

1 BASIS OF PREPARATION

Alternative Networks plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is Chatfield Court, 56 Chatfield Road, London SW11 3UL.

These financial statements have been prepared in accordance with IFRS as adopted by the EU and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

2 PRINCIPAL ACCOUNTING POLICIES

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

AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2009

Amendment to IAS 39 and IFRS 7 "Reclassification of financial assets". This standard does not have any impact on the Group's financial statements.

IFRIC 12 "Service concession arrangements". This standard does not have any impact on the Group's or Company's financial statements.

IFRIC 13 "Customer loyalty programmes". This standard does not have any impact on the Group's or Company's financial statements.

IFRIC 14 IAS 19 "The limit on a defined benefit asset, minimum funding requirements and their interaction". This standard does not have any impact on the Group's or Company's financial statements.

IFRIC 16 "Hedges of a net investment in a foreign operation". This standard does not have any impact on the Group's or Company's financial statements.

STANDARDS, INTERPRETATIONS AND AMENDMENTS WHICH ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP OR COMPANY

The following standards and amendments to current standards have been published and are mandatory for accounting periods beginning on or after 1 October 2009, but have not been early adopted by the Group or Company:

IAS 1 (revised) "Presentation of financial statements". This standard requires the Group to choose whether to rename the primary statements and whether to present the new statement of comprehensive income as a single statement, replacing the income statement, or as two statements.

IAS 23 (amendment) "Borrowing costs" (effective from 1 January 2009). This is not expected to have a material effect on the results of the Group.

IFRS 8 "Operating segments" (effective from 1 January 2009) uses a "management approach" under which segment information is presented on the basis as that used for internal reporting purposes. This standard will require additional disclosures to be added into the financial statements when it comes into effect.

IFRS 3 (revised) "Business combinations" (effective from 1 July 2009) has been amended in relation to the accounting for business combinations. This standard will have an impact on the Group's accounting for acquisitions and disposals.

STANDARDS, INTERPRETATIONS AND AMENDMENTS WHICH ARE NOT YET EFFECTIVE AND NOT RELEVANT TO THE GROUP'S OPERATIONS

The following interpretations to current standards have been published and are mandatory for accounting periods beginning on or after 1 October 2009, but are not relevant to the Group's operations:

IFRS 2 (amendment) "Share-based payments"

IAS 27 (revised) "Consolidated and separate financial statements"

IAS 32 (amendment) "Financial instruments: presentation"

IFRIC 15 "Agreements for the construction of real estate"

IAS 23 (amendment) "Annual improvements to IFRS"

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION

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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from calls, which excludes value added tax and trade discounts, is recognised in the income statement at the time the call is made with the exception of international roamed calls which are recognised when the data is supplied by the UK networks. Calls made in the year, but not billed by year end, are accrued within receivables as accrued income with the exception of international roamed calls as noted above.

Revenue from line rentals is recognised in the month that the charge relates to, commencing with a full month's charge in the month of connection. Revenue and related costs from the sale of handsets are recognised on the date of connection.

Connection commissions received by mobile network operators are recognised when the customer is connected to the mobile network after providing for expected future clawbacks. Mobile commissions in respect of ARPU are recognised at the end of the relevant performance period.

Revenue and related costs from the sale of accessories are recognised when despatched.

Revenue arising from the provision of internet and other services is recognised evenly over the periods in which the service is provided to the customer.

Income and related expenditure is recognised upon completion of work for systems installations, and maintenance income in respect of systems is recognised evenly over the period to which it relates.

Interest income is recognised on an accruals basis.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation, down to residual value, is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

Building element of long leaseholds	2% per annum
Leasehold improvements	over the lease term
Equipment, fixtures and fittings	20%–33% per annum
Motor vehicles	25% per annum

The useful economic lives attributable to each class of asset are reviewed and adjusted if appropriate at each balance sheet date.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

An item of property, plant and equipment is removed upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Land is not depreciated and is held at historical cost.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

LEASES

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

INTANGIBLE ASSETS

GOODWILL is accounted for by recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Goodwill is initially measured at cost, being the excess of the fair value of payments made, assets transferred and future payments, over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The results of the acquired entities are included in the Group's results from the date when control of the Company passes to the Group.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill assigned to a cash-generating unit may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. In the event that management forecasts do not facilitate accurate impairment testing at divisional level, goodwill will be held centrally and reflected as such in the segment reporting.

PURCHASED CUSTOMER CONTRACTS are capitalised at cost and amortised on a straight-line basis over their estimated useful economic life, from the date of acquisition, as considered reasonable by the Directors.

