



Preliminary results for the year ended 31 March 2014

- Year end results in line with expectations
- Strong cash performance with closing net debt of £75.0 million
- Net debt to EBITDA ratio reduced to 1.0 (2013: 1.2)
- Increased final dividend of 3.254p, in line with 10% uplift commitment
- Refinancing agreed, providing capacity to consider selective investment opportunities



Financial performance

Paul Simpson

CFO

Summary financial results

In line, cash flow ahead



	Mar 14 £m	Mar 13 ¹ £m	Movement
Revenue	370.7	372.9	↔
EBITDA	75.3	74.9	↔
EBITDA %	20%	20%	↔
Operating profit	55.0	55.2	↔
Adjusted basic EPS (pence) ²	7.55	7.39	↑
Net cash inflow from operations	71.2	50.3	↑
Net debt	75.0	88.2	↓
Full year dividend per share (pence)	4.88	4.44	↑

All amounts are before exceptional items.

¹ Mar 13 restated to reflect the impact of the revised IAS 19 standard.

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

Balance sheet extract

Refinancing agreed

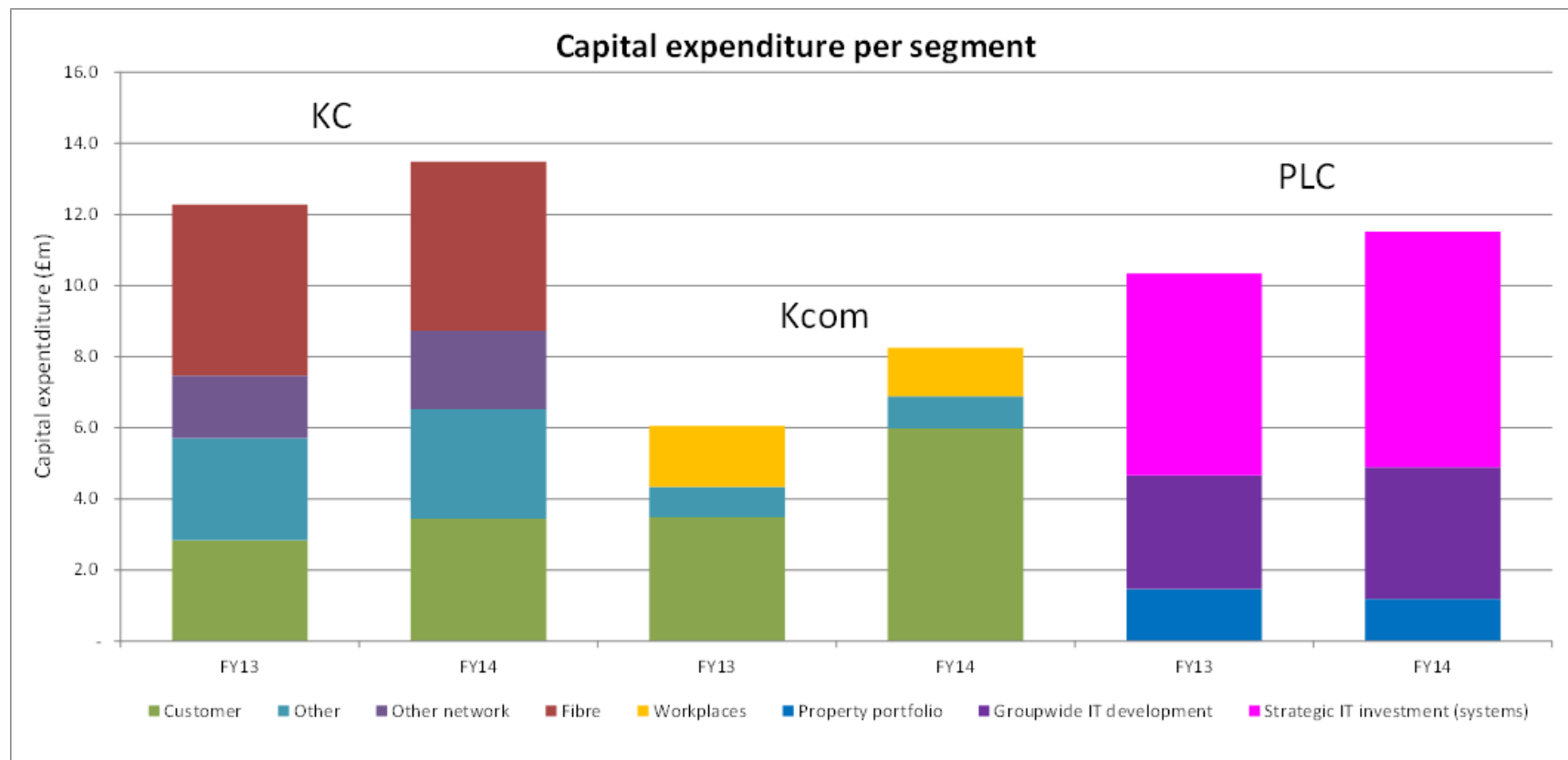


	Mar 14 £m	Mar 13 £m
Non-current assets ¹	146.5	133.7
Trade and other receivables	74.1	70.2
Trade and other payables	(129.7)	(121.7)
IAS 19 retirement benefit obligation	(26.5)	(9.8)
Net debt	75.0	88.2
Net debt: EBITDA ratio	1.0 x	1.2 x

¹ Non-current assets includes property, plant and equipment and other intangibles assets only.

Capital expenditure

Continued strategic investment



All amounts represent balance sheet additions rather than cash capital expenditure.

