

Notes to the accounts

for the year ended 31 July 2009

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

1 Accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

A. Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union ('adopted IFRS').

The income statement for the year ended 31 July 2008 presented gains or losses on forward foreign exchange contracts that were settled during the year within other operating charges. The movement in the fair value of forward foreign exchange contracts open at the opening and closing balance sheet dates was presented within finance expense. The income statement for the year ended 31 July 2008 has been restated to ensure that these items are both presented within other operating charges. This resulted in a decrease in finance expense and a corresponding increase in other operating charges of £589,000. There is no impact on profit for the year.

B. Transitional provisions of IFRS accounting policies

The Group's date of transition to adopted IFRS is 1 August 2006. IFRS 1 First-time Adoption of International Financial Reporting Standards sets out the procedures that the Group has followed as the basis for preparing its consolidated financial statements under IFRS. The Group was required to establish its IFRS accounting policies as at 31 July 2008 and, in general, apply these retrospectively to determine the IFRS balance sheet at the date of transition.

The standard provides a number of optional exemptions to this general principal. The most significant of these are set out below, together with the description in each case of the exemptions adopted by the Group.

i) Business combinations that occurred before the transition date (IFRS 3 Business Combinations)

The Group has elected not to apply IFRS 3 retrospectively to business combinations that took place before the date of transition. As a result, in the transition balance sheet, goodwill arising on past business combinations remains as stated under UK GAAP as at 31 July 2006.

ii) Fair value or revaluation at deemed cost (IAS 16 Property and Equipment)

The option to restate items of property, plant and equipment to their fair value at the transition date has not been taken by the Group. For all items, the Group has elected to take their carrying value as shown previously under UK GAAP as their deemed cost.

iii) Foreign currency translation reserve (IAS 21 The Effects of Changes in Foreign Exchange)

For accounting periods beginning on or after the transition date, IFRS requires amounts taken to reserves on the translation of foreign subsidiaries, associates and branches to be recorded in a separate foreign currency translation reserve and to be included in the future calculation of profit or loss on disposal of the subsidiary, associate or branch. The foreign currency translation reserve was set at zero at the transition date.

C. Basis of consolidation

The Group's financial statements consolidate the results of Next Fifteen Communications Group plc and all of its subsidiary undertakings using the acquisition method of accounting.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Notes to the accounts continued

1 Accounting policies (continued)

C. Basis of consolidation (continued)

Where the Group obtains and recognises the power to govern the financial and operating policies of an associate undertaking, the associate becomes a subsidiary. The assets, liabilities, contingent liabilities and results are accounted for in line with subsidiary accounting discussed above, effective from the date in which control is recognised (the acquisition date). Control can be gained where the right to purchase the majority shareholding exists, whether or not that right is exercised. Where the recognition of control is accompanied with a purchase of a shareholding in the now subsidiary, goodwill is calculated at the acquisition date. Goodwill is calculated separately for each tranche of shares acquired and is based on the fair value of the consideration less the fair value of assets, liabilities and contingent liabilities acquired. The original holding (prior to the recognition of the associate as a subsidiary) is revalued based on existing fair values at the acquisition date and any gain or loss is recognised in a separate revaluation reserve within equity in the consolidated balance sheet.

See V(III) for information regarding accounting for the increase in stake of a subsidiary.

Inter-company transactions, balances and unrealised gains on transactions between Group companies (Next Fifteen Communications Group plc and its subsidiaries) are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies for subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

D. Merger reserve

Where the conditions set out in section 131 of the Companies Act 1985 (section 612 of the Companies Act 2006 after 1 October 2009) are met, shares issued as part of the consideration in a business combination are measured at their fair value in the consolidated balance sheet, and the difference between the nominal value and fair value of the shares issued is recognised in the merger reserve.

E. Associates

Where the Group has the power to exercise significant influence (but not control) over the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated balance sheet at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated income statement, except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's unrealised profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

F. Revenue

Billings represents amounts receivable from clients, exclusive of VAT, sales taxes and trade discounts in respect of charges for fees, commission and rechargeable expenses incurred on behalf of clients.

Revenue is billings less amounts payable on behalf of clients to external suppliers where they are retained to perform part of a specific client project or service, and represents fees, commissions and mark-ups on rechargeable expenses. Revenue is recognised on the following basis:

- Retainer and other non-retainer fees are recognised as the services are performed, in accordance with the terms of the contractual arrangement.
- Project fees are recognised on a percentage completion basis as contract activity progresses, if the final outcome can be assessed with reasonable certainty. The stage of completion is generally measured on the basis of the services performed to date as a percentage of the total services to be performed.
- Expenses are recharged to clients at cost plus an agreed mark-up when the services are performed.

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

1 Accounting policies (continued)

G. Intangible assets

Goodwill Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement.

Software Licences for software that are not integral to the functioning of a computer are capitalised as intangible assets. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs.

Amortisation is provided on software at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life of five to seven years.

No amortisation is charged on assets in the course of construction until they are available for operational use in the business. Capitalised computer software that is not an asset in the course of construction is amortised on a straight-line basis over its useful economic life. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Trade names Trade names acquired in a business combination are recognised at fair value at the acquisition date. Trade names have a finite useful life and are carried at costs less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trade names over their estimated useful lives of 20 years.

Customer relationships Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of three to five years.

H. Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation. Depreciation is provided on all property, plant and equipment at annual rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Short leasehold improvements	– Over the term of the lease, or until the first break clause.
Office equipment	– 20% – 50% per annum straight-line.
Office furniture	– 20% per annum straight-line.
Motor vehicles	– 25% per annum straight-line.

I. Impairment

Impairment tests on goodwill are undertaken annually at the financial year end. Other non-financial assets (including investments in associates but excluding deferred tax) are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Where the carrying value of an asset exceeds its recoverable amount, which is measured as the higher of value in use and fair value less costs to sell, the asset is impaired accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, defined as the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows. Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included within amortisation in the consolidated income statement, except to the extent they reverse gains previously recognised in the consolidated statement of recognised income and expense. An impairment loss recognised for goodwill is not reversed.

Notes to the accounts continued

1 Accounting policies (continued)

J. Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their 'functional currency') are recorded at the exchange rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement. Foreign exchange movements on inter-company loans with indefinite terms, and for which there is no expectation of a demand for repayment, are recognised directly in equity.

On consolidation, the results of overseas operations are translated into sterling at the average exchange rates for the accounting period. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rates, the results of overseas operations at average rates and on foreign currency borrowings are recognised directly in the foreign currency translation reserve within equity.

On disposal of a foreign operation, the cumulative translation differences recognised in the foreign currency translation reserve relating to that operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

K. Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Primary segment: The Group has one business segment, being the provision of public relations services.
A second business segment, being research, is not large enough to require segmental disclosure.

Secondary segments: The Group operates in four geographical segments, being the UK, Europe and Africa, US and Canada, and Asia Pacific.

L. Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the asset or liability. The Group's accounting policies for different types of financial asset and liability are described below.

Trade receivables Trade receivables are initially recognised at fair value and will subsequently be measured at amortised cost less allowances for impairment. An allowance for impairment of trade receivables is established when there is objective evidence (such as significant financial difficulties on the part of the counterparty, or default or significant delay in payment) that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows associated with the impaired receivable. Such provisions are recorded in a separate allowance account with the loss being recognised as an expense in the other operating charges line. On confirmation that the trade receivable will not be collectable, the gross carrying value is written off against the associated allowance.

Cash and cash equivalents Cash and cash equivalents comprise cash in hand and short-term call deposits held with banks. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated balance sheet, except where there is a pooling arrangement with a bank that allows them to be offset against cash balances. In such cases the net cash balance will be shown within cash and cash equivalents in the consolidated balance sheet.

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

1 Accounting policies (continued)

Derivative financial instruments Derivative financial instruments utilised by the Group are protection contracts on US dollar interest rate contracts (cap-and-collar) and US dollar and euro foreign exchange contracts. Derivative financial instruments are initially recognised at fair value at the contract date and continue to be stated at fair value at the balance sheet date with gains and losses on revaluation being recognised immediately in the consolidated income statement.

The fair value of derivative financial liabilities is determined by reference to third party, market valuations.

Bank borrowings Interest-bearing bank loans and overdrafts are recognised at their fair value net of direct issue costs and, thereafter, at amortised cost. Finance costs are charged to the consolidated income statement over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs which are initially recognised as a reduction in the proceeds of the associated capital instrument and unwound over the term of the debt.