SOFTWARE AND SOFTWARE LICENCES includes computer software that is not integral to a related item of hardware. These assets are stated at cost less accumulated amortisation and any impairment in value. Amortisation is calculated on straight-line basis over the estimated useful life of the asset.

INTANGIBLE ASSETS – OTHER includes the fair value of customer relationships, supplier relationships and trade names (acquired after 1 October 2006) determined by the net present value of the future cash flow benefits anticipated to arise from the intangible assets less accumulated amortisation and impairment losses.

AMORTISATION OF OTHER INTANGIBLES is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is tested systematically for impairment at each annual balance sheet date. Other intangible assets are amortised from the date that they are available for use. The estimated useful lives are as follows:

Customer relationships	7 years
Trade name	1.5 years
Purchased customer contracts	3–5 years
Software	3–5 years

INVESTMENTS

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Investments are tested for impairment at each reporting date or if events indicate that the carrying value has been diminished.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value after making allowance for any obsolete or slow moving items. Net realisable value is reviewed regularly to ensure accurate carrying values. Cost is determined on a first-in-first-out basis and includes transportation and handling costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Work in progress is valued at the lower of cost and net realisable value less any payments received on account. Costs include materials and other expenses incurred on the contract at the date of the balance sheet.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

TRADE AND OTHER RECEIVABLES

Trade receivables, which generally have 14–60 day terms, are recognised and carried at original invoice amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The provision is the difference between the asset's carrying amount and the original invoice amount less bad debts written-off. The carrying amount of the asset is reduced through the use of the provision and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits.

NON-CURRENT ASSETS HELD FOR RE-SALE

Non-current assets are classified as held for re-sale if their carrying amount will be recovered through sale rather than continuing use. The condition is regarded as not in use only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale should be expected to be complete within one year of the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and their value less cost to sell.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

TRADE PAYABLES

Trade payables are stated at their nominal value, recognised initially at fair value and subsequently valued at amortised cost.

SHARE CAPITAL

Equity instruments issued by the Group are recorded at proceeds received, net of direct issue costs.

CURRENT TAXATION

Current income tax expense is recognised based on management's best estimate of the weighted average annual tax rate expected for the full financial year.

SEGMENTAL REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and rewards that are different from those of segments operating in other economic environments.

DEFERRED TAXATION

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Group operates a defined contribution scheme and contributes to an independent stakeholder pension. Contributions are recognised as an expense in the income statement as they become payable in accordance with the rules of the scheme.

EMPLOYEE BENEFITS

In accordance with IAS 19, the Group provides for accrued holiday benefit. The cost is measured as the additional amount that the Group expects to pay as a result of the unused holiday entitlement that has accumulated at the balance sheet date.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

SHARE-BASED PAYMENT TRANSACTIONS

The Group's management awards certain employees bonuses in the form of equity-settled, share-based compensation plans on a discretionary basis. These options are subject to between two and three-year vesting conditions.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The Group has applied IFRS 2 "Share-based payments" and has adopted the Black-Scholes model for the purposes of computing "fair value" for the EMI schemes. The LTIP scheme has been valued using the Monte Carlo model (Note 29).

Deferred tax is also provided based upon the expected future tax deductions relating to share-based payment transactions and is recognised over the vesting period of the scheme concerned.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

IMPAIRMENT OF GOODWILL

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

DEFERRED TAX ASSETS

Deferred tax assets are recognised for timing differences to the extent that it is more likely than not that taxable profit will be available against which the timing differences can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

SHARE-BASED PAYMENT

The estimation of the fair value of share options and other equity instruments at the date of their grant requires management to make estimates concerning the number of employees likely to exercise together with the expected volatility of, and dividends payable on the underlying shares and the time at which employees are likely to exercise vested options.

RECEIVABLES

Debts are recognised to the extent that they are judged recoverable. Management reviews are performed to estimate the level of provision required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

3 FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a variety of financial risks. The Group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Group by using a mix of financial instruments.

FOREIGN EXCHANGE RISK

The Group is not exposed to foreign exchange risk as the Group operates almost wholly within the United Kingdom. The Group has no exposure to foreign currencies as no billing is carried out in foreign currencies. In addition, all of the Company assets and liabilities are held in Pounds Sterling so sensitivity analysis is deemed unnecessary regarding foreign exchange risk.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

INTEREST RATE RISK

Although the Group has interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates, due to the nature of the underlying business.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the period would increase/decrease by £45,000 (2008: £20,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings and cash deposits.

