



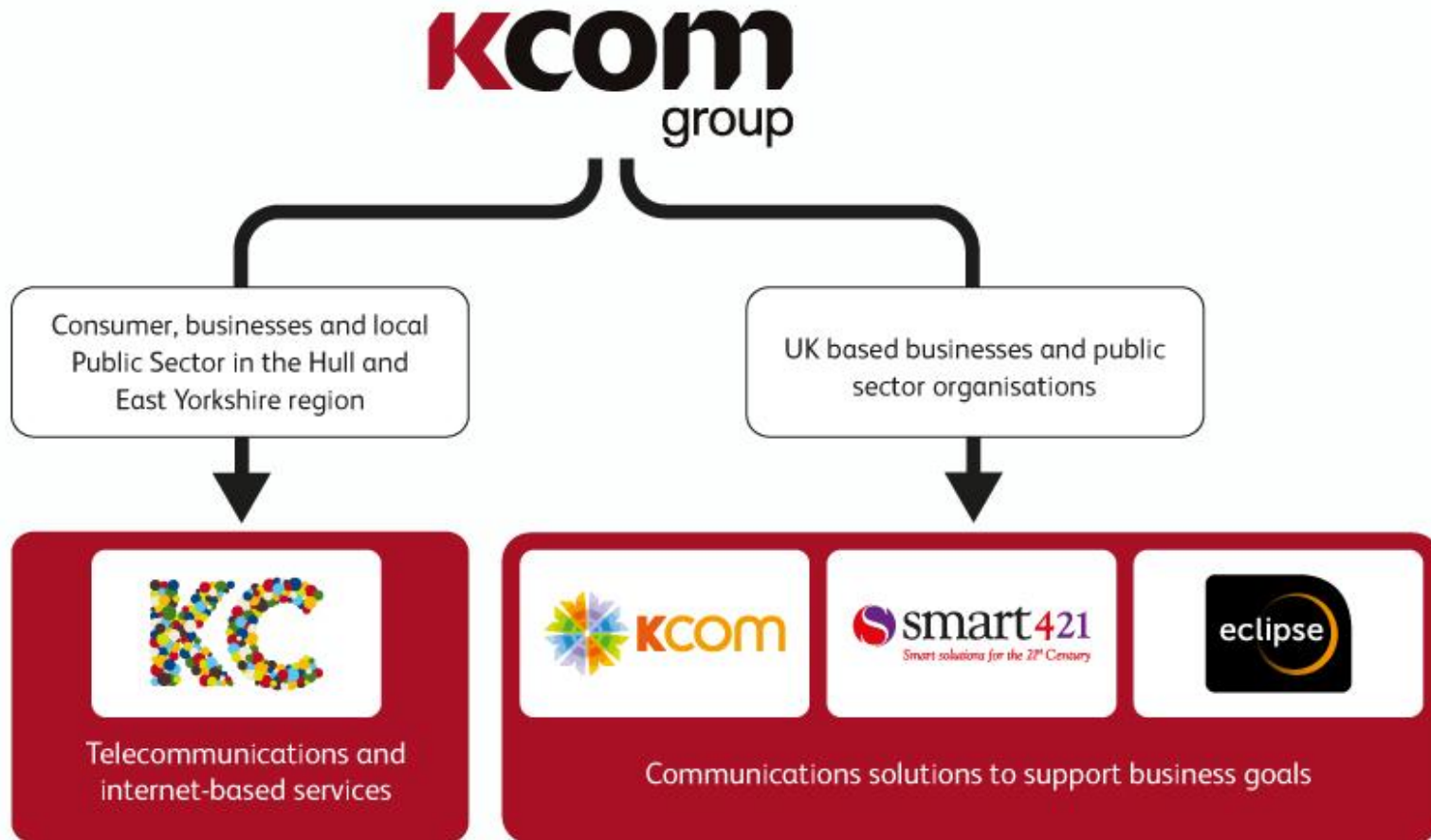
“Delivering another year of progress”

Preliminary results for the year ended 31 March 2012

Business overview
Bill Halbert, Executive Chairman

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- Revenue of £387.3 million (2011: £395.4 million)
 - EBITDA ¹ improves to £77.9 million (2011: £76.0 million)
 - Profit before tax¹ increases 24.0% to £51.1 million (2011: £41.2 million)
 - Strong cash generation reduces net debt further
 - Proposed full year dividend increased in line with existing commitment

The Group is organised around its two principal markets



KC segment

- revenue growth bucks national trends
- continued demand for subscription-based services
- next generation fibre deployment delivering 100mbps



Kcom segment

- leading organisations increasingly recognising Kcom's capability
- maintained market position in Public Services Network (PSN)
- targeted investment in focus areas



BARRATT
DEVELOPMENTS PLC

abellio

argiva



Enabling a Digital Britain



ASDA



**NORTHERN
POWERGRID**

NHS
Business Services Authority

Financial overview

Paul Simpson, Chief Financial Officer

Summary financial results



	Mar 12 £m	Mar 11 £m	Movement
Revenue	387.3	395.4	(2%)
EBITDA¹	77.9	76.0	2%
<i>EBITDA %</i>	20%	19%	
Operating profit¹	57.8	48.6	19%
Profit before taxation¹	51.1	41.2	24%
Basic EPS (pence)	7.41	4.44	67%
Adjusted basic EPS (pence)²	7.41	5.62	32%
Net cash inflow from operations	56.0	68.0	(18%)
Net debt	75.3	82.0	£6.7m
Full year dividend per share (pence)	4.00	3.60	11%

