3,688</b>	<b>3,890</b>	<b>(4,219)</b>	<b>40,653</b>
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)
<b>Operating (loss) / profit</b>	<b>(11,084)</b>	<b>(1,336)</b>	<b>3,109</b>	<b>(6,496)</b>	<b>(15,807)</b>
<b>Total assets</b>	<b>338,466</b>	<b>48,012</b>	<b>19,016</b>	<b>27,896</b>	<b>433,390</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 4. Business combinations

On 15 April 2011, the Group acquired the trade and assets of Telinet Limited and certain trading assets of Ipitomi Limited (together "Telinet"). Cash consideration of £15.1 million was paid, which included a £3.0 million payment into an escrow account. It is expected that £0.9 million, which is recorded in trade and other receivables at 30 September 2011, will be recovered from escrow based on the levels of customer churn in accordance with the sale and purchase agreement.

Telinet supplies telephone systems, unified communications, connectivity, presence and collaboration solutions to a mid-market customer base.

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

	Note	Carrying amount at acquisition £'000	Fair value adjustments £'000	Net assets acquired £'000
Intangible assets	9	-	14,617	14,617
Deferred tax asset		-	511	511
Inventories		197	-	197
Trade and other receivables		3,094	-	3,094
Trade and other payables		(5,640)	-	(5,640)
<b>Net assets acquired</b>		<b>(2,349)</b>	<b>15,128</b>	<b>12,779</b>
Goodwill	8			1,456
<b>Purchase consideration</b>				<b>14,235</b>

The goodwill is attributable to the cost synergies and cross-selling opportunities that are expected to be achieved from integrating the business into the Group.

The fair value adjustments in respect of intangible assets relate to customer lists in acquired businesses.

Included within trade and other receivables are gross trade debtors of £2.1 million with provisions for non-collection totalling £0.3 million.

Cash flows arising from the acquisition were as follows:

	Note	£'000
Purchase consideration		14,235
Amounts held in escrow		900
Direct acquisition costs	5	380
<b>Cash outflow</b>		<b>15,515</b>

The cash flow from the Telinet acquisition can be reconciled to the cash flow statement as follows:

	£'000
Telinet acquisition	15,515
Deferred and contingent consideration in respect of prior period business combinations	4,820

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## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

Cash outflow from business combinations 20,335

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### 4. Business combinations (continued)

Telinet contributed revenue, adjusted EBITDA and net profit before tax of £9.3 million, £1.8 million and £0.01 million respectively.

### 5. Net exceptional operating (income) / costs

	Unaudited 6 months to 30 September 2011	Unaudited 6 months to 30 September 2010	Audited Year ended 31 March 2011
Note	£'000	£'000	£'000
Employee related restructuring costs	773	800	3,159
Other restructuring costs	1,820	3,376	7,019
Re-measurement of contingent consideration	(3,231)	50	(1,869)
Disposal of subsidiary undertakings	(117)	(268)	(128)
Costs directly relating to acquisitions	4	380	2,213
	<b>(375)</b>	<b>4,513</b>	<b>10,394</b>

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Employee related and other restructuring costs principally comprise redundancy and other costs associated with integrating newly acquired businesses into the Group.

The remaining contingent consideration, totalling £1.1 million, in respect of the acquisition of Managed Communications Limited, has been released to the income statement in the period as no further amounts are payable to the vendors. In addition, contingent consideration of £2.1 million has been released in respect of the acquisition of O-Bit Telecom Limited.