CREDIT RATE RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and this policy has been implemented by requiring staff to carry out appropriate credit checks on customers before sales commence. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed at least annually. The Group also insures all debts greater than £3,000 where accepted, with a leading credit insurance company.

Trade receivables consist of a large number of customers, spread across diverse industries across the United Kingdom. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities.

Credit risk may also arise from deposits with banks. It is the Group's policy that deposits are only made with banks that have high credit scores and deposits are split between multiple banks.

LIQUIDITY RISK

Ultimate responsibility for liquidity risk management rests with the Board of Directors. They have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity risk management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities through cash flow forecasting, acquisition planning and monitoring working capital and capital expenditure requirements on an ongoing basis.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance to the contractual maturity date. These amounts disclosed in the table are the contracted undiscounted cash flows. Discounting is not required as this has no material effect on the financial statements.

GROUP

	Within 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Year ended 30 September 2009				
Borrowings	50	51	156	667
Trade and other payables	17,269	—	—	—
Current tax liabilities	1,335	—	—	—

	Within 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Year ended 30 September 2008				
Borrowings	35	43	127	790
Trade and other payables	18,391	—	—	—
Current tax liabilities	1,380	—	—	—
Contingent consideration	97	—	—	—

COMPANY

	Within 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Year ended 30 September 2009				
Borrowings	50	51	156	667
Trade and other payables	16,059	—	—	—
Current tax liabilities	1,224	—	—	—

	Within 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Year ended 30 September 2008				
Borrowings	35	37	127	790
Trade and other payables	14,621	—	—	—
Current tax liabilities	1,332	—	—	—
Contingent consideration	97	—	—	—

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders. The Group defines capital as share capital plus reserves. The Group is not subject to any externally imposed capital requirements.

4 SEGMENTAL INFORMATION

In accordance with IAS 14 "Segment reporting" and the entity's risks and returns, which are reflected within the internal financial reporting structures of the Group, the Board considers that the primary reporting format is business segment. There are two business segments, being the Network Services division and the Advanced Solutions division. Disclosures are given for each of the business segments below.

Risks and rewards associated with revenue streams within these two segments are deemed to be materially consistent, hence further breakdown of the individual components is not given. Since all sales are made within the United Kingdom, the Group does not consider any secondary segmental reporting to be appropriate.

Year ended 30 September 2009	Network Services £'000	Advanced Solutions £'000	Total £'000
Total segment revenue	75,390	14,286	89,676
Adjusted operating profit	8,252	734	8,986
Allocated Group charges			
Amortisation of intangibles excluding computer software (Note 14)	(957)	(263)	(1,220)
Impairment of freehold property (Note 15)	(143)	(27)	(170)
Share-based payments	(565)	—	(565)
Operating profit	6,587	445	7,031
Finance income	95	10	105
Finance costs	(21)	—	(21)
Taxation	(1,882)	(142)	(2,024)
Profit for the year	4,779	313	5,091
EBITDA	8,080	828	8,907
Other information			
Segment assets	37,755	4,868	42,623
Segment liabilities	16,053	4,565	20,618
Capital expenditure (including intangibles)	328	15	343
Depreciation and amortisation	1,493	383	1,876
Year ended 30 September 2008	Network Services £'000	Advanced Solutions £'000	Total £'000
Total segment revenue	78,519	15,188	93,707
Adjusted operating profit	9,001	1,432	10,433
Allocated Group charges			
Amortisation of intangibles excluding computer software (Note 14)	(1,037)	(338)	(1,375)
Share-based payments	(303)	—	(303)
Operating profit	7,661	1,094	8,755
Finance income	161	62	223
Finance costs	(22)	(54)	(77)
Taxation	(2,258)	(145)	(2,402)
Profit for the year	5,542	957	6,499
EBITDA	9,167	1,583	10,750
Other information			
Segment assets	34,634	7,621	42,255
Segment liabilities	14,899	7,300	22,199
Capital expenditure (including intangibles)	851	68	919
Depreciation and amortisation	1,505	490	1,995

5 ANALYSIS OF COST OF SALES, GROSS PROFIT AND ADMINISTRATIVE EXPENSES

	30 September 2009 £'000	30 September 2008 £'000
Total turnover	89,676	93,707
Cost of sales	(58,852)	(60,913)
Gross profit	30,824	32,794
Selling and distribution costs	(9,319)	(9,225)
Administrative expenses	(14,474)	(14,814)
Operating profit	7,031	8,755

6 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	30 September 2009 £'000	30 September 2008 £'000
Depreciation of property, plant and equipment	375	358
Amortisation of intangible assets	1,501	1,637
(Profit)/loss on disposal of fixed assets	(45)	3
Operating lease charges – land and buildings	581	532
Operating lease charges – motor vehicles	34	—
Auditors' remuneration		
– fees payable to the Company's auditors for the audit of Parent Company and consolidated accounts	68	76
– fees payable to the Company's auditors for the audit of the Company's subsidiaries pursuant to legislation	20	13
Fees payable to the Company's auditors and associates for other services:		
– services relating to taxation	—	60
– all other services	5	31

7 KEY MANAGEMENT COSTS AND EMPLOYEE INFORMATION

Key management is defined as members of the Group's Operational Board as well as Executive Board members.

