

30 April 2009

BNS Telecom Group plc

Interim Results and proposed cancellation from trading on AIM Jump in deferred income and cash generation underpins future growth

BNS Telecom Group plc ("BNS", the "Company" or the "Group"), a leading telecoms service provider and IP carrier, publishes its interim results for the six months to 31 January 2009.

Highlights:

- Billings* grew year on year by 13.8% to £19.2 million (2008: £16.9 million)
- Strong cash generation from continuing operations up 24% to £1.50 million (2008: £1.21 million)
- Total deferred income increased by 58% (£1.93 million) to £5.27 million as at 31 January 2009 (31 July 2008: £3.34 million)
- Recognised revenue from continuing operations increased by 5.7% to £17.32 million (2008: £16.39 million)
- Group gross margin increased from 33.9% to 37.7%
- Underlying EBITDA** £184,000 (2008: £749,000) includes new customer acquisition costs but excludes increase in deferred income of £1.93 million
- Reported net loss reduced to £283,000 (2008: loss £821,000)
- Net borrowings reduced to £3.24 million (£4.31 million at 31 July 2008)
- Banking facilities secured for further 12 months in January 2009
- In excess of 2 million calls carried across the Group's IP switch every month
- Further development of converged mobile products with the launch of Mobile Office in March 2009

Proposed delisting:

- Current lack of liquidity in BNS shares
- Directors consider Company's current market capitalisation to be disassociated with inherent value of Company
- The ongoing costs of the Company's shares being admitted to trading on AIM now outweigh the benefits to the Company

* Billings represents the value of products and services invoiced to customers.

** Excluding discontinued business, exceptional items, share based payments and amortisation of intangible fixed assets.

Garry Moat, Chief Executive, said:

"We have continued to show strong cash generative growth, gaining market share as our products and services successfully address the growing demand for feature rich products which facilitate opex savings at no capex cost."

"As anticipated our focus on securing a long term customer base with the associated jump in deferred income has resulted in a 25% drop in our debt during the first half of the current financial year and a significant jump in our forward visibility. We remain well positioned, despite the current economic conditions, to continue to produce good cash generative growth.

"The Board now believes that it is in the best interests of the Company and its shareholders to de-list from AIM and we will be convening a General Meeting to vote on this matter in due course. The lack of liquidity in our shares and ongoing costs associated with the AIM quotation outweigh the benefits that would be derived from its continuation."

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Overview

The Group has continued to grow strongly during the first six months of the current financial year with billings up 14%, deferred income up 58% and the strong cash generation enabling BNS to reduce its net borrowings by 25%.

The demand for supply, installation and maintenance of Internet Protocol (IP) products and services and mobile telephony, continues to be strong despite the current trading environment. Enterprises are looking to reduce and more tightly manage their operational costs whilst also exploiting new digital technologies to improve efficiencies. BNS provides a broad range of related business critical telecommunication services within a single bundled package at very competitive prices. The Group's focus is on long term contractual relationships with potential up sales which provides a sound foundation to enhance revenue and profit potential per customer.

The use of IP calls and sending IP data over wireless, fixed and mobile networks is driving the move towards complete mobility for business communications. Convenience, low-cost and the collaborative potential of combining voice, data and other services across numerous devices means that seamless fixed-mobile convergence – at a network, application and service level – is now a reality.

Results and operating review

Billings, representing the value of products and services invoiced to customers, were up 13.8% to £19.2 million for the six months to 31 January 2009 (2008: £16.9 million). Billings are the leading indicator of growth and one of the main key performance indicators used by BNS to measure progress against objectives.

A significant proportion of revenue associated with the cash received up front from invoiced sales of IP products is recognised over the term of the customer's contract, which contributes to a future guaranteed revenue stream. The Group also converts many new customer orders into cash by introducing a third party finance company who lease the equipment and licenses to the end user. Accordingly, the success of the new technology IP-based products introduced during 2007 continues to drive cash generation.

BNS generated strong operating cash flow of £1.5 million (2008: £1.2 million). After the final £0.2 million payment for the discontinued Network Services Division and the realisation of £0.2 million from the sale of part of the Group's fleet of motor vehicles, net borrowings were down by 25% to £3.24 million (£4.31 million at 31 July 2008). Capital expenditure on plant and equipment during the period was £0.1 million. The Board expects net borrowing to reduce further during the remainder of the current financial year.

