



**KCOM GROUP PLC (KCOM.L) ANNOUNCES
UNAUDITED PRELIMINARY RESULTS TO 31 MARCH 2009**

KCOM Group PLC (KCOM.L) (“KCOM” or the “Group”) today announces its unaudited preliminary results for the year ended 31 March 2009.

Financial highlights

- Strong cash flow performance with significant net debt reduction of £22.3 million in the second half of 2008/9 to £157.9 million (2008: £168.9 million) as tighter business focus leads to working capital reduction.
- Restructuring of Integration and Management Services (“I&MS”) progressing well with improved performance in last quarter of the year.
- Profit before tax and exceptional items improves to £17.9 million (2008: £8.4 million) reflecting an improved operating profit before exceptional items of £30.0 million (2008: £21.7 million).
- Loss before tax of £111.3 million (2008: profit of £4.4 million) after allowing for restructuring costs and impairment of I&MS goodwill undertaken at the date of the interim results.

Strategic review

- Group business model to evolve into two focused business units centred around the East Yorkshire business and Eclipse Internet and a national managed communications services business, targeting enterprise and public sector markets.
- Continuing to review ways of extending both the reach and range of products and services of our communications services.
- A continuing focus on improvements to our cost structure to achieve a significant reduction within the current financial year, in both capital and fixed costs of the business..
- Bill Halbert to be appointed as Executive Chairman following the next KCOM Annual General Meeting for a maximum period of two years as Group transformation is completed together with appointment of two additional experienced non-executive Directors.

Summary

	Unaudited Year ended 31 March 2009 (£ million)	Audited Year ended 31 March 2008 (£ million)	Change over prior year (%)
Results from continuing operations before exceptional items (note 1)			
Revenue	472.4	517.3	(8.7)
Operating profit (note 5)	30.0	21.7	38.2
EBITDA	65.1	69.3	(6.1)
Profit before tax (note 5)	17.9	8.4	113.1
Net cash inflow from operations	62.3	50.0	24.6
Net debt (note 6)	157.9	168.9	-
Reported results			
(Loss)/Profit before tax	(111.3)	4.4	-
Basic (loss)/earnings per share (pence)	(20.65)	3.65	-
Dividend per share (pence)	1.50	2.82	(46.8)

Bill Halbert, Executive Deputy Chairman said “The Group has made considerable progress in addressing its strategic and operational challenges. We have identified further opportunities to reduce significantly the Group’s ongoing fixed costs and capital base. This, coupled with the renewed focus on our core strengths, gives us an excellent platform on which to build. While 2009/10 will be a year of further transformation, the Board is confident that overall Group performance will continue to improve during the period.”

Chairman, Michael Abrahams said, "The Group results are encouraging given the market conditions and the change the Group is going through. The improvement in cash flow performance is especially pleasing and underpins the Board's confidence going forward. We have announced the intention to appoint Bill Halbert as Executive Chairman following the next Annual General Meeting. As evidenced by the Group's performance under his leadership thus far, I am sure he will continue to lead the Group successfully through the next phase of its transformation.

I am delighted also to welcome Tony Illsley and Martin Towers to the Board who will bring relevant experience and value to the existing established executive team."

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Group overview

Overall Group performance has strengthened, as evidenced by the growth in profit before tax before exceptional items and the significant improvement in net cash inflow from operations. This comes despite a reduction in revenue, as a consequence of reduced discretionary expenditure amongst large corporate customers served by our I&MS division.

During the second half of the financial year, the Group has progressively reduced its cost base whilst continuing to be disciplined in its capital investment decisions. The management of the Group's cost base resulted in a further significant reduction of headcount in the final quarter of the year. While this has given rise to exceptional costs of £14.6 million, it has enabled I&MS to record a net operating profit, prior to exceptional items, for the three months to 30 April 2009.