	30 September 2009 £'000	30 September 2008 £'000
Key management compensation		
Salaries and short-term employee benefits	2,145	2,375
Post-employment benefits	61	60
Share-based payments	461	209
	2,667	2,644

	30 September 2009 £'000	30 September 2008 £'000
Directors' aggregate emoluments		
Salaries and bonuses	1,071	1,331
Contributions to money purchase pension scheme	38	36
	1,109	1,367

The amounts set out above include remuneration in respect of the highest paid Director of £294,000 (2008: £366,000).

The average monthly number of persons (including Executive Directors) employed by the Group and Company during the year was:

	Group		Company	
	30 September 2009	30 September 2008	30 September 2009	30 September 2008
By activity				
Selling and distribution	216	235	120	143
Administration	184	195	159	168
	400	430	279	311

8 FINANCE INCOME

	30 September 2009 £'000	30 September 2008 £'000
Interest receivable on bank deposits	105	223

9 FINANCE COSTS

	30 September 2009 £'000	30 September 2008 £'000
Interest payable on bank loans	21	77

10 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	30 September 2009 £'000	30 September 2008 £'000
Current tax		
Tax on profit in the year	2,413	2,595
Adjustments in respect of prior years	7	(158)
Total current tax	2,420	2,437
Deferred tax		
Origination and reversal of timing differences	(396)	(407)
Utilisation of tax losses	—	372
Total deferred tax credit	(396)	(35)
Total tax charge	2,024	2,402

The current tax assessed for the period is higher (2008: lower) than the average rate of corporation tax in the UK of 28% (2008: 29%) applied to the profits before tax for the year. The differences are explained below:

	30 September 2009 £'000	30 September 2008 £'000
Profit on ordinary activities before tax	7,115	8,901
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 29%)	1,992	2,581
Effects of:		
Expenses not deductible for tax purposes	14	12
Schedule 23 deduction in respect of share options	(26)	(27)
Impairment of freehold property	48	—
Other timing differences	(11)	(6)
Adjustments in respect of prior years	7	(158)
Total tax charge	2,024	2,402

11 PROFIT FOR THE FINANCIAL YEAR

As permitted by Section 408 of the Companies Act 2006, the Parent Company's income statement has not been shown separately in these financial statements. The Parent Company's profit after taxation for the financial year was £5,597,000 (2008: £8,440,000). Last year's result includes an inter-company dividend of £3,008,000.

12 DIVIDENDS

	30 September 2009 £'000	30 September 2008 £'000
2008 final paid – 3.10p (2007: 2.30p) per 0.125p ordinary share	1,383	1,096
2009 interim paid – 1.60p (2008: 1.50p) per 0.125p ordinary share	705	715
	2,088	1,811

The 2008 proposed final dividend of 3.10p per 0.125p ordinary share was paid on 29 January 2009. The amount of dividend paid was £1,383,000 (2007: £1,096,000).

The Directors also paid a 2009 interim dividend of 1.60p per 0.125p ordinary share, with a total payment value of £705,000 (2008: £715,000). This was paid on 17 July 2009 to shareholders on the register on 3 July 2009.

In addition, the Directors are proposing a final dividend in respect of the financial year ended 30 September 2009 of 3.50p per 0.125p ordinary share which will absorb an estimated £1,552,000 of shareholders' funds. Assuming it is approved by the shareholders at the Annual General Meeting on 25 January 2010, it will be paid on 26 January 2010 to shareholders who are on the register of members at 18 December 2009.

13 EARNINGS PER SHARE

The calculation of basic and fully diluted earnings per ordinary share is based on the profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one category of potential ordinary shares: those share options granted to employees where the exercise price is less than the average price of the Company's ordinary share during the year.