Recognised revenue from continuing operations grew by £0.9 million to £17.3 million excluding an increase in deferred income of £1.9 million (2008: £16.4 million). Total deferred income grew by 58% from £2.0 million at 31 January 2008 to £5.2 million at 31 January 2009 of which £0.3 million will be recognised in the second half of the financial year. This growth reflects the increase in deferred revenues of £1.8 million from IP-based hardware sales which are released over the life of contracts, many of which are up to seven years. Other deferred income relates to fixed line and maintenance revenues for which the movement over the period was broadly neutral.

The focus on IP-based sales will continue and BNS expects deferred income to increase as billings increase, at a higher rate than revenue. As deferred income is released to the income statement, an improvement in reported revenue and profits in 2009 is anticipated which will strengthen the Group's balance sheet.

Group gross margin increased from 33.9% to 37.7% for the period ended 31 January 2009 primarily due to the impact of buying gains and the change in product mix. The strong cash inflows on IP-based product sales do not initially fully translate to gross margin due to the impact of deferring some revenue but expensing the full cost of customer acquisition. However, the recurring billings and revenues associated with new IP-based product sales such as IP calls, broadband line rental and seat rentals continue to grow and are starting to make a material impact on the profitability due to their overall high margins achieved.

The traditional revenue streams of fixed line, calls traffic, hardware supply and maintenance have performed broadly in line with the Group's expectations despite the pressures arising from a highly competitive market.

Underlying EBITDA from continuing operations was £184,000 (2008: £749,000). The decrease in underlying EBITDA and reported operating loss of £234,000 (2008: profit £311,000) reflects the change in sales mix towards IP-based products. These sales of IP based products include a significant amount of deferred income. The Group adopts a prudent policy of expensing all customer acquisition costs immediately. As a result, the EBITDA reflects the costs associated with acquiring new customers but does not benefit from future contracted revenue streams. The release of deferred income on IP sales provides further forward visibility over earnings.

Net finance costs were £194,000 (2008: £238,000). The Group had a net tax credit of £90,000 (2008: charge of £48,000) resulting from the recognition of a deferred tax asset in relation to current year losses.

As stated in previous results releases, the Group closed its Network Services Division in late October 2007. The operating result of this discontinued operation is disclosed separately as a single amount in the income statement. The profit from discontinued operations during the period represents the release of a provision following the recovery of trade receivables which were fully provided against. The Group reported a net loss for the period of £283,000 (2008: loss of £821,000).

In January 2009 agreement was reached to amend the Group's bank facilities with the revised terms comprising a term loan of £3.15 million and an overdraft facility of £1.0 million. These revised bank facilities provide the Group with adequate funding to meet the Group's current forecast requirements.

The Group has recently secured additional contractual relationships with leading finance companies. Access to these additional lines of asset finance for our end customers reduces the Group's exposure to the tightening of credit conditions within the asset finance market. The Directors believe that this further supports the robustness of the business model.

Operating review

The Group's direct sales force continues to deliver consistently strong levels of new sales orders driven by the portfolio of IP-based products and services. This has resulted in strong cash generation as well as maintaining a substantial pipeline of future business.

Performance within the traditional revenue streams of fixed line access and calls and hardware supply and maintenance have remained broadly in line with the Group's expectations. Gross margins on recurring fixed line and calls billings have ended the period higher due to the full impact of buying gains. The number of fixed lines connected by the Group was significantly boosted during the latter part of the previous financial year by the connection of over 4,000 lines across eight larger customers. The first of these lines were not connected until July 2008 and as a result, less than £80,000 of revenue was booked during the previous financial year. Together with separate agreements to supply mobile services to these customers the contracts are estimated to be worth in excess of £5 million in revenue over three years.

As the numbers of customers taking IP-based products continues to grow, there will inevitably be a proportion of existing fixed line customers who are re-signed on longer term IP-based product and services contracts. Despite this emerging trend, at 31 January 2009 the number of lines connected by the Group was still broadly in line with the year on year comparator volume at 43,236 (2008: 43,787).