Share purchase obligation Put option agreements that allow the Group's equity partners to require the Group to purchase the minority interest are recorded in the balance sheet as liabilities. On initial recognition, the liability is measured at the present value of the ultimate expected payment with the corresponding debit included in the share purchase reserve. Subsequent movements in the present value of the ultimate expected payment are recognised in the consolidated income statement.

Trade payables Trade payables are initially recognised at fair value and, thereafter, at amortised cost.

M. Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation, and are discounted to present value where the effect is material.

N. Borrowing costs

Finance costs of borrowing are recognised in the income statement over the term of the borrowings.

O. Retirement benefits

Pension costs which relate to payments made by the Group to employees' own defined contribution pension plans are charged to the consolidated income statement as incurred.

P. Share-based payments

The Group issues equity-settled share-based payments to certain employees. The share-based payments are measured at fair value at the date of the grant and expensed on a straight-line basis over the vesting period. The cumulative expense is adjusted for failure to achieve non-market vesting conditions.

Fair value is measured by use of a Black-Scholes model on the grounds that there are no market-related vesting conditions. The expected life used in the model has been adjusted, based on the Board's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Q. Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a 'finance lease'), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction to the rental expense over the lease term on a straight-line basis.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

Notes to the accounts continued

1 Accounting policies (continued)

R. Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the asset can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Where a temporary difference arises between the tax base of employee share options and their carrying value, a deferred tax asset should arise. To the extent the future tax deduction exceeds the related cumulative IFRS 2 Share-Based Payments ('IFRS 2') expense, the excess of the associated deferred tax balance is recognised directly in equity. To the extent the future tax deduction matches the cumulative IFRS 2 expense, the associated deferred tax balance is recognised in the consolidated income statement.

S. Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

T. Employee Share Ownership Plan (ESOP)

As the Group is deemed to have control of its ESOP trust, the trust is treated as a subsidiary and consolidated for the purposes of the Group accounts. The ESOP's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the Group financial statements. The ESOP's investment in the Group's shares is deducted from equity in the consolidated balance sheet as if they were treasury shares and presented in the investment-in-own-shares reserve.

U. Treasury shares

When the Group re-acquires its own equity instruments, those instruments (treasury shares) are deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's treasury shares. Such treasury shares may be acquired and held by other members of the Group. Consideration paid or received is recognised directly in equity.

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

1 Accounting policies (continued)

V. Significant estimates and judgements

The preparation of the consolidated financial statements requires the Group to make certain estimates and assumptions that have an impact on the application of the policies and amounts reported in the consolidated financial statements. Estimates and judgements are evaluated based on historical experiences and expected outcomes and are believed to be reasonable at the time such estimates and judgements are made, although actual experience may vary from these estimates.

I. Impairment of goodwill In line with IAS 36 Impairment of Assets, the Group is required to test the carrying value of goodwill, at least annually, for impairment. As part of this review process the recoverable amount of the goodwill is determined using value-in-use calculations, which requires estimates of future cash flows and as such is subject to estimates and assumptions. Further details are contained in note 11.

II. Taxation The Group is subject to income tax in numerous jurisdictions and significant judgement is required in determining the provision for income taxes. The Group recognises assets/liabilities for anticipated tax issues based on estimates of the tax treatment. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions.

III. Accounting for the increase in stake of a subsidiary IFRS 3 Business Combinations does not provide guidance on this subject, as increasing the holding in a business which is already treated as a subsidiary is outside the scope of IFRS 3. The purchase of an additional stake in a business does not constitute a business combination as the business combination occurred when control was established. The Board has exercised judgement regarding the accounting treatment of increasing the holding in a subsidiary, and the part or full acquisition of a minority interest is treated as giving rise to additional economic interest held by the Group. A purchase will generally result in the recognition of goodwill and reduced minority interest. Goodwill is recognised according to the fair value of the consideration and the fair value of the assets and liabilities acquired at the date of the purchase.

W. New standards and amendments not applied

Standards, interpretations and amendments to existing standards that have been published as mandatory for later accounting periods but are not yet effective and have not been adopted early by the Group are as follows:

a) Interpretations to existing standards and new standards which are not yet effective but are mandatory to the Group's future accounting periods, which the Group has not early adopted

IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009) replaces IAS 14 and aligns segment reporting with the requirements of the US standard and SFAS 131 Disclosures about Segments and an Enterprise and Related Information. The new standard uses a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

IAS 1 Presentation of Financial Statements revised (effective for accounting periods beginning on or after 1 January 2009). IAS 1 has been revised to enhance the usefulness of information presented in the Group financial statements.

IFRS 3 Business Combinations revised (effective for accounting periods beginning on or after 1 July 2009) requires that all acquisition costs must be expensed, contingent consideration is to be measured at fair value at the acquisition date and any subsequent movements must be recognised as an expense in the consolidated income statement. In addition, equity interests held prior to control being obtained must be re-measured at fair value at the acquisition date, with any gain or loss recognised in the consolidated income statement. Increases in ownership interest in a subsidiary that do not result in a change of control are treated as transactions amongst equity holders and reported within equity.

Notes to the accounts continued

1 Accounting policies (continued)

Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009). This amendment relates in particular to acquisitions of subsidiaries achieved in stages and disposals of interests, with significant differences in the accounting depending on whether control is gained or not, or a transaction simply results in a change in the percentage of the controlling interest. The amendment does not require the restatement of previous transactions. The amendment to IAS 27 must be adopted at the same time as IFRS 3 Revised.

IAS 23 Borrowing Costs revised (effective for accounting periods beginning on or after 1 January 2009). The revised standard eliminates the option of expensing all borrowing costs and requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.

IFRS 2 Share-Based Payment Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 January 2009) requires that vesting conditions are service conditions and performance conditions only and that all cancellations, whether by the entity or other parties, should receive the same accounting treatment.

Amendments to IFRS 7 (effective for accounting periods beginning on or after 1 January 2009). This amendment requires the analysis of each class of financial asset and financial liability into a three-level fair value measurement hierarchy. It also implements some changes to the definition of and disclosures associated with liquidity risk.

IAS 39 Financial Instruments Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009) clarifies the principles that determine whether a hedged risk or portion of cash flows is eligible for designation.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2009) clarifies that the presentation currency does not create an exposure to which an entity may apply hedge accounting and the hedging instrument(s) may be held by any entity or entities within the Group, other than the entity being hedged.

IAS 24 Related Party Transactions (effective for accounting periods beginning on or after 1 January 2011) clarifies and simplifies the definition of a related party.

b) Interpretations to existing standards which are not yet effective and not relevant for the Group's operations

IFRS 1, IAS 27 Cost of an Investment in a Subsidiary, Jointly controlled Entity or Associate (effective for accounting periods beginning on or after 1 January 2009).

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009).

IFRIC 18 Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009).

Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009).

Amendments to IFRIC 9 and IAS 39 Embedded Derivatives (effective for accounting periods beginning on or after 30 June 2009).

Amendments to IFRS2 Group Cash-settled Share-based Payment Transactions (effective for accounting periods beginning on or after 1 January 2010).

The Group does not consider that these standards will have a significant impact on the financial statements of the Group in the period of initial application. The impact of the revisions to IAS 27 and IFRS 3 will depend on the circumstances of the business combinations occurring on or after 1 August 2009.

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

2 Segment information

Primary reporting format – business segments

The Group operates in one business segment, being the provision of public relations services. A second business segment, being research, is not large enough to require segmental disclosure.

Secondary reporting format – geographical segments

The Group's operations are based in four main geographical areas. The UK is the home country of the Parent Company.

	Revenue £'000	Profit before income tax £'000	Adjusted profit before income tax ¹ £'000	Total assets £'000	Capital expenditure £'000
Year ended 31 July 2009					
UK	16,544	1,166	2,493	10,338	180
Europe and Africa	9,774	674	866	3,940	62
US and Canada	31,233	5,348	5,963	15,421	92
Asia Pacific	7,843	421	421	4,738	141
Head Office	–	(4,451)	(4,494)	11,021	114
	65,394	3,158	5,249	45,458	589
Year ended 31 July 2008					
UK	18,787	2,336	2,520	13,096	785
Europe and Africa	10,074	1,164	1,164	4,085	52
US and Canada	27,522	5,576	5,704	16,186	559
Asia Pacific	6,724	667	667	4,262	366
Head Office	–	(4,227)	(3,473)	8,523	349
	63,107	5,516	6,582	46,152	2,111

¹Adjusted profit before income tax has been reached by adjusting profit before income tax for movements in fair value of financial instruments, reorganisation costs incurred in the year, the unwinding of the discount on deferred consideration and share purchase obligation, and goodwill impairment charges. See note 5 Reconciliation of pro-forma financial measures.