The Group remains well financed with a committed non amortising bank facility in place until March 2012. Group net debt has reduced significantly to £157.9 million (2008: £168.9 million) from the peak level of £180.2 million reported at 30 September 2008. This has been achieved through strong working capital management across all Group activities and therefore resulted in the year end net debt to EBITDA ratio being 2.5 times. The Board is committed to reducing indebtedness to less than two times EBITDA.

The Board confirms its intention, as set out at the interim results statement, to pay a total full year dividend of not less than 1.5 pence per share. Accordingly, the Board is proposing a final dividend of 1.0 pence per share.

Strategic Review update

As announced at our interim results in November 2008, the Board has been undertaking a strategic review supported by advisors JP Morgan Cazenove and Oakley Capital Corporate Finance.

This review has focused on all areas of the Group's activities and operating performance with a particular emphasis on the options available to maximise value for our shareholders.

This review has resulted in a series of actions and outcomes over the course of the last six months as follows:-

- **Renewed clarity on Group business model** – the Board has reviewed the various current business activities and structure and concluded that it needs to transition to a more integrated and tightly focused model, based on two businesses. One will include the East Yorkshire business and Eclipse Internet. The other business will comprise those activities that will form a national managed communications services business, serving the needs of enterprise and public sector customers. This structure will produce enhanced clarity of purpose within each business area and will be reflected in the reporting of our interim results in November.
- **Continuing to review ways of extending both the reach and range of products and services of our communications services.**
- **Commitment to achieve a significant reduction in the ongoing capital investment and fixed cost requirements of the business** – We expect these will start to deliver a significant reduction in the business's ongoing capital and fixed cost requirements, during this financial year
- **Reduced operating costs and tightened focus** – the 150 employee headcount reduction in I&MS undertaken in January, was designed to achieve, and has resulted in, a return to operating profitability before exceptional items for I&MS in the last two months of the financial year. This reduction was targeted also at constraining the resource available to undertake certain lower margin, lower value activities (principally product/hardware related). Additional commercial rigour introduced in this part of the business has also contributed to the improvement in cash generation during the second half of the year.

The Board anticipates a significant period of change over the next twelve months as these initiatives are delivered and further refinements to our business model are undertaken.

South Yorkshire Digital Regions Contract win

In January, KCOM Group signed a conditional ten year multi-million pound contract with Thales which became effective in May. The contract is to provide and manage high speed, high capacity network services for the Digital Region project in South Yorkshire. The Digital Region project is designed to provide citizens, businesses and public sector organisations with access to a carrier class, "Super-fast Broadband" network in a bid to accelerate economic regeneration and growth in the South Yorkshire region. The network will provide an open-access infrastructure offering bandwidth speeds of 25 Mb or above and quality of service capable of being delivered to 1.2 million people. KCOM Group will be delivering a state of the art network infrastructure based on Fibre to the Cabinet (FTTC) technology and providing support of the network service going forward

Board update

Following Michael Abrahams' decision that he will retire from the Board at the Annual General meeting on 24 July 2009, the Board confirms that Bill Halbert, currently the Group's Executive Deputy Chairman, will become Group Executive Chairman. It is envisaged that this arrangement will remain in place for a maximum period of two years whilst the Group completes the transformation described above.

In addition, the Board has separately announced the appointment of two non-executive Directors. The appointments of Tony Illsley, as Senior Independent Non Executive Director, and Martin Towers bring a wealth of relevant experience to the Board.

Both new Directors will become members of the Audit Committee and the Remuneration Committee with Martin Towers chairing the former. Graham Holden will chair the Remuneration Committee going forward whilst remaining a member of the Audit Committee. Following these changes the Committee membership will be compliant with the Combined Code.

Tony Illsley has held a variety of senior business positions including Chief Executive Officer of Telewest Communications PLC and President of Pepsi Cola Asia Pacific. He is currently Chairman of Plastic Logic Limited and Velocix Limited and is a Non Executive Director of Sepura PLC and Northern Foods PLC.