The Group's mobile business, 3g, has delivered robust results during the period with progress continuing to be made across a range of key indicators. The business subscriber mobile base across the Group at 31 January 2009 had risen to 17,593 (31 July 2008: 16,976). The Group continues to have a strong relationship with Vodafone and its other key suppliers.

Despite the detrimental effect of industry wide pressure on tariffs from factors such as EU roaming price reductions resulting in a 12.9% reduction in mobile revenue, margins have remained strong. This strength has resulted from focussing on selling to high margin users. Further growth is expected to result from new products, competitive tariff offerings and also greater internal efficiencies. The Board also believes that the opportunity to cross-sell mobile products to the existing BNS customer base is still at a comparatively early stage of the process and represents considerable upside in 2009.

Owning its own IP-based network, BNS controls the routing of calls, thereby ensuring the quality of calls being made. Its Network Operations Centre continues to play an important role in supporting and developing the IP-based product offerings. The Group expects to continue to develop enhanced products and features based on the IP platform.

Revenue by product is also included below to provide further useful information when interpreting the financials.

REVENUE BY PRODUCT

	2009	2008
	(£m)	(£m)
IP-based products and services (amount invoiced)	4.3	1.3
Less: deferred income	(1.9)	(0.7)
IP-based products and services revenue	<u>2.4</u>	<u>0.6</u>
Mobile services	5.1	5.9
Fixed line access and calls	8.3	8.4
Traditional PBX systems and maintenance	1.5	1.5
Total revenue	<u>17.3</u>	<u>16.4</u>

Technology in the telecommunications sector

Technological advances and increased broadband penetration have driven the VoIP revolution, allowing cheaper voice calls and providing a platform for innovative product offerings such as call recording, unified messaging, video calling and fax to email.

BT's ongoing roll out of their 21st Century Network (21CN), a next-generation network underpinned by IP represents a clear statement from a market leading provider of its view of the market's future direction.

In March 2009 BT Openreach revealed six UK locations where they plan to provide over 500,000 homes and businesses with access to broadband speeds of up to 40Mb/s. The next set of locations serving a further million homes and businesses are expected to be announced in the autumn. This roll out is the latest part of the biggest investment programme to date and BT has pledged to spend £1.5 billion by 2012 to ensure that 95% of the population will be within reach of their 21CN. With strong strategic relationships with some of the main service providers in the UK, BNS is already offering an IP-based portfolio of services in line with that of BT's 21CN.

The Group's strategic shift to IP telephony will continue to drive growth at a time when traditional fixed line revenues are expected to decline. As the technology evolves, enabling users to access any service from any device at any time, integrated services will increasingly be key. As BNS broadens its product offering by adding further value-added services, this is expected to facilitate customer retention and acquisition.

Since 31 January 2009, BNS made a further advance with the launch of its new Mobile Office product. This revolutionary new service provides true office and mobile phone convergence allowing users to take their office extension and its functionality wherever they go. This is made possible by combining BNS' own IP network and products with Vodafone's GSM network. The solution offers a flexible and resilient communications platform that utilises one number for all devices. Voice calls, faxes and e-mails can be simultaneously routed to various devices used by the customer whether this is a deskphone, mobile, PDA or notebook with a BNS softphone installed.

Outlook

The Board remains confident that BNS will continue to capitalise on the growth opportunities apparent in its marketplace and that the communications sector will continue to evolve based around IP technologies. As well as high levels of recurring revenues from a broad and diverse business customer base, the business critical nature of the Group's products and services means that it is less vulnerable to cuts in business' discretionary expenditure.

With over 10,000 business customers there are numerous opportunities to expand the product portfolio. Higher conversions of upsales underpinned by long term contracted relationships are being translated into growing levels of higher margin, good quality revenue and cash generation. The strong customer proposition also facilitates enhanced retention capability in an increasingly competitive market.

With a strong customer proposition and robust business model, the Directors believe that the Group's prospects are increasingly favourable.