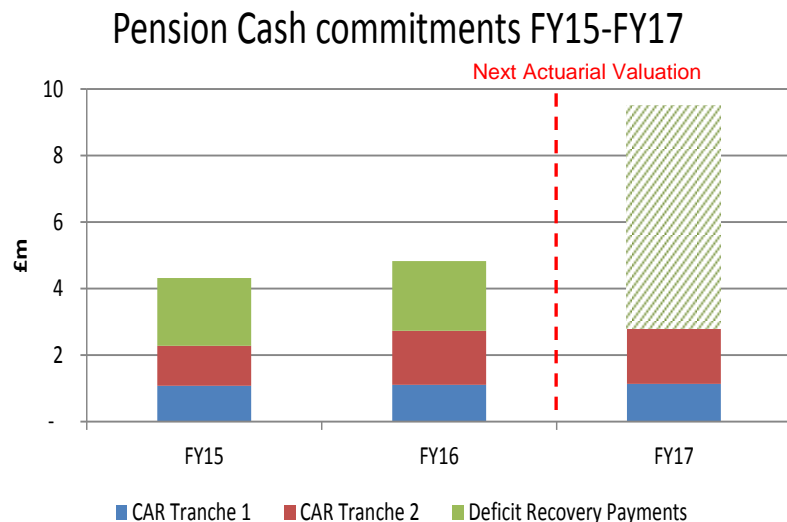
Pensions

Active management strategy

	Liability Reduction	Risk Reduction	Funding
TUPE transfers	✓		
ETV exercise for deferred members	✓	✓	
Closure of schemes to new members	✓	✓	
Closure of scheme to further accrual		✓	
Final salary link broken	✓	✓	
Supplementary cash deficit payments			✓
Central Asset Reserve x 2 tranches			✓

Pensions

Cash certainty for FY15 and FY16



Movement in Actuarial Valuation

31/3/10 Deficit (£61.4m)

31/3/13 Deficit (£59.2m)

Movement £2.2m

£47.4m (£45.2m)
Movement Movement
in Assets in Liabilities

Note: Analysis above does not reflect:

- Completion of second asset backed partnership; and
- Post valuation experience, particularly significant movements in discount factors and equity rates since March 2013.

Cash flow statement

Outstanding second half cash performance



	Mar 14 £m	Mar 13 £m
EBITDA ¹	74.0	71.6
Working capital movement	1.4	(16.2)
Net cash inflow from operations (pre-exceptional & pensions)	75.4	55.4
Exceptional items	(3.4)	(4.5)
Pensions	(0.8)	(0.6)
Net cash inflow from operations	71.2	50.3
Capex	(27.9)	(28.0)
Interest	(4.4)	(4.0)
Dividends	(23.8)	(21.4)
Share purchases	(1.8)	(10.9)
Other	(0.1)	1.0
Decrease / (increase) in net debt	13.2	(13.0)
Net debt	75.0	88.2
Net debt: EBITDA ratio	1.0 x	1.2 x

¹ Adjusted EBITDA is reported EBITDA after exceptional items (£75.9m) adjusted for tax payments (£1.5m) and profit on sale of property, plant & equipment (£0.4m).