On 29 July 2011 the Group disposed of its 50% shareholding in NT Independent Network Limited for a cash consideration of £0.1 million. This resulted in a profit on disposal of £0.1 million.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 6. (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:

	Unaudited 6 months to 30 September 2011	Unaudited 6 months to 30 September 2010	Audited Year ended 31 March 2011
<b>Number of shares:</b>	<b>Number million</b>	<b>Number million</b>	<b>Number million</b>
Weighted average number of ordinary shares for the purpose of basic (loss) / earnings per share	256	255	255
Dilution impact of share warrants and options	2	2	2
<b>Diluted number of ordinary shares for the purpose of diluted (loss) / earnings per share</b>	<b>258</b>	<b>257</b>	<b>257</b>
<b>Earnings:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loss after tax from continuing operations	(5,148)	(5,762)	(11,802)
Minority interest	(11)	84	62
<b>Loss for the period attributable to equity holders of the parent in respect of continuing operations</b>	<b>(5,137)</b>	<b>(5,846)</b>	<b>(11,864)</b>
<b>Profit for the period attributable to equity holders of the parent in respect of discontinued operations</b>	<b>-</b>	<b>6,716</b>	<b>4,177</b>
<b>Basic (loss) / earnings per share:</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
From continuing operations	(2.01)	(2.29)	(4.65)
From discontinued operations	-	2.63	1.64
	<b>(2.01)</b>	<b>0.34</b>	<b>(3.01)</b>
<b>Diluted (loss) / earnings per share:</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
From continuing operations	(2.01)	(2.29)	(4.65)
From discontinued operations	-	2.61	1.63
	<b>(2.01)</b>	<b>0.32</b>	<b>(3.02)</b>

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## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 6. (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:

	Unaudited 6 months to 30 September 2011	Unaudited 6 months to 30 September 2010	Audited Year ended 31 March 2011
<b>Adjusted earnings</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loss for the period attributable to equity holders of the parent in respect of continuing operations	(5,137)	(5,846)	(11,864)
Add:			
Net exceptional operating (income) / costs	(375)	4,513	10,394
Share-based payment costs	513	310	554
Amortisation of intangible assets (excluding software)	30,063	17,702	41,332
Income tax charge attributable to minority interests	-	(57)	(33)
Less:			
Income tax credit	(3,779)	(4,078)	(7,944)
<b>Adjusted earnings before tax</b>	<b>21,285</b>	<b>12,544</b>	<b>32,439</b>
Tax on the above	(4,390)	(1,670)	(7,460)
<b>Adjusted earnings for the period after tax</b>	<b>16,895</b>	<b>10,874</b>	<b>24,979</b>
<b>Adjusted earnings per share</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
<b>Basic earnings per share based on adjusted earnings</b>	<b>6.60</b>	<b>4.26</b>	<b>9.80</b>
<b>Diluted earnings per share based on adjusted earnings</b>	<b>6.55</b>	<b>4.23</b>	<b>9.72</b>

### 7. Income tax

The taxation credit for the 6 months ended 30 September 2011 comprises corporation tax on profits of the period based on the expected effective tax rate for the full financial year, together with an adjustment to the corporation tax liability in respect of prior periods and a deferred tax credit, relating principally to the amortisation of intangible assets.

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## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 8. Goodwill

	Note	£'000
<b>Cost and net book amount</b>		
At 1 April 2010 (restated)		58,830
Business combinations:		
Current period		10,648
Prior period		261
Acquisition of minority interest		40
<b>At 30 September 2010 (restated)</b>		<b>69,779</b>
At 1 October 2010		69,779
Business combinations:		
Current period		25,277
Prior period		(174)
<b>At 31 March 2011</b>		<b>94,882</b>
At 1 April 2011		94,882
Business combinations:		
Current period	4	1,456
Prior period		(149)
<b>At 30 September 2011</b>		<b>96,189</b>

The prior period adjustment to goodwill comprises a £0.5m reduction to deferred consideration in respect of the acquisition of Outsourcery, offset by £0.4m of additional liabilities in relation to the acquisition of SpiriTel plc.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 9. Other intangible assets