Proposal to de-list from AIM

Background to and reasons for the Cancellation

Against the background of the trading performance of the Group described in this statement and the share price performance of the Company, the Directors have recently undertaken a review of the benefit of the Company continuing to be traded on AIM. Having completed this review, which included consultation with the Company's advisers and a number of its major shareholders, the Directors have unanimously agreed that it would be in the best interests of the Company and its shareholders as a whole, if the admission of the Company's shares to trading on AIM is cancelled.

The current economic crisis has led to significant falls in the values of the global stock markets, which have been exaggerated in small cap, low liquidity stocks. Whilst there are several factors affecting any company's share price, a key point for BNS is the lack of demand for the Company's shares and, in practical terms, a small free float, which further reduces demand. Like many other small companies traded on AIM, BNS has a tightly held register of shareholders. The current share register shows that more than 95 per cent of the shares are held by only 15 shareholders. Given the lack of liquidity in the shares, in practice, minority shareholders have not been able easily to trade their shares.

It is the opinion of the Directors that, in the current market turmoil, the Company's current market capitalisation has become disassociated with the inherent value of the Company. The Directors believe that the adoption during the previous year of a cautious revenue recognition policy, which results in considerable levels of deferred income in the balance sheet, is not readily recognised by the stock market, despite strong cash generation from the Group's operating activities. The Directors also believe that a stagnant or falling share price has had a de-motivating effect on the business and its employees and also a potentially adverse impact on customer and supplier perception;

The Directors also highlight the following:

- the ongoing costs (both in terms of financial costs and senior management and administrative time) of the Company's shares being admitted to trading on AIM now outweigh the benefits to the Company - the proposed cancellation is expected to reduce the overheads of the Company by in excess of £150,000 per annum and the Directors consider that these funds could be better utilised in running the business;
- a lower level of public scrutiny will enable the Group to develop new commercially sensitive business areas and perform better without increasingly onerous disclosure requirements and the pressure a quoted company faces in focusing on short term performance, rather than long-term growth; and
- in light of the current performance of the share price and limited trading in the shares, the Company's continued admission to trading on AIM may no longer serve a useful function in terms of access to capital or the ability to use the Shares to effect acquisitions.

Effect of the cancellation on shareholders

The principal effects of the cancellation would be:

- there would no longer be a formal market mechanism enabling Shareholders to trade their shares and the CREST facility will be cancelled;
- the Company would not be bound to announce material events, nor to announce interim results; and
- the Company would no longer be required to comply with any of the corporate governance requirements for quoted companies.

Governance following the Cancellation

The Directors' intention is that the Company should remain a public limited company but without having its shares admitted to trading on a public market. The Board will continue to include non-executive Directors to ensure appropriate independent judgement on issues of strategy, performance, resources and standards of conduct that they consider vital to the continued success of the Group.

The Board recognises the value of good corporate governance as a positive contribution to the well being of the business and believes in applying these principles in a sensible and pragmatic manner. The Board has, therefore, taken the proposed cancellation as an opportunity to review and update its formal schedule of matters specifically reserved for the full Board's decision.

Notwithstanding the proposed cancellation, the Company will continue to publish annual reports and accounts and to hold annual general meetings and other general meetings in accordance with the applicable statutory requirements and the Company's articles of association. Where the Board considers it to be in the interests of the Company to do so, it will continue to post certain additional information relating to the Company on its website. In addition, the City Code on Takeovers and Mergers will continue to apply to the Company for at least ten years following the date of Cancellation.

Distributions to Shareholders

In the context of the current economic turbulence, the Board currently intends to preserve the Group's cash resources. As and when the Directors believe the Company has sufficient resources to do so (having regard to the needs of the business), they intend to distribute a proportion of the Company's profits to Shareholders by way of dividend and or/share buybacks. The timing of any dividend or share purchase cannot be forecast, as they would always be dependent upon the circumstances at the time. There can be no guarantee that any distributions of the Company's profits to Shareholders will take place.