Martin Towers is a fellow of the Institute of Chartered Accountants in England and Wales and has held a number of senior finance roles including Group Finance Director at Kelda Group plc, Allied Textile Group plc and the Spring Ram Corporation PLC. He has been a Non Executive Director of Homestyle Group PLC and is currently Non Executive Director of RPC Group PLC.

Business and Operating Review

Group financial overview

The Group revenue reduction of 8.7 per cent to £472.4 million (2008 : £517.3 million) is in line with our expectations with the reduction reflecting market conditions and specifically the effect of lower project based product revenue within the I&MS division.

Overall Group operating margins have improved to 41.5 per cent (2008: 39.3 per cent). As a consequence of the reduction in revenue, actual operating margin contribution is £196.3 million (2008: £203.4 million).

The Board has taken a number of actions to reduce the level of overhead in the Group although, with only a partial benefit in the year from these changes, Group EBITDA before exceptional items has reduced to £65.1 million (2008: £69.3 million). This reduction is a result of a £7.0 million reduction in EBITDA from I&MS to £1.6 million (2008: £8.6 million) partly offset by a £3.3 million increase in EBITDA from T&IS to £66.1 million (2008: £62.8 million).

I&MS financial overview

The main cause of the reduction in I&MS revenue has been a reduction of £24.5 million in sales of lower margin communications hardware as discretionary project spend by our corporate customers has declined in difficult market conditions. Demand for higher margin telecommunications services has remained strong throughout the period. In addition, there has been a reduction in the communications hardware maintenance revenue as customers have consolidated support and technology arrangements. The net result of this is that operating margins within I&MS have remained broadly consistent at 19.6 per cent.

The Board has taken action to reduce operating costs with the 150 headcount reduction announced in January 2009. A combination of this reduction, a continued focus on overhead management and a focus on higher margin services provides the opportunity for an improvement in future operating margins.

The £7.0 million reduction in I&MS EBITDA to £1.6 million (2008: £8.6 million) mirrors the £7.2 million decrease in operating margin reported. The actions taken during the final quarter of the year have produced an improvement in the level of EBITDA and resulted in I&MS recording a net operating profit, prior to exceptional items, for the three months to April 2009.

T&IS financial overview

Within T&IS, the principal drivers of revenue performance have been declining call volumes consistent with the recent trend (£3.8 million), a net reduction in revenue within the Eclipse ISP as a result of a very competitive market (£1.3 million) and a decline in wholesale and retail dial up internet revenue (£2.8 million). These reductions have been partially offset by growth in higher margin access revenue across all areas (£4.2 million).

T&IS operating margins have increased to 61.6 per cent (2008: 58.7 per cent) reflecting this change in mix plus an improvement in broadband operating margins from a combination of regulatory changes and network efficiencies.

The improvement in operating margins has compensated for the revenue reduction reported whilst strong cost management has enabled T&IS to report both an increase of £3.3 million in EBITDA contribution and expansion of EBITDA margins to 28.3 per cent (2008: 25.7 per cent).

Information Services financial overview

The reduction in Information Services EBITDA to £3.2 million (2008: £4.1 million) principally reflects the sale of the retail activities of 118800 in the prior year and the end of a specific outsourced telesales contract during the year.

Group Operating Loss

Group operating profit before exceptional items is £30.0 million (2008: £21.7 million)

The Group operating loss is £99.2 million (2008: profit of £17.7 million) reflecting the exceptional costs incurred during the year. The overall movement in Group operating profit is a result of:

- £4.1 million reduction in Group EBITDA before exceptional costs (as described above)
- £106.9 million exceptional cost in respect of the impairment of goodwill
- £18.4 million increase in other exceptional costs
- £3.7 million reduction in Group depreciation expense
- £8.8 million reduction in Group amortisation of intangible assets

The £106.9 million impairment of I&MS goodwill undertaken at the date of the interim results in accordance with the IAS 36 (Impairment of Assets). The Board has undertaken a review of the residual goodwill carrying value of £57.7 million as at the year end and has concluded that as a result of the actions it has taken to address performance in this area, no further impairment is required.