3 Employee information

	2009 £'000	2008 £'000
Staff costs for all employees, including Directors, consist of:		
Wages and salaries	39,011	37,906
Social security costs	3,713	3,327
Pension costs	1,125	985
Share-based payment (credit)/charge	(57)	237
	43,792	42,455

The Group recognised restructuring costs of £1,950,000 (see note 5). £1,503,000 of the reorganisation costs can be attributed to headcount reductions and are in addition to staff costs of £43,792,000. Of the £1,503,000, £1,251,000 relates to staff reductions required to reflect revenue expectations in the worsening economy, £82,000 due to the Text Seattle office closure and £170,000 due to the merger of Inferno Communications Limited with Bite Communications Limited on 1 May 2009.

Notes to the accounts continued

3 Employee information (continued)

	2009 Number	2008 Number
The average number of employees during the year, by geographical location, was as follows:		
UK	201	229
Europe and Africa	115	133
US and Canada	278	307
Asia Pacific	232	226
Head Office	21	18
	847	913

Details of Directors' remuneration by Director are set out below:

	Salary and fees 2009 £'000	Performance- related cash bonus 2009 £'000	Shares receivable under LTIP 2009 £'000	Pension contributions 2009 £'000	Taxable benefits 2009 £'000	Total 2009 £'000	Total 2008 £'000
Executive Directors							
Tim Dyson	401	–	–	42	13	456	392
David Dewhurst	185	–	13	19	2	219	225
Non-executive Directors							
Will Whitehorn	104	–	–	–	–	104	100
Ian Taylor	39	–	–	–	–	39	37

During the year the following performance shares were awarded to Directors:

	Number of shares	Grant date	End of performance period
Executive Directors			
David Dewhurst	80,000	Nov 2008	31 July 2011
Non-executive Directors			
Will Whitehorn	30,000	Oct 2008	31 July 2011
Ian Taylor	30,000	Oct 2008	31 July 2011

During the year the following Directors held options to purchase 2.5p ordinary shares:

	Unexercised options at 1 August 2008	Granted during year	Exercised during year	Unexercised options at 31 July 2009	Exercise price	Date from which exercisable
David Dewhurst	200,000	–	–	200,000	30.0p	22.10.2005

The share-based payment credit recognised in relation to Directors for the year ended 31 July 2009 is £9,000 (2008: £13,000 charge).

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

4 Operating profit

	2009 £'000	2008 (restated)* £'000
This is arrived at after charging/(crediting):		
Depreciation of owned property, plant and equipment	1,130	1,151
Depreciation of assets held under finance leases	38	52
Amortisation and impairment of intangible assets	513	113
Reorganisation costs	1,950	–
Loss on disposal of property, plant and equipment	5	2
Movement in fair value of forward foreign exchange contracts	(325)	589
Defined contribution pension cost	1,124	985
Share-based payment (credit)/charge ¹	(57)	237
Operating lease income	(63)	(71)
Operating lease rentals– property	3,940	2,815
– plant and machinery	180	204
Exchange loss/(gain)	1,432	(51)
Fees payable to Group auditors	508	398

¹See note 22.

*See note 1A.

Auditors' remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates:

	2009 £'000	2008 £'000
Fees payable to the Company's auditor for the statutory audit of the Company's and consolidated annual statements	88	120
Other services:		
The auditing of financial statements of the subsidiaries pursuant to legislation	187	164
Other services pursuant to legislation	5	5
Tax services	79	96
Other services	149	13
	508	398

Notes to the accounts continued

5 Reconciliation of pro forma financial measures

	2009 £'000	2008 £'000
Profit before income tax	3,158	5,516
Movement in fair value of interest rate cap-and-collar contract ¹	255	165
Movement in fair value of forward foreign exchange contracts ²	(325)	589
Reorganisation costs ³	1,950	–
Unwinding of discount on deferred consideration and share purchase obligation ⁴	95	312
Impairment charge ⁵	116	–
Adjusted profit before income tax	5,249	6,582

Adjusted profit before income tax has been presented to provide additional information which may be useful to the reader.

¹See note 6.

²Forward foreign exchange contracts held by the Group are recognised at fair value on the balance sheet at each reporting date and the movement on such contracts is recognised within operating expenses in the income statement. These financial instruments comprise financial products used for hedging currency exposure on US dollar and euro. The movement in fair value of the forward foreign exchange contracts since 31 July 2008 is a credit of £325,000 (2008: charge of £589,000).

³The reorganisation costs of £1,950,000 relate to redundancies across the Group, the closure of the Text 100 Seattle office and the costs associated with the merger of Inferno Communications Limited ('Inferno') into Bite Communications Limited ('Bite') on 1 May 2009. £115,000 of the costs can be attributed to the closure of the Seattle office (£82,000 due to headcount reductions and £33,000 due to other office closure costs), and £584,000 of the reorganisation costs relate to the merger of Inferno with Bite (£282,000 of these costs can be attributed to the onerous lease provision and dilapidations provision on the premises occupied by Inferno until the date of the merger. £170,000 can be directly attributed to redundancy costs and the remaining £132,000 relates to other office closure costs). The remaining £1,251,000 of reorganisation costs have been incurred as a result of headcount reductions required to reflect revenue expectations in the worsening economy.

⁴A total interest charge of £95,000 (2008: £312,000) has been recognised during the period. £61,000 (2008: £128,000) of the charge relates to the unwinding of the discount on the deferred consideration payable for OutCast Communications Corporation (a wholly owned subsidiary of the Group since June 2005), and £34,000 (2008: £184,000) relates to the unwinding of the discount on the share purchase obligation for Lexis Public Relations Limited (a wholly owned subsidiary of the Group since October 2008). This interest charge is notional and relates to the difference between the discounted liability recognised and the actual liability settled.

⁵In accordance with the Group's accounting policy, the carrying values of goodwill and intangible assets with indefinite useful lives are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. An impairment charge has been recognised for the goodwill recognised by Bite Communications Limited ('Bite') on acquisition of Credo Communications Limited ('Credo') on 31 December 2005. The operations were transferred into Bite and the decision has been made to write down the goodwill by £116,000 due to Credo client revenue reductions. See note 11.

6 Finance expense

	2009 £'000	2008 (restated)* £'000
Financial liabilities at amortised cost		
Bank interest payable	454	393
Unwinding of discount on deferred consideration	61	128
Financial liabilities at fair value through profit and loss		
Unwinding of discount on share purchase obligation	34	184
Movement in fair value of interest rate cap-and-collar contract	255	165
Other		
Finance lease interest	35	21
Other interest payable	–	1
Finance expense	839	892

*See note 1A.

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

7 Finance income

	2009 £'000	2008 £'000
Financial assets at amortised cost		
Bank interest receivable	144	147
Other		
Other interest receivable	3	27
Finance income	147	174

8 Taxation

The major components of income tax expense for the year ended 31 July 2009 are:

	2009 £'000	2008 £'000
Consolidated income statement		
Current income tax		
Current income tax expense	1,189	1,544
Adjustments in respect of over provision of current income tax in prior years	(201)	(460)
Deferred income tax		
Relating to the origination and reversal of temporary differences	(97)	523
Adjustments in respect of deferred tax for prior years	(7)	48
Income tax expense reported in the consolidated income statement	884	1,655
Consolidated statement of changes in equity		
Net revaluation of share-based remuneration	7	117
Income tax expense reported in equity	7	117
Factors affecting the tax charge for the year		
The tax assessed for the year is higher than the standard rate of corporation in the UK of 28% (2008: 29.33%). The difference is explained below:		
Profit before income tax	3,158	5,516
Corporation tax expense at 28% (2009) and 29.33% (2008)	884	1,618
Effects of:		
Disallowed expenses	167	439
Recognition and utilisation of previously unrecognised tax losses	(192)	(32)
Non-utilisation of overseas tax losses	30	95
Higher rates of tax on overseas earnings	608	661
Deductions for overseas taxes	(597)	(714)
Adjustments in respect of prior years	(16)	(412)
	884	1,655

The tax charge on associated undertakings included in the above amount is nil (2008: £47,000).

Notes to the accounts continued

9 Dividend

	2009 £'000	2008 £'000
Dividends paid during the year		
Final dividend paid for prior year of 1.25p per ordinary share (2007: 1.1p)	238	571
Interim dividend paid of 0.45p per ordinary share (2008: 0.45p)	662	236
	900	807
Minority dividend paid ¹	226	–

¹The Group acquired control of 463 Communications LLC as at 1 August 2008. During the year, the partners of the business paid themselves a dividend of \$374,000 (£226,000).