Share trading facility following Cancellation

The Directors are aware that following the proposed cancellation shareholders may still wish to acquire further shares or dispose of their shares and, accordingly, intend to use reasonable endeavours to create and maintain a matched bargain settlement facility. Under this facility shareholders or persons wishing to acquire shares will be able to leave an indication with the matched bargain settlement facility provider that they are prepared to buy or sell at an agreed price. In the event that the matched bargain settlement facility provider is able to match that order with an opposite sell or buy instruction, the matched bargain settlement facility provider will contact both parties and then effect the order. Shareholders who do not have their own broker may need to register with the matched bargain settlement facility provider as a new client. This can take some time to process and, therefore, shareholders who consider they are likely to avail themselves of this facility are encouraged to commence it at the earliest opportunity. The contact details of the matched bargain settlement facility provider once arranged will be made available to Shareholders on the Company's website.

General Meeting

Under the AIM Rules, it is a requirement that any cancellation of shares to trading on AIM must be approved by not less than 75 per cent. of votes cast by shareholders at a general meeting. Accordingly, a notice convening the Meeting, to be held at the offices of Muckle LLP at Time Central, 32 Gallowgate, Newcastle upon Tyne, NE1 4BF at 10.00 a.m. on 26 May 2009 will be sent to shareholders in due course.

Expected timetable

Posting of circular and form of proxy to shareholders	1 May 2009
Latest time and date for receipt of forms of proxy	10.00 a.m. on 24 May 2009
General meeting	10.00 a.m. on 26 May 2009
Expected cancellation of trading of shares on AIM	7.00 a.m. on 3 June 2009

Consolidated Income Statement

	(Unaudited) 6 months ended 31 Jan 2009 £'000	(Unaudited) 6 months ended 31 Jan 2008 £'000	(Audited) Year ended 31 Jul 2008 £'000
Note			
Billings	19,195	16,867	34,239
Revenue	17,322	16,391	32,597
Cost of sales	(10,795)	(10,840)	(21,719)
Gross profit	6,527	5,551	10,878
Distribution costs	(1,894)	(1,347)	(3,248)
Administrative expenses	(4,867)	(3,893)	(8,551)
Trading (loss)/profit	(234)	311	(921)
Group operating (loss)/profit	(234)	311	(921)
Underlying EBITDA	184	749	130
Depreciation	(302)	(219)	(732)
Amortisation	(95)	(95)	(209)
Share-based payments	(21)	26	35
Exceptional costs	-	(150)	(145)
Group operating (loss)/profit	(234)	311	(921)
Finance income	-	34	90
Finance costs	(194)	(238)	(435)
(Loss)/profit before income tax and discontinued operations	(428)	107	(1,266)
Income tax credit/(expense)	90	(48)	356
(Loss)/profit after tax before discontinued operations	(338)	59	(910)
Profit/(Loss) from discontinued operations after tax	55	(880)	(1,434)
Loss for the financial year	(283)	(821)	(2,344)
Attributed to:			
Equity holders of the parent	(283)	(821)	(2,344)
	(283)	(821)	(2,344)
Earnings per share - continuing			
- basic earnings per share	3	(0.67)	0.12
- diluted earnings per share	3	(0.67)	0.12
- underlying basic EBITDA per share	3	0.37	1.50
Earnings per share - total			
- basic earnings per share	3	(0.56)	(1.64)
- diluted earnings per share	3	(0.56)	(1.64)

Billings do not represent the Group's statutory revenue.

Consolidated Statement of Recognised Income and Expense

	(Unaudited) 6 months ended 31 Jan 2009 £'000	(Unaudited) 6 months ended 31 Jan 2008 £'000	(Audited) Year ended 31 Jul 2008 £'000
Deferred tax on share options	-	(34)	-
Income recognised directly in equity	-	(34)	-
Loss for the year	(283)	(821)	(2,344)
Total recognised income and expense for the year	(283)	(855)	(2,344)
Attributed to:			
Equity holders of the parent	(283)	(855)	(2,344)