P&L segmental analysis

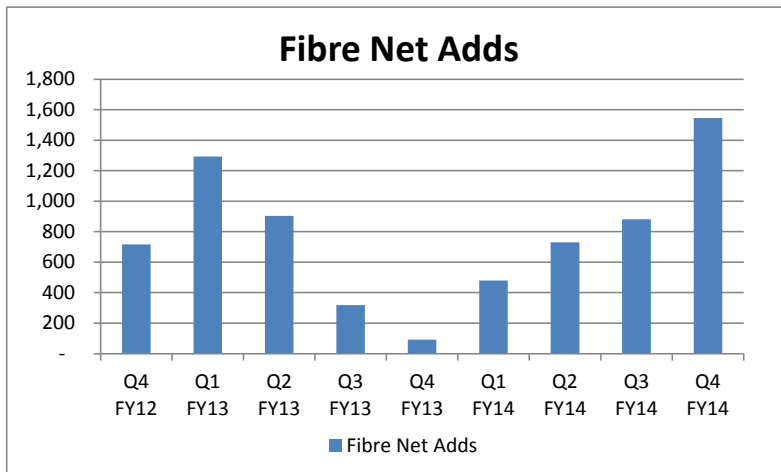
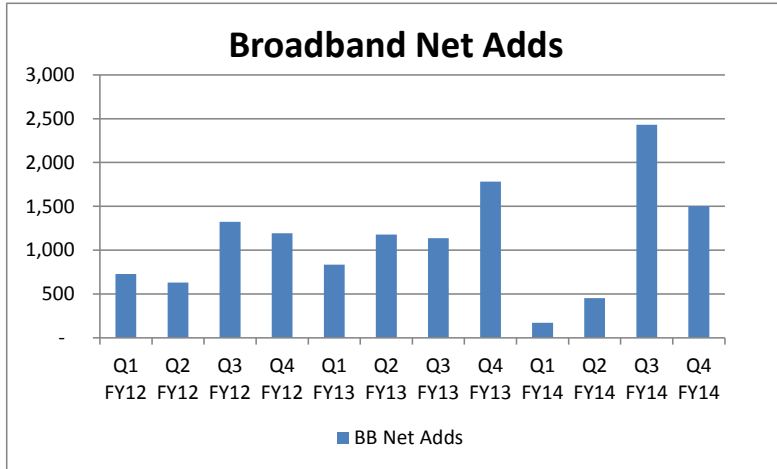
In line with expectations



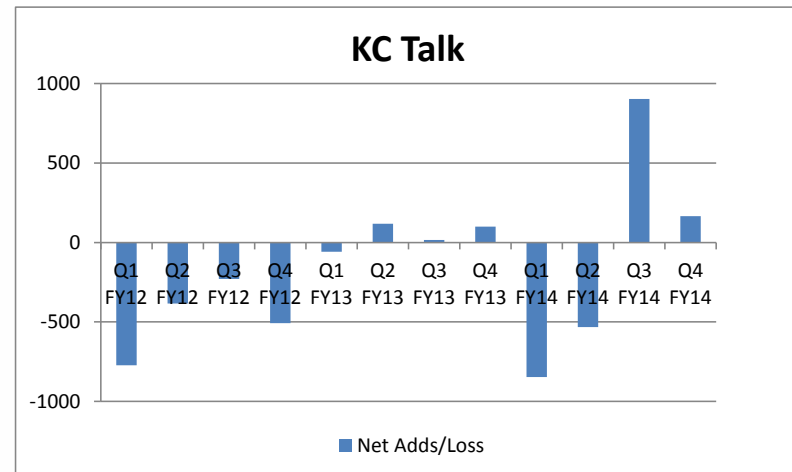
	KC		Kcom		PLC	
	Mar 14 £m	Mar 13 ¹ £m	Mar 14 £m	Mar 13 ¹ £m	Mar 14 £m	Mar 13 ¹ £m
Revenue	105.0	104.6	270.9	273.4	(5.2)	(5.1)
EBITDA	56.2	54.5	28.7	29.4	(9.6)	(9.0)
Group EBITDA			75.3	74.9		
Exceptional items			0.6	(2.3)		
Depreciation & Amortisation			(20.3)	(19.7)		
Operating profit			55.6	52.9		
Finance costs			(5.1)	(5.2)		
PBT			50.5	47.7		
Tax			(11.8)	(11.9)		
PAT			38.7	35.8		




¹ Mar 13 restated to reflect the impact of the revised IAS 19 standard.