The profit and weighted average number of shares used in the calculations are set out below:

	Profit attributable to shareholders £'000	Weighted average of 0.00125p ordinary shares Number	Per share amount Pence
Basic and fully diluted earnings per share			
2009 earnings per share – basic	5,091	42,541,495	12.0
Potentially dilutive shares	—	1,292,806	(0.4)
2009 earnings per share – diluted	5,091	43,834,301	11.6
2008 earnings per share – basic	6,497	45,337,790	14.3
Potentially dilutive shares	—	1,955,157	(0.6)
2008 earnings per share – diluted	6,497	47,292,947	13.7

The adjusted earnings per share is based on the adjusted profit before tax as set out in Note 32, and the weighted average number of shares as described above.

	Adjusted profit £'000	Weighted average of 0.00125p ordinary shares Number	Per share amount Pence
Basic and fully diluted earnings per share			
2009 earnings per share – basic	6,113	42,541,495	14.4
Potentially dilutive shares	—	1,292,806	(0.5)
2009 earnings per share – diluted	6,113	43,834,301	13.9
2008 earnings per share – basic	7,462	45,337,790	16.5
Potentially dilutive shares	—	1,955,157	(0.7)
2008 earnings per share – diluted	7,462	47,292,947	15.8

Share option costs included within adjusted profit attributable to shareholders are reducing the earnings per share in 2009 by 0.9p (2008: 0.4p).

As in prior periods, the calculation of the weighted average number of shares in issue excludes the shares held by the Alternative Networks Employee Benefit Trust of 1,915,200. These shares are then added to the total of extant options when calculating the fully diluted weighted average number of shares.

There were 44,950,621 shares in issue at 30 September 2009 including 1,000,000 shares held in treasury. On 30 September 2008 there were 45,963,355 shares (inclusive of 1,000,000 shares held in treasury). The weighted average number of shares during the year was 42,541,495 (2008: 45,337,790).

The potentially dilutive shares figure does not include shares relating to the LTIP (Note 29) as these options include a total shareholder return test which is not being met as at 30 September 2009.

14 INTANGIBLE ASSETS GROUP

	Purchased customer contracts £'000	Computer software £'000	Other intangibles £'000	Goodwill £'000	Total £'000
Cost					
At 1 October 2007	1,662	1,060	5,865	12,313	20,900
Fair value adjustments	—	—	—	345	345
Additions	—	409	—	316	725
At 1 October 2008	1,662	1,469	5,865	12,974	21,970
Additions	—	172	—	—	172
Adjustment to contingent consideration	—	—	—	(339)	(339)
Transfers from tangibles (Note 15)	—	26	—	—	26
At 30 September 2009	1,662	1,667	5,865	12,635	21,829
Amortisation					
At 1 October 2007	454	377	86	—	917
Charge for period	341	262	1,034	—	1,637
At 1 October 2008	795	639	1,120	—	2,554
Charge for period	339	281	881	—	1,501
Charges on transfer from tangibles	—	19	—	—	19
At 30 September 2009	1,134	939	2,001	—	4,074
Net book amount					
At 30 September 2009	528	728	3,864	12,635	17,755
At 30 September 2008	867	830	4,745	12,974	19,416

Amortisation has been charged through the income statement within operating costs. Transfers of £26,000 relate to computer software transferred to intangibles from property, plant and equipment during the year. This also applies to the Company, shown below. The Group has also made an adjustment of £339,000 to goodwill as a result of the finalisation of the contingent consideration relating to the Echo Communications Limited acquisition (Note 16).

COMPANY

	Purchased customer contracts £'000	Computer software £'000	Goodwill £'000	Total £'000
Cost				
At 1 October 2007	759	1,032	1,436	3,227
Additions	—	385	327	712
At 1 October 2008	759	1,417	1,763	3,939
Additions	—	172	—	172
Transfers from tangibles (Note 15)	—	26	—	26
At 30 September 2009	759	1,615	1,763	4,137
Amortisation				
At 1 October 2007	433	376	—	809
Charge for period	145	243	—	388
At 1 October 2008	578	619	—	1,197
Charge for period	145	267	—	412
Charges on transfers from tangibles	—	19	—	19
At 30 September 2009	723	905	—	1,628
Net book amount				
At 30 September 2009	36	710	1,763	2,509
At 30 September 2008	181	798	1,763	2,742

The carrying amounts of goodwill by acquisition are as follows:

	Group		Company	
	30 September 2009 £'000	30 September 2008 £'000	30 September 2009 £'000	30 September 2008 £'000
ICB (UK)	5,685	5,685	1,436	1,436
Echo Communications	6,634	6,973	—	—
AN Technical Services	316	316	327	327
	12,635	12,974	1,763	1,763

14 INTANGIBLE ASSETS (CONTINUED) COMPANY (CONTINUED)

During the year the goodwill in respect of each of the cash-generating units which include the above were tested for impairment in accordance with IAS 36. All were assessed to have a value in use in excess of their respective carrying values, and hence no other adjustments to goodwill were considered necessary.