Other exceptional costs amount to £22.4 million (2008: £4.0 million) as follows:-

- £14.6 million in respect of restructuring costs (2008: £4.0 million)
- £1.0 million in respect of the loss incurred in respect of the collapse of Lehman Brothers (2008: £Nil) and
- £7.0 million charge in respect of provisions for onerous leases (2008: £ Nil)
- £0.2 million credit in respect of the reversal of an impairment against an unlisted fixed asset investment.

The £14.6 million restructuring costs have been treated as exceptional in accordance with the Group's stated policy and consistent with previous years. The significant increase over the previous year reflects the actions the Board has taken to improve overall financial performance, most specifically within I&MS but also reflecting management changes within other areas of the Group. £9.1 million of the restructuring charge relates to the I&MS activities and of this £7.8 million relates to the 150 employee headcount reduction announced in January 2009. Of the £14.6 million, £8.4 million will be settled in cash over the course of the first quarter of the current financial year.

The £7.0 million charge in respect of onerous leases represents an increase in provisions held against the Group's vacant properties. Over the course of the last two years, the Group has undertaken an exercise to reduce the number of properties it occupies, exiting seven offices in order to reduce its accommodation costs.

In some cases the buildings vacated had leases at or near to a break point. Where this was not the case, the properties have been sublet, marketed for sub-letting or a lease surrender is being negotiated. At the prior year end, the largest property in the onerous lease portfolio was close to being surrendered and as a consequence the provision at that date reflected that expectation. The Board has revisited these provisions and, in the light of the current overall commercial property market, taken a fuller provision in respect of all properties.

Amortisation of intangible assets amounted to £14.8 million (2008: £23.6 million). Included within this amount is £6.4 million (2008: £8.6 million) in respect of the amortisation of capitalised software licenses and development costs. The remaining £8.4 million (2008: £15.0 million) reflects the amortisation of intangible assets arising on acquisition with the reduction a consequence of a number of assets now having been fully written down.

Dividend

The Board is proposing a final dividend of 1.0 pence per share (2008: 1.88 pence per share) resulting in a total dividend for the year of 1.5 pence per share (2008: 2.82 pence per share).

Subject to Shareholder approval at the Company's Annual General Meeting on 24 July 2009, the final dividend will be payable on 7 August 2009 to Shareholders registered at the close of business on 26 June 2009.

Balance sheet

The reduction in total consolidated equity to £20.6 million (2008: £184.7 million) principally reflects the £106.9 million exceptional impairment of goodwill and the increase in the IAS19 pension deficit to £61.0 million (2008: £9.1 million).

The Group has made significant progress since the interim date in reducing its net debt to £157.9 million from the interim peak of £180.2 million and prior year amount of £168.9 million. This has been achieved through a strong working capital reduction during the second half of the year. Whilst the lower level of project activity within I&MS, with its short term working capital consumptive product sales, has contributed to this, the Group has retained a very strong focus on ensuring all areas of working capital management have received appropriate attention.

The Group's pension deficit, in accordance with IAS19, is £61.0 million (2008: £9.1 million). The two main drivers behind the increase in the deficit are a decline in the value of the scheme's assets by £33.0 million consistent with the overall market decline and the £18.9 million increase in the scheme's liabilities mainly as a consequence of a reduction in the discount rate used to value scheme's liabilities to 6.5 per cent (2008: 6.9 per cent) as AAA corporate bond yields have reduced.

As part of its on-going pensions risk management strategy, an enhanced transfer value scheme has been offered to the deferred members of the main Kingston Communications pension scheme. 240 deferred members accepted the offer with the resulting cash cost of £4.9 million being borne in the new financial year. The reduction in funding requirement and volatility risk of the scheme will benefit the next actuarial valuation of this scheme in April 2010.