Revenue	Mar 14 £m	Mar 13 £m	Movement
Business	30.6	31.7	(3%)
Consumer	50.7	49.3	3%
Wholesale	12.8	13.3	(4%)
Contact Centres	5.9	5.0	18%
Publishing	5.0	5.3	(6%)
	105.0	104.6	
EBITDA	56.2	54.5	



	Mar 14 (000's)
Premises passed with fibre	29.7
FTTP customers - consumers	7.0
- business	1.3



Revenue	Mar 14 £m	Mar 13 £m	Movement
 Kcom	214.3	222.4	(4%)
 eclipse	26.6	23.2	15%
 smart421 <small>Smart solutions for the 21st Century</small>	30.0	27.8	8%
	270.9	273.4	
EBITDA	28.7	29.4	

	Revenue	Mar 14 £m	Mar 13 £m	Movement
	Managed & Connect	111.4	111.0	-
	Voice	65.8	66.9	(2%)
	Product other ¹	37.1	44.5	(17%)
		214.3	222.4	(4%)
	Business (SMB)	21.2	17.8	19%
	Consumer	5.4	5.4	-
		26.6	23.2	15%
	Business (Enterprise)	30.0	27.8	8%
		270.9	273.4	
	EBITDA	28.7	29.4	

¹ Other includes product, network support and premium rate services.