The key assumptions in the value in use calculations were:

The forecasts were based on pre-tax cash flows derived from approved budgets for the 2009–2010 financial year. Management believes the forecasts are reasonably achievable.

Subsequent cash flows were increased over the next two years in line with management forecasts and thereafter at 1% in perpetuity.

The pre-tax discount rate used to assess the carrying value of goodwill is 10.3% (2008: 10.0%) which approximates the Group's weighted average cost of capital. This discount rate is consistent with prior year and has been calculated to take into account specific factors of the Group.

The review performed at the year end did not result in the impairment of goodwill for any cash-generating unit as the estimated recoverable amount exceeded the carrying amount in all cases.

15 PROPERTY, PLANT AND EQUIPMENT GROUP

	Land and buildings £'000	Leasehold improvements £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 2007	2,846	394	1,768	139	5,147
Fair value adjustment	(300)	—	—	—	(300)
Additions	—	112	378	20	510
Disposals	—	(25)	(15)	(8)	(48)
Transfer to assets held for sale	(900)	—	—	—	(900)
At 1 October 2008	1,646	481	2,131	151	4,409
Additions	—	70	100	—	170
Disposals	—	—	(72)	(62)	(134)
Transfer to intangibles (Note 14)	—	—	(26)	—	(26)
Transfer from assets held for sale	900	—	—	—	900
At 30 September 2009	2,546	551	2,133	89	5,319
Depreciation					
At 1 October 2007	120	294	1,468	24	1,906
Charge for year	31	57	207	63	358
Disposals	—	(25)	(12)	(8)	(45)
Transfer to assets held for sale	(14)	—	—	—	(14)
At 1 October 2008	137	326	1,663	79	2,205
Charge for year	24	69	235	47	375
Disposals	—	—	(72)	(62)	(134)
Transfers to intangibles (Note 14)	—	—	(19)	—	(19)
Transfer from assets held for sale	14	—	—	—	14
Impairment	170	—	—	—	170
At 30 September 2009	345	395	1,807	64	2,611
Net book amount					
At 30 September 2009	2,201	156	326	25	2,708
At 30 September 2008	1,509	155	468	72	2,204

Post year end, an unsolicited offer was received for the Burr Road freehold property which was below the carrying value. As a result a £170,000 impairment charge has been recognised to reflect the fair value of the property.

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED) COMPANY

	Land and buildings £'000	Leasehold improvements £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 2007	1,646	394	1,637	19	3,696
Additions	—	112	354	—	466
Disposals	—	(25)	—	(8)	(33)
At 1 October 2008	1,646	481	1,991	11	4,129
Additions	—	67	87	—	154
Transfers to intangibles (Note 14)	—	—	(26)	—	(26)
Disposals	—	—	(53)	(3)	(56)
At 30 September 2009	1,646	548	1,999	8	4,201
Depreciation					
At 1 October 2007	119	294	1,404	19	1,836
Charge for year	18	57	169	—	244
Disposals	—	(25)	—	(8)	(33)
At 1 October 2008	137	326	1,573	11	2,047
Charge for year	18	68	204	—	290
Transfers to intangibles (Note 14)	—	—	(19)	—	(19)
Disposals	—	—	(53)	(3)	(56)
At 30 September 2009	155	394	1,705	8	2,262
Net book amount					
At 30 September 2009	1,491	154	294	—	1,939
At 30 September 2008	1,509	155	418	—	2,082

16 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

During the year contingent consideration relating to the Echo Communications Limited acquisition was finalised after the completion of the earn-out period.

	Company £'000
At 1 October 2007	15,757
Fair value adjustment to contingent consideration	(105)
Write-off following hive-up	(3,818)
At 1 October 2008	11,834
Finalisation of contingent consideration	(339)
At 30 September 2009	11,495

The finalisation of deferred consideration relating to the acquisition of Echo Communications Limited has resulted in a £339,000 reduction in goodwill. This is due to earn-out targets not being achieved.

The following are the principal subsidiary undertakings of the Group:

Subsidiary undertakings	Country of incorporation	Class of holdings	Principal activities	Holding company %	Subsidiary company %
Echo Communication Limited	England and Wales	Ordinary	Telephone Systems	—	100%
Telecom Technology Maintenance Limited	England and Wales	Ordinary	Dormant	—	100%
Telecoms Centre Limited	England and Wales	Ordinary	Non-trading	100%	—

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

17 DEFERRED TAXATION

Deferred taxation provided for in the financial statements is set out below. There were no un-provided amounts of deferred tax at 30 September 2009 (2008: £nil).