Outlook

The Board is confident that the actions it has taken over the course of the last six months have created a much stronger platform from which the Group will be able to continue to improve its overall financial performance, in what we expect to remain challenging market conditions.

The focus for the current financial year is to continue the process of improving the overall quality of the Group's activities, thereby positioning the Group for subsequent profitable growth.

Forward-looking statements

Certain statements in this preliminary report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements whether as result of new information, future events or otherwise.

ENDS

Consolidated Income Statement

		Unaudited Year Ended 31 March 2009 £'000	Audited Year Ended 31 March 2008 £'000
	Note		
Revenue	1	472,439	517,297
Operating expenses		(571,688)	(499,624)
Group operating (loss)/profit	1	(99,249)	17,673
Analysed as:			
Group EBITDA	1	65,141	69,300
Exceptional items – impairment of goodwill	2	(106,890)	-
Exceptional items – other	2	(22,380)	(3,988)
Depreciation of property, plant and equipment	1	(20,331)	(24,023)
Amortisation of intangible assets	1	(14,789)	(23,616)
Finance costs		(12,304)	(13,467)
Finance income		197	200
Share of profit of associates		11	17
(Loss)/profit before taxation		(111,345)	4,423
Taxation		4,863	14,353
(Loss)/profit for the year		(106,482)	18,776
(Loss)/profit for the year attributable to equity holders of the Company		(106,482)	18,776
(Loss)/earnings per share			
Basic	3	(20.70p)	3.65p
Diluted	3	(20.70p)	3.64p

Consolidated Statement of Recognised Income and Expense

		Unaudited Year Ended 31 March 2009 £'000	Audited Year Ended 31 March 2008 £'000
Exchange differences on translation of foreign operations		-	(2)
Cash flow hedges		(6,568)	(2,177)
Actuarial (losses)/gains on retirement benefit obligation		(53,550)	524
Tax on items taken directly to equity		14,957	550
Net expense recognised directly in equity		(45,161)	(1,105)
(Loss)/profit for the year		(106,482)	18,776
Total recognised income and expense for the year		(151,643)	17,671

Consolidated Balance Sheet

	Unaudited As at 31 March 2009 £'000	Audited As at 31 March 2008 £'000
Non-current assets		
Goodwill	86,410	193,191
Other intangible assets	20,502	31,286
Property, plant and equipment	131,009	131,407
Investments	1,049	860
Deferred tax assets	59,424	39,384
	298,394	396,128
Current assets		
Inventories	4,117	7,699
Trade and other receivables	86,469	118,006
Cash and cash equivalents	17,508	31,231
	108,094	156,936
Total assets	406,488	553,064
Current liabilities		
Trade and other payables	(136,944)	(156,683)
Non-current liabilities		
Bank loans	(174,195)	(198,969)
Retirement benefit obligations	(60,993)	(9,138)
Long term provisions and other payables	(13,737)	(3,589)
	(385,869)	(368,379)
Net assets	20,619	184,685
Capital and reserves, attributable to equity holders of the Company		
Share capital	51,660	51,627
Share premium account	353,231	353,111
Hedging and translation reserve	(7,271)	(703)
Retained earnings	(377,001)	(219,350)
	20,619	184,685
Total equity	20,619	184,685