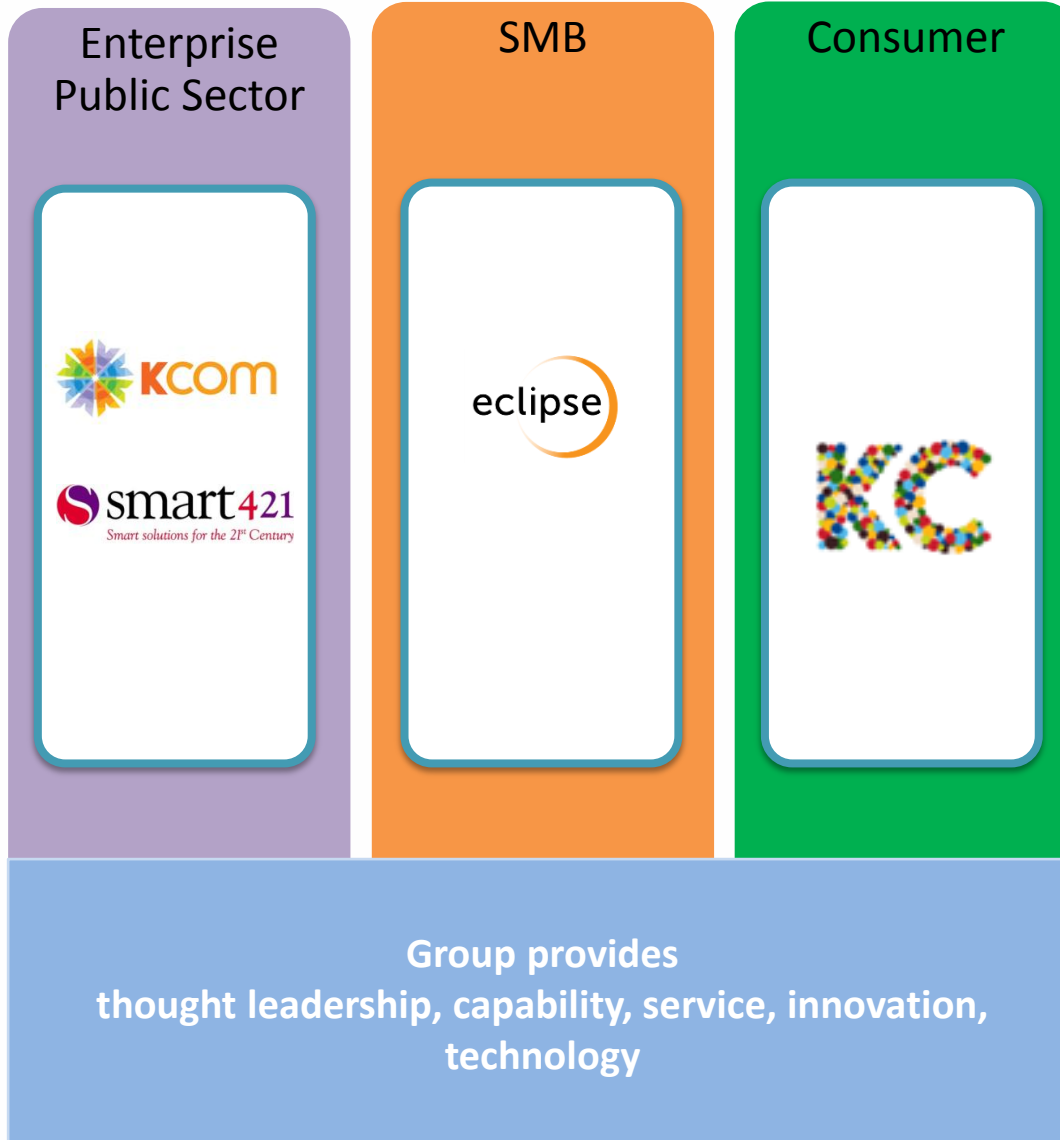
Progress in target markets

Bill Halbert

Chief Executive

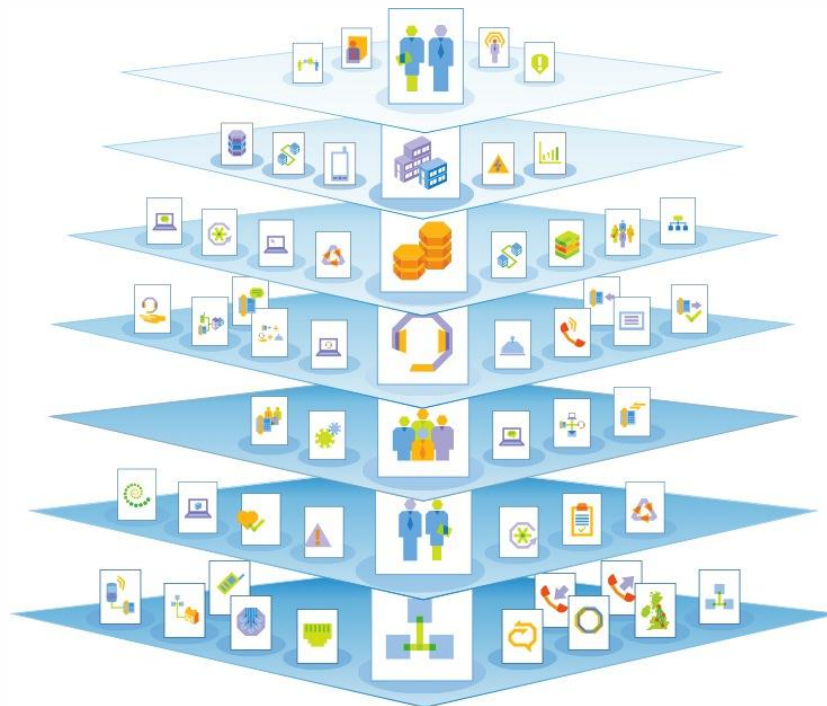
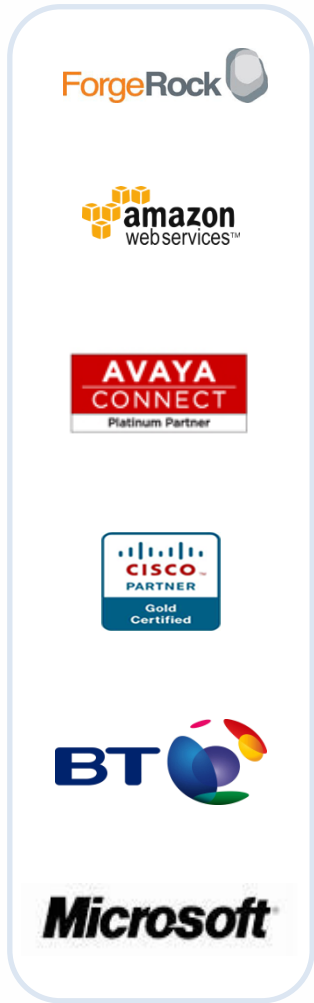
Together we are committed to delivering inspiring customer experiences and pursuing better ways to **connect people**.

We help customers **harness the power of communications** to enhance their organisation's or personal experience.