¹ Amounts stated before exceptional items

² Adjusted basic EPS is Basic EPS adjusted for exceptional items (including the tax impact of the exceptional item)

Debt reduction alongside increased investment, pension contributions and dividends



Reconciliation of Movement in debt	Mar 12 £m	Mar 11 £m	Movement £m
Net cash inflow from operations (pre-exceptional & pensions)	76.4	85.3	(8.9)
Exceptional items	(3.5)	(7.5)	4.0
Pensions	(16.9)	(9.8)	(7.1)
Net cash inflow from operations	56.0	68.0	(12.0)
Capex	(22.1)	(13.9)	(8.2)
Interest	(7.4)	(8.6)	1.2
Dividends	(19.8)	(12.1)	(7.7)
Other	0.0	1.4	(1.4)
Total	6.7	34.8	(28.1)
EBITDA	77.9	76.0	
Net cash inflow from operations (pre-exceptional & pensions)	76.4	85.3	
EBITDA conversion to cash	98%	112%	

	Mar 12 £m	Mar 11 £m	Movement
Revenue			
KC	93.8	92.4	2%
Contact & Publishing	9.8	10.1	(3%)
	103.6	102.5	1%
EBITDA	53.2	51.6	3%
<i>EBITDA %</i>	<i>51%</i>	<i>50%</i>	

		Mar 12 £m	Mar 11 £m	Movement
Consumer	Voice Usage	7.9	9.1	(13%)
	Subscriptions – Voice & Broadband	40.0	37.3	7%
Business	Voice usage & rental	18.0	17.9	-
	Broadband & data	22.3	21.3	5%
Consumer & Business¹	Other	5.6	6.8	(18%)
		93.8	92.4	2%

¹ Includes one-off items of £1.1m in year ended 31 March 2011

	Mar 12 £m	Mar 11 £m	Movement
Revenue	289.3	297.2	(3%)
EBITDA	31.0	32.0	(3%)
<i>EBITDA %</i>	<i>11%</i>	<i>11%</i>	

	Revenue		EBITDA	
	Mar 12 £m	Mar 11 £m	Mar 12 £m	Mar 11 £m
Kcom & Smart	268.8	276.9	26.0	25.8
Eclipse	20.5	20.4	5.0	6.2
	289.3	297.3	31.0	32.0

	Mar 12 £m	Mar 11 £m	Movement	
Revenue from strategic focus areas	247.7	244.9	1%	<ul style="list-style-type: none"> • Managed services • Smart421 Growth • Business Broadband • PSN Contribution • Growth in backlog of 14%
Other Revenue	41.6	52.3	(20%)	
	289.3	297.2	(3%)	

Kcom Other Revenue



	Mar 12	Mar 11	Movement	Comment
	£m	£m		
Network support	8.3	11.0	(25%)	Impact of strategic decision to exit product only activity
Network Build	11.7	13.1	(11%)	One-off contract with build activity complete in FY12
Consumer Broadband	8.8	10.5	(16%)	Focus on SME market in Eclipse
Premium Rate Services	12.8	17.7	(28%)	General market decline in low margin service
	41.6	52.3	(20%)	

Movement in IAS19 Deficit	Mar 12 £m	Mar 11 £m	Movement £m
Assets	185.5	168.8	16.7
Liabilities	(199.4)	(175.7)	(23.7)
Deficit	(13.9)	(6.9)	(7.0)

IAS19 costs	Mar 12 £m	Mar 11 £m	Movement £m
Return on assets	(11.0)	(10.4)	0.6
Interest Cost	9.4	10.7	1.3
Charge/(Credit)	(1.6)	0.3	1.9

IAS19 assumptions	Mar 12 £m	Mar 11 £m
CPI Inflation	2.4%	2.6%
Discount Rate	4.7%	5.5%
Expected return on assets	6.1%	6.9%

- Increase in overall deficit driven by increase in liabilities as a result of fall in discount rates.
- Overall IAS19 credit arises due to reduction in interest costs – reflects impact of CPI in reducing liabilities at Mar 11.
- Changes to IAS19 means that from FY14 expected return on asset will be the same as discount rate. Therefore, no credit to P&L unless scheme in surplus.
- Reduction in expected return on scheme assets reflects de-risking approach agreed with main scheme trustees
- Next Actuarial valuation due 1st April 2013

	Tax Liability @ 24% £m	Comment
PBT	12.3	Based on PBT at FY12 levels
Pensions	(2.4)	Impact of £10m payment
Share Scheme satisfaction	(1.5)	Satisfaction of 9m shares for EIP (based on 70p share price)
Capital allowance pool	(5.0)	Existing capital allowance pool of c£200m (reflected in deferred tax asset). Writing down allowance @ 18% = £40m Less: Depreciation & Amortisation = £20m

Outlook

Bill Halbert, Executive Chairman

Delivering another year of progress

Segmental Performance



Revenue	Mar 12 £m	Mar 11 £m	Movement
KC	103.6	102.5	1%
Kcom	289.3	297.2	(3%)
PLC	(5.6)	(4.3)	(30%)
	387.3	395.4	(2%)

EBITDA	Mar 12 £m	Mar 11 £m	Movement
KC	53.2	51.6	3%
Kcom	31.0	32.0	(3%)
PLC	(6.3)	(7.6)	17%
	77.9	76.0	3%