Consolidated Cash Flow Statement

	Unaudited Year Ended 31 March 2009 £'000	Audited Year Ended 31 March 2008 £'000
Net cash flow from operating activities		
Operating (loss)/profit	(99,249)	17,673
Adjustments for:		
Depreciation and amortisation	35,120	47,639
Impairment of goodwill	106,890	-
Decrease/(increase) in working capital	18,787	(15,319)
Employee share schemes	712	158
Loss on sale of property, plant and equipment	-	(154)
Net cash generated from operations	62,260	49,997
Cash flows from investing activities		
Proceeds from sale of business	1,450	-
Purchase of businesses	(891)	(700)
Purchase of property, plant and equipment	(20,921)	(25,029)
Proceeds from sale of property, plant & equipment	25	250
Purchase of intangible assets	(4,747)	(6,381)
Purchase of investments	(176)	(12)
Net cash used in investing activities	(25,260)	(31,872)
Cash flows from financing activities		
Dividends paid	(12,295)	(11,540)
Issue costs of long term loans	(318)	(450)
Interest paid	(13,352)	(10,913)
Interest received	196	199
Capital element of finance leases repayments	(815)	(583)
Capital element of new finance leases	861	783
Repayment of bank loans	(25,000)	-
New loans	-	5,500
Net cash (used in) financing activities	(50,723)	(17,004)
(Decrease)/increase in cash and cash equivalents	(13,723)	1,121
Cash and cash equivalents at the beginning of the year	31,231	30,110
Cash and cash equivalents at the end of the year	17,508	31,231

1. Segmental Analysis

	Unaudited Year ended 31 March 2009 £'000	Audited Year ended 31 March 2008 £'000
Revenue		
Integration and Managed Services	240,898	278,431
Telecoms and Internet Services	233,512	244,356
Information Services	12,499	14,132
Other ¹	(14,470)	(19,622)
Total	472,439	517,297

Operating margin

Operating margin represents gross margin before the deduction of depreciation and amortisation and excludes overheads and general and administration expenses. This additional information is an operational measure used by the Board in managing the financial performance of the business.

Integration and Managed Services	47,192	54,435
Telecoms and Internet Services	143,860	143,324
Information Services	6,439	7,605
Other ¹	(1,222)	(1,920)
Total	196,269	203,444

Group EBITDA

Before exceptional items:

Integration and Managed Services	1,606	8,649
Telecoms and Internet Services	66,103	62,849
Information Services	3,200	4,065
Other ¹	(5,768)	(6,263)
Total – before exceptional items	65,141	69,300
Exceptional items:		
Integration and Managed Services	(117,530)	(2,532)
Telecoms and Internet Services	(3,246)	(549)
Information Services	(326)	(201)
Other ¹	(8,168)	(706)
Total exceptional items	(129,270)	(3,988)
EBITDA post exceptional items	(64,129)	65,312

¹ Other includes head office costs, shared services and eliminations.

1. Segmental Analysis (continued)

	Unaudited Year ended	Audited Year ended
	31 March 2009	31 March 2008
	£'000	£'000
Depreciation		
Integration and Managed Services	4,903	6,715
Telecoms and Internet Services	14,746	15,063
Information Services	395	452
Other ²	287	1,793
	20,331	24,023
Amortisation		
Integration and Managed Services	7,878	11,416
Telecoms and Internet Services	4,922	10,524
Information Services	7	84
Other ²	1,982	1,592
	14,789	23,616
Operating (loss)/profit		
Before exceptional items:		
Integration and Managed Services	(11,175)	(9,482)
Telecoms and Internet Services	46,435	37,262
Information Services	2,798	3,529
Other	(8,037)	(9,648)
Operating profit - before exceptional items	30,021	21,661
Exceptional items:		
Integration and Managed Services	(117,530)	(2,532)
Telecoms and Internet Services	(3,246)	(549)
Information Services	(326)	(201)
Other ²	(8,168)	(706)
	(129,270)	(3,988)
Group operating (loss)/profit	(99,249)	17,673

² Other includes head office costs, shared services and eliminations.

2. Exceptional items

Exceptional items are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Restructuring costs arise as a result of organisational changes within the Group. Onerous lease provisions arise as a result of the continued rationalisation of the Group's property portfolio.

	Unaudited Year ended	Audited Year ended
	31 March 2009	31 March 2008
	£'000	£'000
Exceptional items:		
- Restructuring costs	14,597	3,970
- Loss on Lehman Brothers	1,000	-
- Onerous lease provision	6,977	-
- (Reversal of impairment)/write down of unlisted fixed asset investment	(194)	18
Exceptional items - other	22,380	3,988
Exceptional items – impairment of goodwill	106,890	-
Charged to operating (loss)/profit	129,270	3,988
Charged to (loss)/profit before taxation	129,270	3,988

The loss of £1.0m on Lehman Brothers arose through a combination of the loss incurred on specific project work in progress and the write off of outstanding trade receivables following their bankruptcy in the period.