The ESOP waived its right to dividends in the financial year ended 31 July 2009 (£18,000) and the year ended 31 July 2008 (£27,000).

A final dividend of 1.25p per share (2008: 1.25p) has been proposed. This has not been accrued. The interim dividend was 0.45p per share (2008: 0.45p), making a total for the year of 1.70p per share (2008: 1.70p). The final dividend, if approved at the AGM on 26 January 2010, will be paid on 5 February 2010 to all shareholders on the Register of Members on 8 January 2010. The ex-dividend date for the shares is 6 January 2010.

10 Earnings per share

	2009 £'000	2008 £'000
Earnings attributable to ordinary shareholders	1,932	3,663
Reorganisation costs after taxation	1,339	–
Unwinding of discount on deferred consideration and share purchase obligation after tax	71	264
Movement in fair value of interest rate cap-and-collar contract after tax	184	118
Movement in fair value of forward foreign exchange contracts after tax	(234)	414
Impairment charges	116	–
Adjusted earnings attributable to ordinary shareholders	3,408	4,459

	Number	Number
Weighted average number of ordinary shares	52,585,175	51,737,491
Dilutive shares	133,987	652,320
Diluted weighted average number of ordinary shares	52,719,162	52,389,811
Basic earnings per share	3.67p	7.08p
Diluted earnings per share	3.66p	6.99p
Adjusted earnings per share	6.48p	8.62p
Diluted adjusted earnings per share	6.46p	8.51p

Adjusted and diluted adjusted earnings per share have been presented to provide additional useful information. The adjusted earnings per share is the performance measure used for the vesting of employee share options and performance shares. The only difference between the adjusting items in this note and the figures in note 5 is the tax effect of those adjusting items.

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

11 Intangible assets

	Software £'000	Trade name £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost					
At 1 August 2007	1,326	–	–	13,839	15,165
Additions resulting from internal development	494	–	–	–	494
Acquired through business combinations	–	–	–	1,367	1,367
Exchange differences	9	–	–	226	235
At 31 July 2008	1,829	–	–	15,432	17,261
Additions resulting from internal development	134	–	–	–	134
Acquired through business combinations ¹	–	192	465	1,507	2,161
Exchange differences	62	25	51	1,253	1,394
At 31 July 2009	2,025	217	516	18,192	20,950
Amortisation and impairment					
At 1 August 2007	497	–	–	1,161	1,658
Charge for the year	113	–	–	–	113
Exchange differences	8	–	–	20	28
At 31 July 2008	618	–	–	1,181	1,799
Charge for the year	258	10	129	–	397
Impairment charge	–	–	–	116	116
Exchange differences	47	–	(6)	156	197
At 31 July 2009	923	10	123	1,453	2,509
Net book value at 31 July 2009	1,102	207	393	16,739	18,441
Net book value at 31 July 2008	1,211	–	–	14,251	15,462

¹On 1 August 2008, the Group recognised control of 463 Communications LLC ('463 LLC') and acquired intangibles of £470,000 relating to trade name (£192,000) and customer relationships (£278,000).

On 1 September 2008, Bite Communications Limited (a wholly owned subsidiary of the Company) purchased the business and certain assets of AimPR Public Relations AB, a company based in Stockholm, Sweden, and acquired intangibles of £187,000 relating to customer relationships including £4,000 of capitalised legal and professional fees.

See note 27.

Impairment testing for cash-generating units containing goodwill

Goodwill acquired through business combinations is allocated to groups of cash-generating unit ('CGUs') for impairment testing as follows:

	2009 £'000	2008 £'000
Bite (UK)	1,628	1,744
Bite (US)	321	269
Lexis (UK)	8,383	6,876
OutCast (US)	6,377	5,338
Context Analytics (US)	30	24
	16,739	14,251

The recoverable amounts of all CGUs have been determined from value-in-use calculations using a projection period of five years for each cash-generating unit. The basis for this is the 2010 budget approved by the Board, with a further four years based on projected pre-tax cash flows extrapolated using a growth rate of 2.5%. After the initial projection period, a steady long-term growth rate of 2.5% has been applied to the pre-tax cash flow forecast into perpetuity. This is considered prudent based on experience and current expectations of the long-term industry growth rate. A pre-tax discount rate, being the Group's weighted average cost of capital of 10.0% (2008: 12.2%), has been used in discounting the projected cash flows.

Notes to the accounts continued

11 Intangible assets (continued)

The Board has considered reasonable possible sensitivities in key assumptions on which the value-in-use calculations are based. If growth rates reduced to 1%, or if the discount rate increased to 20%, this would not cause the carrying values of the groups of CGUs to exceed their recoverable amounts in all cases except for Lexis. Sensitivity analysis shows that if the discount rate is increased in isolation to 17.2%, the estimated recoverable amount of Lexis is equal to carrying value.

The review performed at year end resulted in the impairment of Credo, part of the Bite (UK) CGU. Credo was acquired on 31 December 2005 and was fully integrated into Bite Communications Limited. The impairment loss of £116,000 arose due to Credo client revenue reductions.

There was no other impairment of goodwill as the estimated recoverable amount exceeds the carrying value in all other cases.

12 Property, plant and equipment

	Short leasehold improvements £'000	Office equipment £'000	Office furniture £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 August 2007	2,618	4,358	999	100	8,075
Exchange differences	58	193	32	1	284
Additions	1,028	335	221	33	1,617
Disposals	(1,008)	(833)	(99)	(28)	(1,968)
At 31 July 2008	2,696	4,053	1,153	106	8,008
Exchange differences	219	491	141	6	857
Additions	111	309	29	6	455
Disposals	(88)	(264)	(116)	(59)	(527)
At 31 July 2009	2,938	4,589	1,207	59	8,793
Accumulated depreciation					
At 1 August 2007	1,679	3,427	749	58	5,913
Exchange differences	38	172	24	–	234
Charge for the year	522	540	117	24	1,203
Disposals	(865)	(817)	(75)	(20)	(1,777)
At 31 July 2008	1,374	3,322	815	62	5,573
Exchange differences	105	349	98	4	556
Charge for the year	481	534	145	8	1,168
Disposals	(16)	(293)	(111)	(33)	(453)
At 31 July 2009	1,944	3,912	947	41	6,844
Net book value					
At 31 July 2009	994	677	260	18	1,949
At 31 July 2008	1,322	731	338	44	2,435

The net book value of property, plant and equipment for the Group includes assets held under finance lease contracts as follows: £62,000 of short leasehold improvements (2008: £74,000) and £11,000 of office equipment and furniture (2008: £23,000).

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

13 Trade and other receivables

	2009 £'000	2008 £'000
Current		
Trade receivables	10,684	11,315
Less: provision for impairment of trade receivables	(201)	(233)
Trade receivables – net	10,483	11,082
Other receivables	729	847
Prepayments and accrued income	3,383	3,791
	14,595	15,720
Non-current		
Rent deposits	533	651

As of 31 July 2009, trade receivables of £201,000 (2008: £233,000) were impaired. Movements in the provision are as follows:

	2009 £'000	2008 £'000
At 1 August	233	167
Provision for receivables impairment	128	259
Receivables written off during the year as uncollectable	(115)	(64)
Reversed	(65)	(143)
Foreign exchange movements	20	14
At 31 July	201	233

The provision for receivables impairment has been determined by considering specific doubtful balances and by reference to historic default rates. Owing to the immaterial level of the provision for impairment of receivables, no further disclosure is made. The Group considers there to be no material difference between the fair value of trade and other receivables and their carrying amount in the balance sheet.

As at 31 July, the analysis of trade receivables that were not impaired is as follows:

	2009 £'000	2008 £'000
Not past due	5,272	7,222
Up to 30 days	3,573	2,730
31 to 60 days	1,131	627
Greater than 61 days	507	503
At 31 July	10,483	11,082

Notes to the accounts continued

14 Investment in associates

On 31 January 2006 the Company invested in a 40% stake of 463 Communications LLC ('463 LLC') for a consideration of \$20,000 and has, until 1 August 2008, treated this as an associate undertaking in the Group accounts under the equity method of accounting. The carrying value of the investment at 31 July 2008 was £190,000.

On 1 August 2008 the Group had the right to purchase an additional 11% of 463 LLC (taking the holding to 51%) and acquire control of the business. Since this date 463 LLC has been accounted for as a subsidiary.