The movement in the deferred tax during the period was as follows:

ASSET

	Accelerated tax depreciation £'000	Share-based payments £'000	Tax losses £'000	Other £'000	Total £'000
Group					
At 1 October 2007	146	169	372	(8)	679
Credited/(charged) to income statement	10	84	(372)	8	(270)
Credited to equity	—	266	—	—	266
At 1 October 2008	156	519	—	—	675
Credited to income statement	12	137	—	—	149
Debited to equity	—	(396)	—	—	(396)
At 30 September 2009	168	260	—	—	428
Company					
At 1 October 2007	82	169	—	(8)	243
(Charged)/credited to income statement	(21)	84	—	8	71
Credited to equity	—	266	—	—	266
At 1 October 2008	61	519	—	—	580
Credited to income statement	34	137	—	—	171
Debited to equity	—	(396)	—	—	(396)
At 30 September 2009	95	260	—	—	355

LIABILITY

		Intangible assets £'000	Total £'000
Group			
At 1 October 2007		(1,643)	(1,643)
Credited to income statement		306	306
At 1 October 2008		(1,337)	(1,337)
Credited to income statement		247	247
At 30 September 2009		(1,090)	(1,090)

There is no deferred tax liability (2008: £nil) recognised in the Company.

Deferred tax assets and liabilities are analysed as follows:

	Group		Company	
	30 September 2009 £'000	30 September 2008 £'000	30 September 2009 £'000	30 September 2008 £'000
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	90	544	54	497
Deferred tax assets to be recovered within 12 months	338	131	301	83
Asset at 30 September	428	675	355	580
Deferred tax liabilities				
Deferred tax liabilities to be recovered after more than 12 months	(868)	(1,085)	—	—
Deferred tax liabilities to be recovered within 12 months	(222)	(252)	—	—
Liability at 30 September	(1,090)	(1,337)	—	—
Net deferred tax (liability)/asset	(662)	(662)	355	580

18 ASSETS HELD FOR RESALE

	Group		Company	
	30 September 2009 £'000	30 September 2008 £'000	30 September 2009 £'000	30 September 2008 £'000
Property	—	887	—	—

As at 31 March 2009, the Group ceased marketing the Echo Communications freehold property. As a result the Directors believe it is no longer an asset held for resale and therefore it has been reclassified as property, plant and equipment.

19 INVENTORIES

	Group		Company	
	30 September 2009 £'000	30 September 2008 £'000	30 September 2009 £'000	30 September 2008 £'000
Finished goods	168	382	2	9

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	30 September 2009 £'000	30 September 2008 £'000	30 September 2009 £'000	30 September 2008 £'000
Trade receivables	5,024	5,522	3,928	3,983
Amounts owed by Group undertakings	—	—	3,223	3,423
Prepayments	1,532	2,584	1,037	1,156
Accrued income	5,937	6,297	5,164	5,473
Other receivables	42	47	31	38
	12,535	14,450	13,383	14,073

As at 30 September 2009, trade receivables of £997,000 (2008: £1,767,000) were impaired and fully provided for. The Group is satisfied that the majority of its clients are of sound creditworthiness. This view is supported by the willingness of our credit insurers to provide cover in the majority of cases. Management noted, however, that during the year there was a growing trend by the underwriters to reduce or remove cover on certain clients. The aging of the trade receivables which are past due and not impaired is as follows:

	Group		Company	
	30 September 2009 £'000	30 September 2008 £'000	30 September 2009 £'000	30 September 2008 £'000
31–60 days	1,031	566	387	301
61–90 days	506	430	364	243
Over 90 days	434	532	366	336
	1,971	1,528	1,117	880

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement of the Group and Company provisions for impairment of trade receivables is as follows:

	Group £'000	Company £'000
At 1 October 2007	926	760
Receivable written-off during the year as uncollectible	(188)	(188)
Unused amounts reversed	(165)	(165)
Provision for receivables impairment	1,194	1,109
At 1 October 2008	1,767	1,516
Receivable written-off during the year as uncollectible	(1,097)	(881)
Unused amounts reversed	(180)	(164)
Provision for receivables impairment	507	400
At 30 September 2009	997	871

The creation and release of a provision for impaired receivables has been included in "administration expenses" in the income statement. Amounts charged to the allowance account are generally written-off when there is no expectation of recovering additional cash.