	Note	Customer lists £'000	Computer software £'000	Supplier relationships £'000	Licences £'000	Total £'000
<b>Cost</b>						
At 1 April 2010		182,104	2,732	3,570	69	188,475
Acquisitions through business combinations		12,163	-	-	-	12,163
Adjustment to prior period business combinations		-	(23)	-	-	(23)
Additions		9,649	310	-	-	9,959
<b>At 30 September 2010</b>		<b>203,916</b>	<b>3,019</b>	<b>3,570</b>	<b>69</b>	<b>210,574</b>
At 1 October 2010		203,916	3,019	3,570	69	210,574
Acquisitions through business combinations		81,046	-	-	79	81,125
Additions		586	695	-	4	1,285
Disposals		-	-	-	(15)	(15)
<b>At 31 March 2011</b>		<b>285,548</b>	<b>3,714</b>	<b>3,570</b>	<b>137</b>	<b>292,969</b>
At 1 April 2011		285,548	3,714	3,570	137	292,969
Acquisitions through business combinations	4	14,617	-	-	-	14,617
Additions		1,585	626	-	4	2,215
<b>At 30 September 2011</b>		<b>301,750</b>	<b>4,340</b>	<b>3,570</b>	<b>141</b>	<b>309,801</b>
<b>Amortisation and impairment</b>						
At 1 April 2010		18,658	600	1,238	11	20,507
Amortisation for the period		16,759	482	893	13	18,147
<b>At 30 September 2010</b>		<b>35,417</b>	<b>1,082</b>	<b>2,131</b>	<b>24</b>	<b>38,654</b>
At 1 October 2010		35,417	1,082	2,131	24	38,654
Amortisation for the period		22,767	583	892	8	24,250
<b>At 31 March 2011</b>		<b>58,184</b>	<b>1,665</b>	<b>3,023</b>	<b>32</b>	<b>62,904</b>
At 1 April 2011		58,184	1,665	3,023	32	62,904
Amortisation for the period		29,497	711	547	19	30,774
<b>At 30 September 2011</b>		<b>87,681</b>	<b>2,376</b>	<b>3,570</b>	<b>51</b>	<b>93,678</b>
<b>Net book amount</b>						
At 1 April 2010		163,446	2,132	2,332	58	167,968
At 30 September 2010		168,499	1,937	1,439	45	171,920
At 31 March 2011		227,364	2,049	547	105	230,065
At 30 September 2011		214,069	1,964	-	90	216,123

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 10. Trade and other payables

	Unaudited 30 September 2011 £'000	Unaudited 30 September 2010 £'000	Audited 31 March 2011 £'000
Trade payables	44,804	26,910	40,729
Accruals and deferred income	48,297	34,725	50,106
Social security and other taxes	6,424	4,991	4,969
Deferred consideration	814	4,464	4,256
Contingent consideration	11,515	9,984	18,204
Other payables	261	1,801	345
	<b>112,115</b>	<b>82,875</b>	<b>118,609</b>

### 11. Borrowings

	Unaudited 30 September 2011 £'000	Unaudited 30 September 2010 £'000	Audited 31 March 2011 £'000
<b>Non-current</b>			
Bank borrowings	112,500	25,000	93,500
Unamortised fees associated with bank borrowings	(1,697)	(1,621)	(2,172)
Finance lease liabilities	45	206	93
	<b>110,848</b>	<b>23,585</b>	<b>91,421</b>
<b>Current</b>			
Finance lease liabilities	147	499	345
	<b>147</b>	<b>499</b>	<b>345</b>

Net debt is analysed as follows:

	Unaudited 30 September 2011 £'000	Unaudited 30 September 2010 £'000	Audited 31 March 2011 £'000
Total borrowings	110,995	24,084	91,766
Fees associated with bank borrowings	1,697	1,621	2,172
Less: cash and cash equivalents	(32,949)	(21,874)	(27,767)
<b>Net debt</b>	<b>79,743</b>	<b>3,831</b>	<b>66,171</b>

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## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 12. Share capital