Amounts relating to the associate are as follows:

	2009 £'000	2008 £'000
Share of the associate's balance sheet:		
Total assets	–	244
Total liabilities	–	81
Net assets	–	163
Share of the associate's revenue and profit:		
Revenue	–	753
Profit after tax	–	117
Carrying amount of the investment	–	190

15 Trade and other payables

	2009 £'000	2008 £'000
Current		
Trade creditors	1,855	1,709
Finance lease obligation	194	415
Other taxation and social security	1,363	1,599
Short-term compensated absences	1,347	1,431
Other creditors	3,659	3,558
Accruals and deferred income	5,261	6,202
	13,679	14,914
Non-current		
Finance lease obligation	73	385

16 Provisions

	2009 £'000	2008 £'000
At 1 August	–	–
Additions	282	–
At 31 July	282	–

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. The provision covers the cost of rent, rates and dilapidations on an unoccupied leasehold property due to the merger of Inferno Communications Limited into Bite Communications Limited on 1 May 2009, for which the lease runs to December 2010. No reimbursement for a sub-lease is expected, and the effect of discounting is deemed immaterial.

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

17 Amounts due under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Amounts payable:				
Within one year	209	471	194	415
In two to five years	82	425	73	385
	291	896	267	800
Less: finance charges allocated to future periods	(24)	(96)	–	–
Present value of lease obligations	267	800	267	800

18 Other financial liabilities

	Deferred consideration ¹ £'000	Share purchase obligation ² £'000
At 1 August 2007	2,428	3,063
Arising during the year	1,145	–
Exchange differences	45	–
Utilised	(977)	(1,510)
Unwinding of discount	128	184
At 31 July 2008	2,769	1,737
Arising during the year	100	–
Exchange differences	334	–
Utilised	(3,036)	(1,771)
Unwinding of discount	61	34
At 31 July 2009	228	–

¹OutCast Communications Corporation ('OutCast') became a wholly owned subsidiary of the Group in June 2005. £176,000 of the current deferred consideration liability relates to the final payment due in October 2009 of discounted cash consideration for OutCast.

On 1 September 2008 Bite Communications Limited (a wholly owned subsidiary of the Group) acquired the business and certain assets of AimPR Public Relations AB ('AimPR'), a company based in Stockholm, Sweden. Initial consideration of SEK990,000 (£84,000) was paid and a further SEK1,206,000 (£100,000) deferred. Prior to the 31 July 2009, SEK574,000 (£48,000) of this deferred consideration was settled with SEK632,000 (£52,000) outstanding at the year end.

In November 2008 \$3,023,000 (£1,843,000) of deferred consideration was paid for OutCast, £1,145,000 for Lexis Public Relations Limited ('Lexis') and in February 2009, £48,000 of deferred consideration for AimPR was paid. Total deferred consideration paid during the year was £3,036,000.

²The share purchase obligation of £1,737,000 at 31 July 2008 related to the purchase of Lexis Public Relations Ltd. The Group acquired the remaining minority interest in October 2008.

Notes to the accounts continued

19 Deferred taxation

Temporary differences between the carrying value of assets and liabilities in the balance sheet and their relevant value for tax purposes result in the following deferred tax assets and liabilities:

	Total £'000	Accelerated capital allowances £'000	Short-term compensated absences £'000	Share-based remuneration £'000	Provision for impairment of trade receivables £'000	Excess book basis over tax basis of intangible assets £'000	Derivative financial instruments £'000	Other temporary differences £'000
At 1 August 2007	2,157	537	441	279	30	(55)	(21)	946
Credit/(charge) to income	(571)	(10)	53	9	10	(93)	210	(750)
Exchange differences	12	7	–	–	1	(3)	–	7
Taken to equity:								
Share option schemes	(162)	–	–	(162)	–	–	–	–
At 31 July 2008	1,436	534	494	126	41	(151)	189	203
Credit/(charge) to income	104	90	(183)	(63)	7	83	(17)	187
Exchange difference	106	46	62	–	7	(19)	–	10
Taken to equity:								
Share option schemes	7	–	–	7	–	–	–	–
At 31 July 2009	1,653	670	373	70	55	(87)	172	400

After netting off balances, the following are the deferred tax assets and liabilities recognised in the consolidated balance sheet:

	2009 £'000	2008 £'000
Net deferred tax balance		
Deferred tax assets	1,695	1,468
Deferred tax liabilities	(42)	(32)
Net deferred tax asset	1,653	1,436

Deferred tax has been calculated using the anticipated rates that will apply when the assets and liabilities are expected to reverse based on tax rates enacted or substantively enacted by the balance sheet date. The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned.

20 Financial instruments

Financial risk management, policies and strategies

The Group's principal financial instruments comprise bank loans, finance leases, cash and short-term deposits and derivative financial instruments. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from operations.

The Group enters into derivative transactions, primarily cap-and-collar interest rate and forward foreign exchange contracts. The purpose of such contracts is to protect the profits and surplus funds arising in principal markets from currency fluctuations and to manage the interest rate risks on the Group's sources of finance. At 31 July 2009 a total of \$2,400,000 and €1,875,000 was protected by the derivative foreign exchange transactions entered into by the Group.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

20 Financial instruments (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates and cap-and-collar interest rate derivatives.

The Group's policy is to manage its interest costs arising on variable rate debts by entering into interest rate cap-and-collar contracts. These agreements are designated to protect underlying debt obligations against significant increases in interest rates as required under the terms of the Group's revolving loan facility with Barclays Bank. At 31 July 2009 all US dollar borrowings have been capped at 6.25%.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax at 31 July 2009 based on year end balances and rates.

	Movement in basis points	2009 £'000	2008 £'000
United Kingdom	+200	(5)	(18)
US	+200	143	180
Eurozone	+200	–	(8)

A rise in US interest rates of 2% would give a positive movement of £240,000 (2008: £260,000) in the fair value of the interest rate cap-and-collar contract.

Liquidity risk

The Group manages its risk to a shortage of funds with a mixture of long and short-term committed facilities. As at 31 July 2009 the Group had undrawn committed facilities of £6,000,000 (2008: £7,500,000). In addition, the Group has an overdraft facility of £1,500,000 at a rate of 2.25% above Barclays Bank's base rate, available in sterling, US dollar and euro, and an overdraft facility of £1,206,000 (\$2,000,000) at a rate of Wells Fargo Bank's prime rate or LIBOR +1.25%, available in US dollars. The Barclays Bank's overdraft facility is reviewed at the bank's discretion with no expiry date. The Wells Fargo Bank's overdraft facility is reviewed on an annual basis and expires in December 2009. The following table summarises the maturity profile based on the remaining period at the balance sheet to the contractual maturity date of the Group's financial liabilities at 31 July 2009 and 2008 based on contractual undiscounted payments:

	Within one year £'000	Greater than one year £'000	Total £'000
As at 31 July 2009			
Financial liabilities	14,587	132	14,719
Derivative financial instruments – cash inflows	(2,870)	–	(2,870)
Derivative financial instruments – cash outflows	3,218	438	3,656
	14,935	570	15,505
As at 31 July 2008			
Financial liabilities	20,161	6,727	26,888
Derivative financial instruments – cash inflows	(2,162)	(338)	(2,500)
Derivative financial instruments – cash outflows	2,620	654	3,274
	20,619	7,043	27,662

Notes to the accounts continued

20 Financial instruments (continued)

Currency risk

As a result of significant global operations, the Group's balance sheet can be affected significantly by movements in the foreign exchange rates against sterling. This is largely through the translation of balances denominated in a currency other than the functional currency of an entity. It is the Group's policy to manage these risks through the use of currency derivatives and spot transactions. The Group has transactional currency exposures in the Europe and Africa region, foreign currency bank accounts and inter-company recharges. The Group uses currency derivatives to protect significant US dollar and euro currency exposures against changes in exchange rates.

The following table demonstrates the sensitivity to reasonable possible changes in exchange rates, with all other variables held constant, of the Group's profit before tax at 31 July 2009 based on year end balances and rates.

	Weakening against sterling	2009 £'000	2008 £'000
US dollar	20%	(2,955)	1,497
Euro	20%	73	457
Australian dollar	20%	(682)	(278)
Chinese renminbi	20%	(448)	(92)
Hong Kong dollar	20%	9	(106)
Indian rupee	20%	92	(21)
Japanese yen	20%	12	(82)
Norwegian kroner	20%	(8)	(33)
Singapore dollar	20%	(180)	3
South African rand	20%	(17)	(69)

A movement in exchange rates of -20% would give a positive movement of £310,000 (2008: £840,000) on the US dollar currency derivatives and £340,000 (2008: £640,000) on the euro currency derivatives.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that customers who wish to trade on credit terms be subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts has not been significant. The amounts presented in the balance sheet are net of provisions for impairment of trade receivables, estimated by the Group's management based on experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies, although the Board recognises that in the current economic climate these indicators cannot be relied upon exclusively.