Our opportunity

Why we win - breadth of capability, scale & value



Consultancy,
application integration

Professional services

Contact services

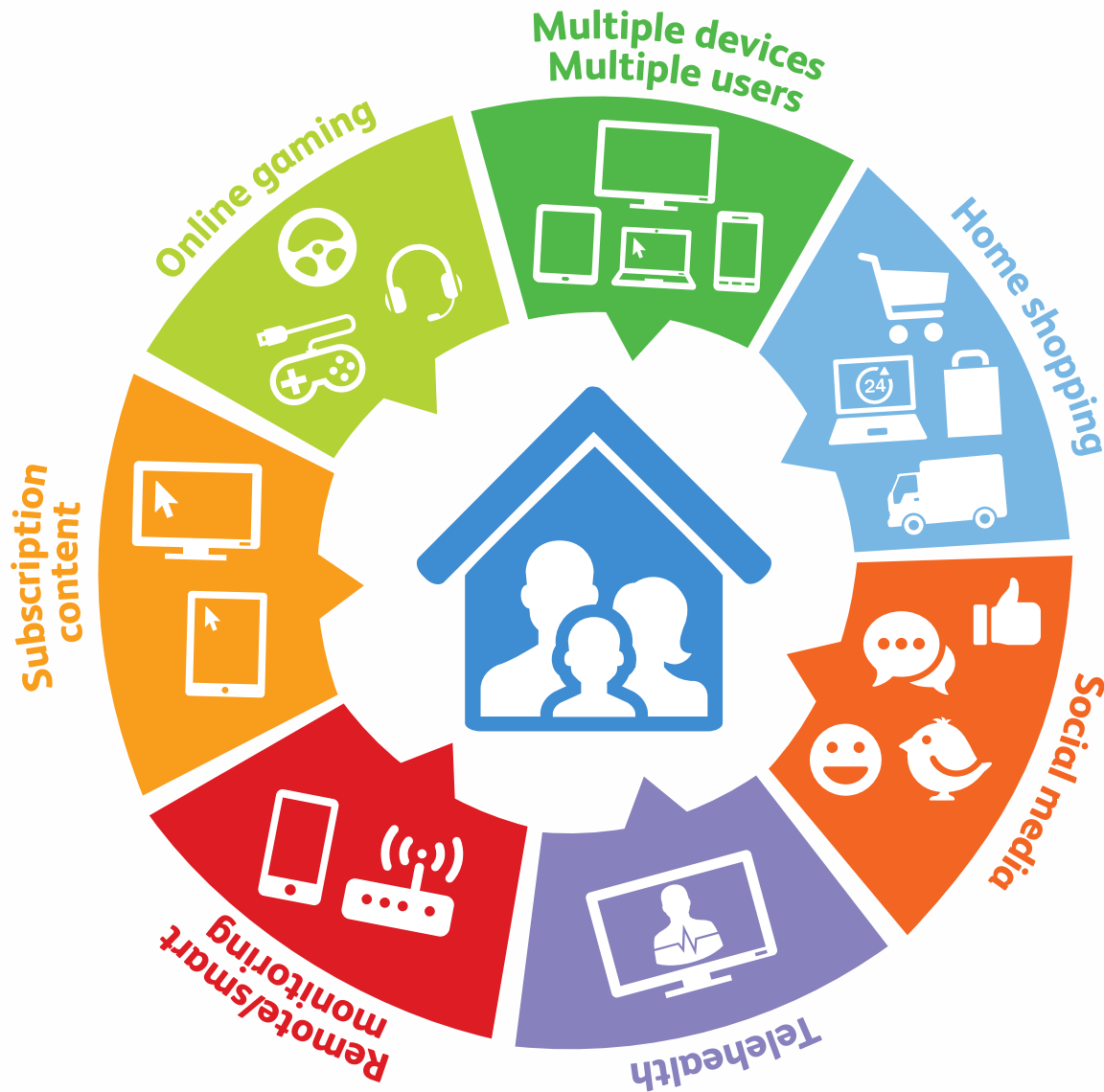
Hosted services

Connectivity &
network services



Consumer

Behaviours driving data demand



Fibre

Future proofing our fixed line network

Lower fault rate -
3/1000 compared
to 100/1000
on copper

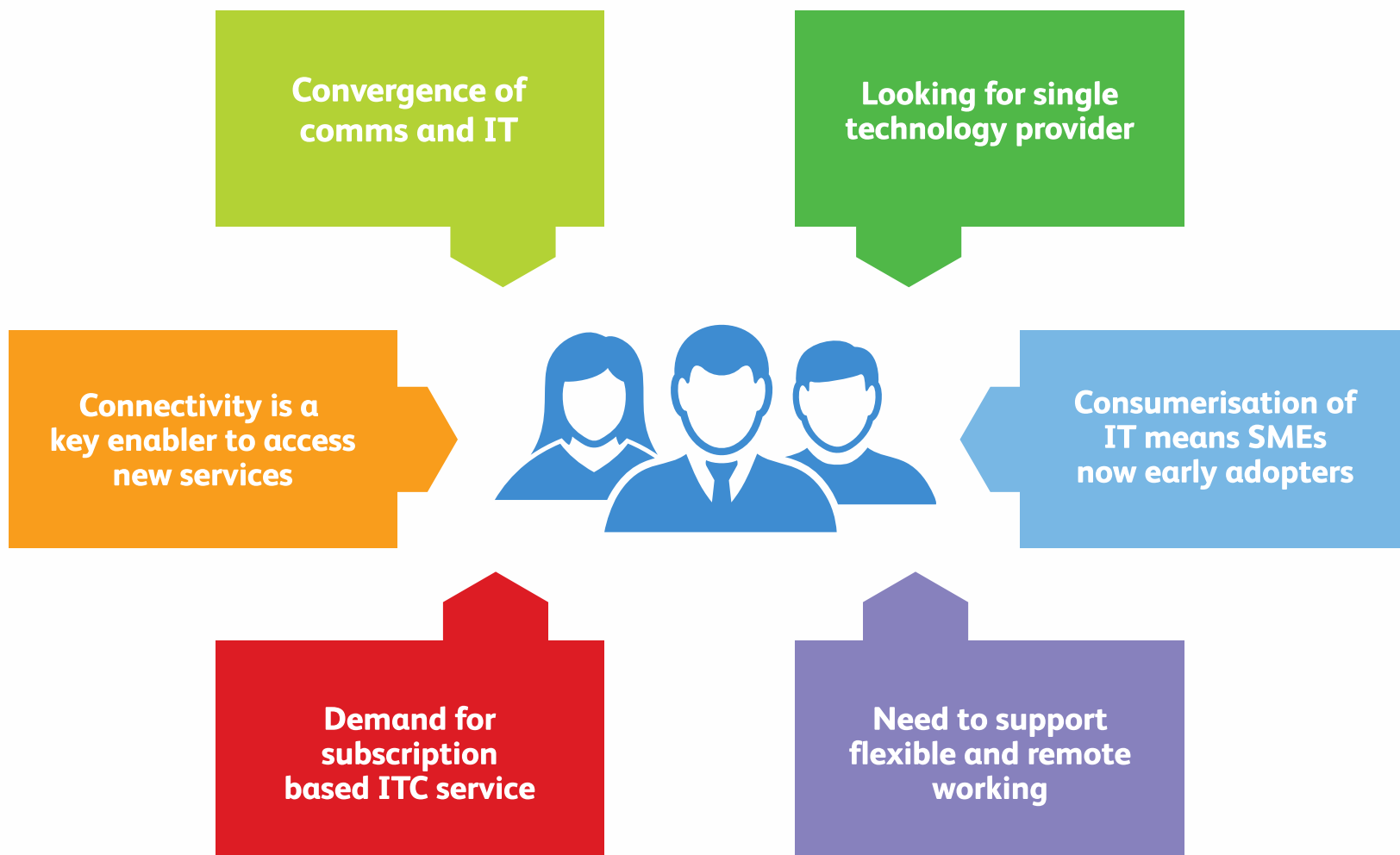
Faster
guaranteed
connection
and ability to
carry higher
volumes

Opportunity
to reduce
operational
cost

“Halo” effect
on regional
GDP

No electrical
and radio
interference
unlike ADSL

Speed
upgrades will
only require
investment
in electronics
not fibre



Enterprise

Adapting to customer landscape



- Clear opportunities across all target markets
- Continue to focus on delivery of value-added services in Kcom and fibre enabled services in KC
- Cash generative, sustainable platform with strong funding and debt position
- Opportunity to consider investment opportunities to further strengthen competitive position