Consolidated Balance Sheet

	(Unaudited) As at 31 Jan 2009 £'000	(Unaudited) As at 31 Jan 2008 £'000	(Audited) As at 31 Jul 2008 £'000
Note			
Assets			
Non-current assets			
Property, plant and equipment - at revaluation	479	479	479
Property, plant and equipment - at cost	1,468	1,563	1,672
Goodwill	3,843	3,843	3,843
Other intangible assets	1,140	1,353	1,259
Trade and other receivables	797	-	797
Deferred tax assets	439	-	375
	8,166	7,238	8,425
Current assets			
Inventories	588	372	456
Trade and other receivables	4,347	4,075	3,952
Current income tax receivable	-	265	-
Cash and cash equivalents	2	1,478	2
	4,937	6,190	4,410
Total assets	13,103	13,428	12,835
Liabilities			
Current liabilities			
Borrowings	(2,881)	(1,353)	(3,924)
Trade and other payables	(6,809)	(7,508)	(7,091)
Deferred income	(2,453)	(1,411)	(1,900)
Current income tax payable	(86)	(86)	(86)
Derivative financial instruments	(14)	(41)	(14)
	(12,243)	(10,399)	(13,015)
Net current liabilities	(7,306)	(4,209)	(8,605)
Non-current liabilities			
Borrowings	(362)	(2,920)	(391)
Deferred income	(2,820)	(573)	(1,439)
Deferred tax liabilities	(286)	(331)	(312)
Provisions	(16)	(69)	(40)
	(3,484)	(3,893)	(2,182)
Total liabilities	(15,727)	(14,292)	(15,197)
Net liabilities	(2,624)	(864)	(2,362)
Capital and reserves			
Share capital	4	5,012	5,012
Share premium	4	2,245	2,245
Other reserves	4	(3,939)	(3,939)
Retained earnings	4	(5,942)	(5,680)
Total shareholders' deficit	4	(2,624)	(2,362)

Consolidated Cash Flow Statement

	(Unaudited) 6 months ended 31 Jan 2009 £'000	(Unaudited) 6 months ended 31 Jan 2008 £'000	(Audited) Year ended 31 Jul 2008 £'000
Note			
Cash flows from operating activities			
Cash generated from continuing operations	5	1,211	2,413
Interest received	-	31	63
Interest paid on bank loans and overdrafts	-	(200)	(21)
Interest element of finance lease payments	(28)	-	(44)
Tax received/(paid)	-	218	218
Cash flow from operating activities in continuing operations	1,471	1260	2,630
Cash flow from operating activities in discontinued operations	(199)	(1,159)	(2,318)
Total cash flow from operating activities	1,272	101	312
Cash flows from investing activities			
Purchase of property, plant and equipment	(78)	(120)	(190)
Proceeds from sale of plant and equipment	220	25	99
Amount loaned to Director	-	-	(1,263)
Amounts repaid by Director	-	-	498
Purchase of intangible assets	-	(7)	(18)
Cash flow from investing activities in continuing operations	142	(102)	(874)
Cash flow from investing activities in discontinued operations	-	-	-
Total cash flow from investing activities	142	(102)	(874)
Cash flows from financing activities			
Repayment of bank loans	(588)	(416)	(1,175)
Capital element of finance lease payments	(237)	(201)	(466)
Dividends paid	-	-	-
Cash flow from financing activities in continuing operations	(825)	(617)	(1,641)
Cash flow from financing activities in discontinued operations	-	-	-
Total cash flow from financing activities	(825)	(617)	(1,641)
Net increase / (decrease) in cash and cash equivalents	6	(618)	(2,203)
Cash and cash equivalents at start of period	6	2,096	2,096
Cash and cash equivalents at end of period		1,478	(107)

Condensed Consolidated Interim Financial Information for the six months ended 31 January 2009

Notes to the Consolidated Interim Financial Information

1. Basis of Preparation

BNS Telecom Group plc (the "Company") is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company for the six months ended 31 January 2009 comprise the Company and its subsidiary undertakings (together referred to as the "Group").

The condensed consolidated interim financial information (the interim financial information) has been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS) and IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. The financial information has been prepared on the same basis and using the same accounting policies as used in the financial statements for the year ended 31 July 2008.

The interim results are not reviewed by the auditors, Ernst & Young LLP.

2. Taxation

The interim tax charge is based on an estimate of the likely effective tax rate for the full year, expressed as a percentage of the expected results for the year and then applied to the profit/loss before tax.