The goodwill impairment is an impairment of the carrying value of the I&MS division.

3. Earnings per share

The calculation of basic and diluted earnings per share and adjusted basic and adjusted diluted earnings per share is based on the following numbers of shares and earnings. The impact of share options on unadjusted earnings per share is anti-dilutive and these have therefore been excluded from the calculation of dilutive weighted average share capital for all unadjusted earnings per share calculations.

	Unaudited Year ended	Audited Year ended
	31 March 2009	31 March 2008
Weighted average number of shares	No.	No.
For basic (loss)/earnings per share	514,388,032	514,551,645
Share options	1,962,524	1,026,446
For diluted (loss)/earnings per share	516,350,555	515,578,091
(Loss)/earnings per share	pence	pence
Basic	(20.70)	3.65
Diluted	(20.70)	3.64

4. Dividends

	Unaudited Year ended 31 March 2009 £'000	Audited Year ended 31 March 2008 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2007 of 1.30 pence per share	-	6,691
Interim dividend for the year ended 31 March 2008 of 0.94 pence per share	-	4,849
Final dividend for the year ended 31 March 2008 of 1.88 pence per share	9,712	-
Interim dividend for the year ended 31 March 2009 of 0.5 pence per share	2,583	-
Total	12,295	11,540

The proposed final dividend for the year ended 31 March 2009 is 1.0 pence per share. In accordance with IAS 10 "Events after the balance sheet date", dividends declared after the balance sheet date are not recognised as a liability at 31 March 2009.

5. Reconciliation of reported results to results pre exceptional items

	Unaudited Year ended 31 March 2009 £'000	Audited Year ended 31 March 2008 £'000
	Group operating (loss)/profit	Group operating (loss)/profit
Income Statement as reported	(99,249)	17,673
Exceptional items	129,270	3,988
Income statement before exceptional items	30,021	21,661

	Unaudited Year ended 31 March 2009 £'000	Audited Year ended 31 March 2008 £'000
	(Loss)/profit before tax	(Loss)/profit before tax
Income Statement as reported	(111,345)	4,423
Exceptional items	129,270	3,988
Income statement before exceptional items	17,925	8,411

6. Movement in net debt

	Unaudited Year ended	Audited Year ended
	31 March 2009	31 March 2008
	£'000	£'000
Opening net debt	168,905	164,240
Closing net debt	157,900	168,905
Reduction/(increase) in the year	11,005	(4,665)
Reconciliation of movement in the year		
Net cashflow from operations	62,260	49,997
Capital expenditure	(25,668)	(31,410)
M&A investments	559	(700)
Interest	(13,474)	(11,164)
Dividends	(12,295)	(11,540)
Other	(377)	152
Reduction/(increase) in the year	11,005	(4,665)

7. Basis of preparation

The Group prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial information contained within this preliminary announcement has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit and loss. The financial information included in this preliminary announcement does not include all the disclosures required by IFRS or the Companies Act 1985 and accordingly it does not itself comply with IFRS or the Companies Act 1985.

The unaudited consolidated financial information in this report has been prepared in accordance with the accounting policies disclosed in the Group's 2008 Annual Report and Accounts.

The financial information set out in this announcement does not constitute the company's statutory accounts within the meaning of Section 240 of the Companies Act 1985 for the years ended 31 March 2009 or 2008. The financial information for the year ended 31 March 2008 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under s237 (2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 31 March 2009 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Annual General Meeting.

The financial information contained within this preliminary announcement was approved by the Board on 22 May 2009 and has been agreed with the company's auditors for release.

This preliminary announcement will be published on the company's website. The maintenance and integrity of the website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