Maximum exposure to credit risk:

	2009 £'000	2008 £'000
Total trade and other receivables	15,128	16,371
Cash and cash equivalents	7,130	9,525

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed below, cash and cash equivalents attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings disclosed in notes 21, 24 and 25.

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

20 Financial instruments (continued)

Capital risk management (continued)

	2009 £'000	2008 £'000
Cash and cash equivalents	7,130	9,525
Total loans and borrowings	(5,078)	(5,315)
Finance leases	(267)	(800)
Net funds	1,785	3,410
Equity attributable to equity holders of the parent	24,147	19,392
Total capital	25,932	22,802

Externally imposed capital requirement

Under the terms of the Group's banking covenants the Group must meet certain criteria based on gross borrowings to earnings before interest, tax, depreciation, amortisation and impairment, interest cover and guarantee ratios on turnover, operating profit, total assets and total operating cash flows to consolidated gross financing costs. There have been no un-waived breaches of the banking covenants in the current or prior years.

Fair values of financial assets and liabilities

Fair value is the amount at which a financial instrument can be exchanged in an arm's-length transaction between informed and willing parties, other than a forced or liquidation sale.

The book value of the Group's financial assets and liabilities equals the fair value of such items as at 31 July 2009, with the exception of obligations under finance leases. The book value of obligations under finance leases is £267,000 (2008: £800,000) and the fair value is £291,000 (2008: £896,000).

Financial instruments – detailed disclosures

Financial instruments recognised in the balance sheet

The IAS 39 categories of financial assets and liabilities included in the balance sheet and the heading in which they are included are as follows:

	At fair value through profit and loss account £'000	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total £'000
As at 31 July 2009				
Non-current financial assets				
Other receivables	–	–	533	533
	–	–	533	533
Current financial assets				
Cash and cash equivalents	–	–	7,130	7,130
Trade and other receivables	–	–	14,595	14,595
	–	–	21,725	21,725
Current financial liabilities				
Loans and borrowings	–	156	–	156
Trade and other payables	–	13,679	–	13,679
Deferred consideration	–	228	–	228
Share purchase obligation	–	–	–	–
Derivative financial liabilities	615	–	–	615
	615	14,063	–	14,678
Non-current financial liabilities				
Loans and borrowings	–	4,922	–	4,922
Obligations under finance leases	–	73	–	73
Provisions	–	282	–	282
Deferred consideration	–	–	–	–
	–	5,277	–	5,277

Notes to the accounts continued

20 Financial instruments (continued)

Financial instruments recognised in the balance sheet (continued)

	At fair value through profit and loss account £'000	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total £'000
As at 31 July 2008				
Non-current financial assets				
Other receivables	–	–	651	651
	–	–	651	651
Current financial assets				
Cash and cash equivalents	–	–	9,525	9,525
Trade and other receivables	–	–	15,720	15,720
	–	–	25,245	25,245
Current financial liabilities				
Trade and other payables	–	14,914	–	14,914
Deferred consideration	–	2,630	–	2,630
Share purchase obligation ¹	1,737	–	–	1,737
Derivative financial liabilities	685	–	–	685
	2,422	17,544	–	19,966
Non-current financial liabilities				
Loans and borrowings	–	5,315	–	5,315
Trade and other payables	–	385	–	385
Deferred consideration	–	139	–	139
	–	5,839	–	5,839

¹The share purchase obligation relates to Lexis Public Relations Limited ('Lexis'). This obligation was settled in October 2008 and Lexis became a wholly owned subsidiary of the Group.

Interest-bearing loans and borrowings

The table below provides a summary of the Group's loans and borrowing as at 31 July 2009:

	Effective interest rate	2009 £'000	2008 £'000
Current			
Obligations under finance lease	3.42%	194	415
Variable rate bank loan	Barclays Bank call-loan rate + 1.25%	156	–
Non-current			
Obligations under finance leases	3.42%	73	385
Variable rate bank loan	Barclays Bank call-loan rate + 1.25%	4,826	4,815
Variable rate bank loan	6.50%	96	–
Variable rate bank loan	Barclays Bank call-loan rate + 1.0%	–	500

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

21 Share capital

Called-up share capital

Ordinary shares of 2.5p each:

	Number	£'000
Authorised		
At 31 July 2008 and 31 July 2009	60,000,000	1,500
Allotted, called up and fully paid		
At 1 August 2008	54,148,966	1,354
Issued in the year in respect of:		
Final stage of Lexis acquisition	1,098,591	27
At 31 July 2009	55,247,557	1,381

22 Share-based payments

The Group uses a Black-Scholes model to calculate the fair value of options on grant date. At each year end the cumulative expense is adjusted to take into account any changes in estimate of the likely number of shares expected to vest. Details of the relevant option schemes are given in note 23. All the share-based plans are subject to non-market performance conditions such as earnings per share targets and continued employment. All schemes are equity settled. The key inputs are listed below and market price on any given day is obtained from external, publicly available sources.

	2009	2008
Risk-free rate	4.13%	4.13%
Dividend yield	4.16%	3.88%
Volatility ¹	35%	30%

¹Volatility is based on the Group's share price movement between January 2003 and July 2009. In the opinion of the Directors, this period is appropriate, given the Group's history of growth and acquisitions, and external industry factors.

The Group recognised a credit of £57,000 (2008: £237,000 charge).

Movement on options granted (represented in ordinary shares)

	Outstanding at 1 August 2008 Number (^{'000})	Granted number (^{'000})	Lapsed number (^{'000})	Exercised number (^{'000})	Outstanding 31 July 2009 Number (^{'000})	Exercisable 31 July 2009 Number (^{'000})
Executive share option scheme	1,571	–	105	190	1,276	575
Long-Term Incentive Plan – options	252	–	16	–	236	–
Long-Term Incentive Plan – performance shares	3,096	2,189	748	374	4,163	–
	4,919	2,189	869	564	5,675	575
Weighted-average exercise price (p)	18.32	–	7.85	10.98	13.48	31.02

A total of 564,117 shares were exercised during the year ended 31 July 2009 at a weighted average share price of 44.58p.

Options over ordinary shares outstanding

Range of exercise prices (p)	0 – 215
Weighted average exercise price (p)	13.48
Weighted average contractual life (months)	29

Notes to the accounts continued

22 Share-based payments (continued)

The fair value of options granted in the year calculated using the Black-Scholes model

	May 2009	November 2008	October 2008
Fair value of performance shares granted under the LTIP (p)	29	27	27
Share price at date of grant (p)	39	37	38
Risk-free rate (%)	4.13	4.13	4.13
Expected life (years)	3	3	3
Expected volatility (%)	35	35	35
Dividend yield (%)	4.16	4.16	4.16

Performance shares issued by the Company under the Next Fifteen Communications Long-Term Incentive Plan are granted at a nil exercise price.

23 Share options

The Company has issued options over its shares to employees as follows:

Share option type	Number of shares	Option price per share	Option grant date
Next Fifteen Communications			
Executive Share Option Schemes	58,000	47.25p	19 August 1999
	18,000	215p	22 November 2000
	178,000	60p	21 May 2001
	64,000	23.5p	23 October 2001
	364,999	30p	22 October 2002
	285,001	59.5p	22 October 2003
	968,000		
Next Fifteen Communications			
Californian Executive Share Option Schemes	88,000	30p	22 October 2002
	190,334	59.5p	22 October 2003
	30,000	63p	12 May 2004
	308,334		
Next Fifteen Communications			
Long-Term Incentive Plan	64,683	56p	16 June 2005
	73,660	56p	11 November 2005
	29,545	66p	10 April 2006
	68,673	62p	18 October 2006
	236,561		

Performance shares	Number of shares	Performance period start date	Performance period end date
Next Fifteen Communications			
Long-Term Incentive Plan	350,672	1 August 2006	31 July 2009
	559,993	1 August 2007	31 July 2010
	1,136,990	1 August 2007	31 July 2010
	60,000	1 August 2008	31 July 2011
	1,853,999	1 August 2008	31 July 2011
	200,000	1 August 2008	31 July 2011
	4,161,654		

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

23 Share options (continued)

Under the Next Fifteen Executive Share Option Schemes, save as explained hereafter, all options are normally exercisable on or after the third anniversary of the date of grant and remain exercisable until the tenth anniversary of the date of the grant, to the extent that they have vested. Options will vest in respect of one-third of the shares on each of the third, fourth and fifth anniversaries of their date of grant. Options granted to employees in California from 23 October 2001 are exercisable at a rate of 20% per year over five years from the date of grant. The vesting of all share options granted after 30 November 1999 is conditional on achievement of a performance criterion of the Group's earnings per share growing over a three-year period after the grant by at least 30%.