3. Earnings per share

(a) Continuing

The calculation of continuing basic earnings per share is based on the (loss)/profit for the period after taxation but before discontinued operations and a weighted average number of ordinary shares outstanding during the period as follows:

	6 months ended 31 Jan 2009 £'000 (Unaudited)	6 months ended 31 Jan 2008 £'000 (Unaudited)	Year ended 31 Jul 2008 £'000 (Audited)
(Loss)/profit for the period	(338)	59	(910)
	Shares '000	Shares '000	Shares '000
Weighted average number of shares - basic	50,123	50,123	50,123

(b) Total

The calculation of the basic earnings per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period as follows:

	6 months ended 31 Jan 2009 £'000 (Unaudited)	6 months ended 31 Jan 2008 £'000 (Unaudited)	Year ended 31 Jul 2008 £'000 (Audited)
Loss for the period	(283)	(821)	(2,344)
	Shares '000	Shares '000	Shares '000
Weighted average number of shares - basic	50,123	50,123	50,123

(c) Diluted

The calculation of diluted (loss)/earnings per share in respect of continuing operations for all periods is the same as the basic earnings per share as calculated above. There is no difference as the exercise of options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33.

(d) Underlying basic EBITDA per share

A reconciliation of the results for the periods used to calculate basic earnings per share to underlying EBITDA used to calculate the underlying basic EBITDA per share is set out below:

	6 months ended 31 Jan 2009 £'000 (Unaudited)	6 months ended 31 Jan 2008 £'000 (Unaudited)	Year ended 31 Jul 2008 £'000 (Audited)
Loss for the period	(283)	(821)	(2,344)
Net finance costs	194	204	345
Depreciation and amortisation	397	314	941
Share-based payments	21	(26)	(35)
Exceptional costs	-	150	145
Tax	(90)	48	(356)
(Profit)/loss after tax in respect of discontinued operations	(55)	880	1,434
Underlying EBITDA	184	749	130

4. Capital and reserves

Reconciliation of movements in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 August 2007	5,012	2,245	(3,939)	(3,301)	17
Total recognised income and expense	-	-	-	(2,344)	(2,344)
Equity-settled share-based payments	-	-	-	35	35
At 31 July 2008	5,012	2,245	(3,939)	(5,680)	(2,362)
Total recognised income and expense	-	-	-	(283)	(283)
Equity-settled share-based payments	-	-	-	21	21
At 31 July 2008	5,012	2,245	(3,939)	(5,942)	(2,624)

5. Cash generated from continuing operations

	31 Jan 2009 £'000 (Unaudited)	31 Jan 2008 £'000 (Unaudited)	31 Jul 2008 £'000 (Audited)
Loss for the year	(283)	(821)	(2,344)
(Profit)/loss after tax on discontinued operations	(55)	880	1,434
Depreciation and other non-cash items:			
Depreciation	312	211	732
Amortisation of intangible assets	119	104	209
Loss on disposal of plant and equipment	11	-	48
Share based payments	21	(26)	(35)
Changes in working capital:			
Increase in inventories	(132)	(58)	(143)
Increase in trade and other receivables	(420)	(487)	(410)
Increase/(decrease) in payables	(96)	534	957
Increase in deferred income	1,934	622	1,977
Finance revenue	-	(34)	(90)
Finance costs	178	238	435
Tax	(90)	48	(356)
Cash generated from continuing operations	1,499	1,211	2,414

6. Analysis of movements in net borrowing

	As at 1 Aug 2008 £'000	Cash flows £'000	Non-cash items £'000	As at 31 Jan 2009 £'000
Cash	2	496	-	498
Bank overdraft	(109)	93	-	(16)
Cash and cash equivalents	(107)	589	-	482
Bank loans	(3,513)	588	(82)	(3,007)
Finance leases and hire purchase contracts	(693)	237	(260)	(716)
Net borrowings	(4,313)	1,414	(342)	(3,241)

7. Publication of non-statutory financial statements

The financial information contained in the interim statements does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 and the results are unaudited. The financial information for the year to 31 July 2008 and the six months ended 31 January 2008 have been extracted from the Group's 2008 Annual Report and IFRS transitional document.

The 2008 Annual Report has been filed with the Registrar of Companies. The audit report on the Annual Report 2007 was unqualified and did not contain a statement under Section 237 (2) or (3) of The Companies Act.

8. Approval by the Board of Directors

The interim Report was approved by the Board of Directors on the 30 April 2009.