	Number of shares	Share capital £'000	Share premium £'000	Merger reserve £'000
At 1 April 2010	263,043,395	5,261	86,743	83,500
Share issue to the employee benefit trust	1,662,500	33	1,297	-
<b>At 30 September 2010</b>	<b>264,705,895</b>	<b>5,294</b>	<b>88,040</b>	<b>83,500</b>
<b>At 1 October 2010 and 31 March 2011</b>	<b>264,705,895</b>	<b>5,294</b>	<b>88,040</b>	<b>83,500</b>
At 1 April 2011	264,705,895	5,294	88,040	83,500
Share issue to the employee benefit trust	1,092,101	22	851	-
Share issue	1,169,591	23	977	-
<b>At 30 September 2011</b>	<b>266,967,587</b>	<b>5,339</b>	<b>89,868</b>	<b>83,500</b>

During the period 1,169,591 share warrants were exercised. These warrants were issued in August 2009 in part consideration for the acquisition of the trading assets of AT Communications Group plc.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 13. Cash flow statement

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year ended 31 March 2011 £'000
<b>(Loss) / profit for the period</b>	(5,148)	954	(7,625)
Profit on disposal of discontinued operations	-	(6,716)	(4,177)
Income tax credit	(3,779)	(4,078)	(7,944)
Interest receivable	(185)	(41)	(116)
Interest payable	2,987	1,551	4,055
<b>Operating loss</b>	<b>(6,125)</b>	<b>(8,330)</b>	<b>(15,807)</b>
Adjustments for:			
Depreciation charge	1,803	1,436	3,115
Direct acquisition costs	380	589	2,213
Re-measurement of contingent consideration	(3,231)	50	(1,869)
Amortisation of intangible assets	30,774	18,147	42,397
Profit on disposal of subsidiary undertakings	(117)	(268)	(128)
(Profit) / loss on sale of property, plant and equipment	(12)	(16)	414
Share-based payment costs	429	292	498
<b>Operating cash flows before movements in working capital</b>	<b>23,901</b>	<b>11,900</b>	<b>30,833</b>
Increase in inventories	(604)	(175)	(510)
(Increase) / decrease in receivables	(6,399)	1,031	2,456
Decrease in payables	(2,220)	(3,841)	(3,278)
(Decrease) / increase in provisions	(405)	1,565	219
<b>Cash generated from operations</b>	<b>14,273</b>	<b>10,480</b>	<b>29,720</b>
Interest element of finance lease repayments	(14)	(57)	(74)
Income taxes paid	(1,178)	(199)	(1,897)
<b>Net cash generated from operating activities</b>	<b>13,081</b>	<b>10,224</b>	<b>27,749</b>

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## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 13. Cash flow statement (continued)

Free cash flow is one of the Group's key performance indicators and is defined as cash generated from operations after the purchase of both tangible and intangible assets, and adjusting for net interest and specific items including exceptional items and working capital movements directly linked with acquisitions.

The statutory cash flow measure of cash generated from operations can be reconciled to free cash flow as follows:

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Unaudited Year ended 31 March 2011 £'000
Cash generated from operations	14,273	10,480	29,720
Interest element of finance lease repayments	(14)	(57)	(74)
Income taxes paid	(1,178)	(199)	(1,897)
<b>Net cash generated from operating activities</b>	<b>13,081</b>	<b>10,224</b>	<b>27,749</b>
<b>Included in cash flows from investing activities</b>			
Purchase of property, plant and equipment	(1,309)	(1,091)	(2,489)
Payment to acquire intangible assets	(2,215)	(1,734)	(3,121)
Proceeds from sale of property, plant and equipment	147	84	123
Interest paid	(2,218)	(544)	(4,363)
Interest received	185	41	116
Net cash outflow from exceptional items	5,289	4,176	9,820
Working capital outflow relating to acquired businesses	3,966	-	-
<b>Free cash flow</b>	<b>16,926</b>	<b>11,156</b>	<b>27,835</b>