3,559,230 share options/performance shares issued by the Company under the Next Fifteen Communications Executive Share Option Schemes and Long-Term Incentive Plan are options over unissued shares. The remaining 2,115,319 options/performance shares/conditional shares will be largely satisfied by either shares held by the Employee Share Ownership Plan (951,061) or by shares held by the Company in treasury (1,164,258) (see note 24).

Under the Next Fifteen Long-Term Incentive Plan, the performance test for share options and performance shares is measured over a period of three consecutive financial years of the Group, commencing with the financial year in which the award is granted. The performance condition is an earnings per-share target. The growth of adjusted earnings per shares ('EPS') of the Group must exceed the Retail Prices Index (RPI) by an average of 15% or more per annum over the performance period for 100% of the award to vest. If the growth of adjusted EPS is between an average of 5% and 15% EPS growth over RPI per annum over the performance period, between 20% and 100% of the award will vest on a straight-line basis. If EPS does not grow by an average of 5% or more over RPI per annum over the performance period, none of the award will vest. For all grants of options and performance shares after November 2007 there is also a second performance test associated with the profit growth of the group company in which the participant is employed. If during the performance period the profit before tax of the Company is in line with budget then the award will vest at the level determined by the first performance test (the 'Initial Calculation'). For each 1% that the Company exceeds budget a further 2% of the shares awarded under the option or performance share award will vest in addition to the Initial Calculation up to a maximum of 25%. For each 1% that the Company's profit before tax is below budget 2% of the shares awarded under the option or performance share award will be deducted from the Initial Calculation up to a maximum of 25% (provided that an award can never be below zero). Each participant can therefore receive up to 125% of their initial award.

On 1 May 2009 Inferno Communications Limited ('Inferno'), a wholly owned subsidiary of the Group, merged into Bite Communications Limited ('Bite'), also a wholly owned subsidiary of the Group. Following the merger there was a one-off grant of performance shares to two senior members of Inferno who transferred to Bite. The extent to which the award will vest shall be determined by reference to the retention of key clients by Bite for which the participants are the key account directors. If the client remains with Bite on 1 May 2010 60% will vest and the final 40% will vest if the client still remains on 1 May 2011.

24 Investment in own shares

Employee shares ownership plan (ESOP)

The purpose of the ESOP is to enable the Company to offer participation in the ownership of its shares to Group employees principally as a reward and incentive scheme. Arrangements for the distribution of benefits to employees, which may be the ownership of shares in the Company or the granting of options over shares in the Company held by the ESOP, are made at the ESOP's discretion in such manner as the ESOP considers appropriate. Administration costs of the ESOP are accounted for in the profit and loss account of the Company as they are incurred.

At 31 July 2009 the ESOP held 951,061 (2008: 1,515,178) Ordinary Shares in the Company, which represents 1.7% (2008: 2.8%) of the Ordinary Share capital. The ESOP reserve of £644,000 (2008: £663,000) represents the cost of these shares held by the ESOP in the Company at 31 July 2009. The nominal value of shares held was £23,777 (2008: £37,879), and the market value at 31 July 2009 was £456,509 (2008: £622,000). The right to receive dividends on all shares has been waived.

During the year to 31 July 2009, a number of employees exercised their options. In total 190,000 (2008: 138,419) ESOP options were exercised, for proceeds of £63,301 (2008: £63,000), as were 374,117 performance shares.

Treasury shares

The Group holds 1,164,258 (2008: 950,000) treasury shares at a cost of £595,000 (2008: £504,500). During the year to 31 July 2009 the Group purchased 214,258 of its own shares at the market value of £91,000 shown in the treasury shares reserve. The nominal value of shares held at 31 July 2009 was £29,106 (2008: £23,750), and the market value was £558,844 (2008: £390,000). The right to receive dividends on all shares has been waived.

Notes to the accounts continued

25 Reconciliation of movement in reserves

	Called-up share capital £'000	Share premium account £'000	Merger reserve ¹ £'000	Share purchase reserve ² £'000	Foreign currency translation reserve ³ £'000	ESOP reserve ⁴ £'000	Treasury shares ⁵ £'000	Retained earnings £'000	Equity attributable to shareholders of the Company £'000
At 1 August 2008	1,354	5,157	2,659	(1,380)	(191)	(663)	(504)	12,960	19,392
Profit attributable to shareholders	-	-	-	-	-	-	-	1,932	1,932
Dividends	-	-	-	-	-	-	-	(900)	(900)
Shares issued on acquisitions	27	-	416	-	-	-	-	-	443
Movement in share purchase obligation	-	-	-	1,380	-	-	-	391	1,771
Movement in relation to share-based payments	-	-	-	-	-	-	-	(57)	(57)
Deferred tax on share-based payments	-	-	-	-	-	-	-	7	7
Translation differences on foreign currency net investments	-	-	-	-	1,540	-	-	-	1,540
Movement due to ESOP share option exercises	-	-	-	-	-	19	-	44	63
Purchase of own shares	-	-	-	-	-	-	(91)	-	(91)
Translation differences on long-term inter-company loans	-	-	-	-	-	-	-	140	140
Minority dividend	-	-	-	-	-	-	-	(226)	(226)
Revaluation of investment in associate	-	-	-	-	-	-	-	133	133
At 31 July 2009	1,381	5,157	3,075	-	1,349	(644)	(595)	14,424	24,147

¹Shares issued as part of the consideration in a business combination are measured at their fair value, and the difference between the nominal value and fair value of the shares issued is recognised in the merger reserve.

²Relates to the share purchase obligation of Lexis Public Relations Limited. The obligation was settled in October 2008.

³The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of overseas subsidiaries.

⁴The ESOP Trust's investment in the Group's shares is deducted from equity in the consolidated balance sheet as if they were treasury shares and presented in the ESOP reserve.

⁵When the Group re-acquires its own equity instruments, those instruments (treasury shares) are deducted from equity and presented in the treasury shares reserve.

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

25 Reconciliation of movement in reserves (continued)

	Called-up share capital £'000	Share premium account £'000	Merger reserve £'000	Share purchase reserve £'000	Foreign currency translation reserve £'000	ESOP reserve £'000	Treasury shares £'000	Retained earnings £'000	Equity attributable to shareholders of the Company £'000
At 1 August 2007	1,334	5,157	2,160	(2,890)	(206)	(681)	–	9,910	14,784
Profit attributable to shareholders	–	–	–	–	–	–	–	3,663	3,663
Dividends	–	–	–	–	–	–	–	(807)	(807)
Shares issued on acquisitions	20	–	499	–	–	–	–	–	519
Movement in share purchase obligation	–	–	–	1,510	–	–	–	–	1,510
Movement in relation to share-based payments	–	–	–	–	–	–	–	237	237
Deferred tax on share-based payments	–	–	–	–	–	–	–	(117)	(117)
Translation differences on foreign currency net investments	–	–	–	–	15	–	–	–	15
Movement due to ESOP share option exercises	–	–	–	–	–	18	–	46	64
Purchase of own shares	–	–	–	–	–	–	(504)	–	(504)
Translation differences on long-term inter-company loans	–	–	–	–	–	–	–	28	28
At 31 July 2008	1,354	5,157	2,659	(1,380)	(191)	(663)	(504)	12,960	19,392

26 Commitments and contingent liabilities

Operating leases – Group as lessee

As at 31 July 2009, the Group's total future minimum lease rentals are as follows:

	2009 Land and buildings £'000	2009 Other £'000	2008 Land and buildings £'000	2008 Other £'000
In respect of operating leases which will expire:				
Within one year	3,374	208	460	25
In two to five years	6,797	254	2,835	506
After five years	2,642	–	5,262	–
	12,813	462	8,557	531

Notes to the accounts continued

27 Acquisitions

- On 1 August 2008 the Group recognised control of 463 Communications LLC ('463 LLC'). 463 LLC is a venture based in Palo Alto and Washington, DC, working to position technology companies, organisations and coalitions in global policy debates.

On 31 January 2006 the Company invested in a 40% stake of 463 LLC for a consideration of \$20,000 and has, until 1 August 2008, treated this as an associate undertaking in the Group accounts under the equity method of accounting. The carrying value of the investment at 31 July 2008 was £190,000.

On 1 August 2008 the Group had the right to purchase an additional 11% of 463 LLC (taking the holding to 51%) and acquire control of the business. Since this date 463 LLC has been accounted for as a subsidiary.

From 1 August 2008 (the date of acquisition) to 31 July 2009, 463 LLC contributed \$3,799,000 (£2,401,000) to revenue and \$959,000 (£606,000) profit before interest, tax and amortisation of intangibles.

The sale and purchase agreement relating to the acquisition of 463 LLC provides the Group with the opportunity to purchase 100% of the business and it is the Group's intention to do so.

Details of the fair values of identifiable assets and liabilities brought onto the balance sheet as at 1 August 2008 are as follows:

	Book value at acquisition £'000	Fair value adjustments¹ £'000	Fair value to the Group £'000
Non-current assets			
Intangible assets	61	409	470
Property, plant and equipment	5	–	5
Current assets			
Cash and cash equivalents ²	195	–	195
Other current assets	348	–	348
Current liabilities	(206)	–	(206)
Net assets acquired	403	409	812
Goodwill			–
Total consideration			–

¹The fair value adjustment relating to intangible assets is due to the recognition of \$380,000 (£192,000) in respect of the 463 LLC trade name and \$430,000 (£217,000) in respect of customer relationships, which have been independently valued. The trade name will be amortised over its useful economic life of 20 years, and the customer relationships will be amortised over three years.

²The inflow of cash and cash equivalents on acquisition is the cash acquired of \$387,000 (£195,000). Control of 463 LLC was acquired for nil consideration.

- On 1 September 2008 Bite Communications Limited ('Bite'), a wholly owned subsidiary of the Group, acquired the business and certain assets of AimPR Public Relations AB, a company based in Stockholm, Sweden. This business was integrated into Bite's existing Swedish operation.

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

27 Acquisitions (continued)

The following table sets out the book values of the identifiable assets acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustments¹ £'000	Fair value to the Group £'000
Non-current assets			
Intangible assets	–	183	183
Property, plant and equipment	2	–	2
Assets acquired	2	183	185
Goodwill			–
Consideration²			
Cash consideration			132
Total deferred cash consideration			52
Capitalised acquisition costs ¹			4

¹The fair value adjustment relating to intangible assets is due to the recognition of SEK2,174,000 (£183,000) in respect of customer relationships. The customer relationships will be amortised over five years. Total intangibles of SEK2,222,000 (£187,000) have been capitalised including SEK48,000 (£4,000) of legal and professional fees.

²Initial consideration of SEK990,000 (£84,000) was paid on the date of acquisition. A further SEK574,000 (£48,000) was paid in February 2009 based on revenue of retained clients during the first six months. An estimated SEK632,000 (£52,000) of consideration has been deferred and the amount paid will be based on revenue of retained clients over the 12 months following completion.

- On 27 October 2008, the Group acquired the remaining 12.85% stake in Panther Communications Group Limited ('Panther'), the parent company of Lexis Public Relations Limited ('Lexis'). The stake was acquired for a total consideration of £1,771,000, of which £1,328,000 was satisfied in cash and £443,000 in shares (1,098,591 shares), taking the Group's total stake to 100%. Based on the acquisition balance sheet, additional goodwill of £1,507,000 has been capitalised.

On 27 October 2008, the Group paid £1,145,000 relating to the deferred consideration for the purchase on 4 April 2008 of a 10.55% stake in Panther.
- On 3 November 2008, the Group paid US\$3,023,000 (£1,843,000) relating to the deferred consideration for the purchase of OutCast Communications Corporation ('OutCast'). OutCast is a wholly owned subsidiary acquired in June 2005.

Notes to the accounts continued

28 Subsidiaries

The Group's principal subsidiaries at 31 July 2009 are listed below:

Name	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group
Beijing Text 100 Consulting Services Limited	China		100
Beijing Bite Communications Limited	China		100
Bite Communications (Canada) Limited	Canada		100
Bite Communications Corporation	USA		100
Bite Communications Group Limited	England	✓	100
Bite Communications Limited	England		100
Context Analytics Corporation	USA		100
Inferno Communications Limited ¹	England	✓	100
Lexis Public Relations Limited	England		100
Next Fifteen Communications Corporation	USA	✓	100
Next Fifteen Communications Hong Kong Limited	Hong Kong	✓	100
OutCast Communications Corporation	USA		100
Proxima Public Relations SL	Spain		100
Text 100 AB	Sweden		100
Text 100 BV	Netherlands		100
Text 100 Corporation	USA		100
Text 100 SARL	France		100
Text 100 GmbH	Germany	✓	100
Text 100 International Limited	England	✓	100
Text 100 Ireland Limited	Ireland		100
Text 100 Italy SrL	Italy		100
Text 100 Japan KK	Japan		100
Text 100 Limited	England		100
Text 100 PTE Limited	Singapore		100
Text 100 (Pty) Limited	South Africa		100
Text 100 Pty Limited	Australia		100
Text 100 SL	Spain		100
Text Hundred India Private Limited	India		100
Vox Public Relations India Private Limited	India		100
Redshift Research Limited	England	✓	100
463 Communications LLC ²	USA		40

¹Non-trading company at 31 July 2009.

²See note 27.

The principal activity of the subsidiary undertakings is public relations work specialising predominantly in the technology sector, except for Lexis Public Relations Limited, which works for clients predominantly in non-technology sectors, and Context Analytics Corporation and Redshift Research Limited, which are research companies.

All subsidiary undertakings operate in the country in which they have been incorporated.

All subsidiary undertakings listed are included in the consolidated results.

Overview	1-9
Business review	10-21
Governance	22-39
Financial statements	40-83
Additional information	84-88

29 Related-party transactions

The ultimate controlling party of the Group is Next Fifteen Communications Group plc (incorporated in England and Wales). The Company has a related-party relationship with its subsidiaries (note 28) and with Directors and executive officers.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

During 2009 there were no other related-party transactions.

30 Events after the balance sheet date

M Booth & Associates Inc

On 3 August 2009, the Group acquired New York based M Booth & Associates Inc ('M Booth'), a leading PR consultancy in North America. The initial consideration paid in cash on completion was \$4,000,000 (£2,413,000). Deferred consideration of up to a maximum of \$13,250,000 (£7,992,000) may be payable over the course of the next four years subject to the achievement of certain revenue and profit performance targets. The total maximum consideration is therefore \$17,250,000 (£10,405,000). The first \$11,250,000 (£6,786,000) of deferred consideration that may be payable may be satisfied by cash or up to 25% in shares, at the option of the Group. The final \$2,000,000 (£1,206,000) that may be payable may be satisfied 100% in shares, at the option of the Group.

For the year ended 31 December 2008, M Booth had consolidated revenues of \$10,400,000 (£6,273,000) and profit before tax of \$1,000,000 (£603,000). The consolidated gross assets at 31 December 2008 were \$4,300,000 (£2,594,000). The business will be acquired with \$1,500,000 (£905,000) of net working capital. The above numbers have been extracted from the management accounts of M Booth and are therefore unaudited.

Acquisition costs of \$154,000 (£97,000) were paid in relation to the purchase of M Booth, and recognised within the consolidated income statement for the year ended 31 July 2009.

Upstream Marketing and Communications Inc

On 27 October 2009, the Group acquired the marketing communications trading subsidiaries of Upstream Marketing and Communications Inc ('Upstream Asia'), which will be integrated into the Bite Communications Group. The initial consideration was US\$900,000 (£551,000) paid in cash and the assumption of US\$200,000 (£122,000) of Upstream Asia's liabilities, making a total of US\$1,100,000 (£673,000). The Group owns 55% of Upstream Asia, and a Hong Kong based company Asset Pioneer Limited ('Asset Pioneer') owns the residual 45%. The Group has entered into an option deed under which it has a right to acquire Asset Pioneer's shares over a five-year period based on the profitability of the acquired businesses.

Acquisition costs of US\$103,000 (£63,000) were paid in relation to the acquisition of Upstream Asia, and recognised within the consolidated income statement in October 2009.

463 Communications LLC

On 31 October 2009, the Group acquired a further 30% stake in 463 Communications LLC ('463 LLC'), taking the Group's total stake to 70%. The stake was acquired for a total consideration of \$2,139,000 (£1,298,000), of which \$1,426,000 (£865,000) was satisfied in cash and \$713,000 (£433,000) in shares (805,095 shares). The fair value of the shares was determined by reference to the average of the mid-market price of the Company's shares for the ten trading day period ended four days prior to issuance.

No external acquisition costs were paid in relation to the increased interest in 463 LLC.

Information required in order to calculate and recognise goodwill and acquired intangibles in relation to M Booth, Upstream Asia and 463 LLC is not yet available, and will be shown in the Interim Report for the six months ending 31 January 2010.