Management regularly reviews the outstanding receivables and does not consider that any further impairment is required.

The other asset classes within trade and other receivables do not contain impaired assets.

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	30 September 2009 £'000	30 September 2008 £'000	30 September 2009 £'000	30 September 2008 £'000
Cash	9,015	4,227	8,478	3,216

22 CALLED UP SHARE CAPITAL

	Group and Company 30 September 2009 £'000	Group and Company 30 September 2008 £'000
Authorised		
80,000,000 (2008: 80,000,000) ordinary shares of 0.125p (2008: 0.125p) each	100	100
Allotted and fully paid up		
44,950,621 (2008: 45,963,355) ordinary shares of 0.125p (2008: 0.125p) each	56	57

MOVEMENT IN SHARES IN ISSUE

	2009 Shares	2008 Shares
Ordinary shares of 0.125p each		
At 1 October	45,963,355	47,633,220
Allotted under share option schemes	154,069	78,400
Repurchased and cancelled under buy-back scheme	(1,166,803)	(1,888,419)
Acquisition of 10% of AN Technical Services Limited	—	140,154
At 30 September	44,950,621	45,963,355

During the year 1,166,803 shares (representing approximately 3% of the issued share capital) were purchased by the Company for £1,356,202 at an average cost per share of £1.16.

The effect of the buy-back programme is to enhance earnings per share in the current and future years.

During the year 154,069 shares were allotted under share option schemes as follows:

30,800 issued at 25p resulting in a share premium of £7,662.

123,269 issued at 102.5p resulting in a share premium of £126,197.

23 TRADE AND OTHER PAYABLES

	Group		Company	
	30 September 2009 £'000	30 September 2008 £'000	30 September 2009 £'000	30 September 2008 £'000
Trade payables	7,627	8,289	6,937	7,070
Amounts owed to Group undertakings	—	—	2,539	1,383
Other taxation and social security costs	947	1,489	629	967
Other payables	388	278	244	184
Accruals and deferred income	8,307	8,335	5,710	5,017
	17,269	18,391	16,059	14,621

SECURED PAYABLES

Included in trade payables are the following secured balances:

	Group		Company	
	30 September 2009 £'000	30 September 2008 £'000	30 September 2009 £'000	30 September 2008 £'000
O ₂ UK Limited	2,834	2,781	2,834	2,781
Vodafone Limited	1,460	2,168	1,460	1,719

On 27 May 2002, the Group granted legal charges to each of the above companies in respect of the balances owing to them under the terms of the service provider agreements both dated 27 May 2002.

The legal charges are secured on the subscriber bases of the Group on each network, and the book debts arising thereon, together with any amount standing to the credit of the companies in any designated account.

In addition, on 27 May 2009 the Group gave a guarantee to Barclays Bank plc in favour of O₂ UK Limited, in respect of £100,000 which replaces the previous guarantee, in respect of £225,000. The guarantee is secured on the bank's existing first charge over the freehold of Chatfield Court, 56 Chatfield Road, London SW11 3UL, together with a fixed and floating charge on the assets of the Company, registered on 19 December 2002.

24 NON-CURRENT LIABILITIES

	Group		Company	
	30 September 2009 £'000	30 September 2008 £'000	30 September 2009 £'000	30 September 2008 £'000
Bank loans – secured	874	960	874	954
	874	960	874	954

25 CONTINGENT CONSIDERATION

The contingent consideration of £97,000 was payable upon the achievement of certain minimum targets which were not fully met during the year. This has been released against goodwill.

	Group £'000	Company £'000
At 1 October 2007	447	447
Fair value adjustments	(350)	(350)
At 1 October 2008	97	97
Release of consideration	(97)	(97)
At 30 September 2009	—	—

26 FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, bank loans, contingent consideration, and various items such as trade receivables and trade payables that arise directly from its operations. All financial instruments are denominated in Pounds Sterling. The main purpose of holding cash is to finance the Group's future growth and operations.

It is (and has been throughout the periods under review) the Group's policy that no trading in financial instruments shall be undertaken. The fair value of financial assets and liabilities is approximately equal to their book values.

Financial risk management is disclosed within Note 3.

GROUP

	30 September 2009		30 September 2008	
	Loans and receivables £'000	Total £'000	Loans and receivables £'000	Total £'000
Financial assets per balance sheet				
Trade and other receivables (less prepayments)	11,003	11,003	11,866	11,866
Cash	9,015	9,015	4,227	4,227
	20,018	20,018	16,093	16,093

COMPANY

	30 September 2009		30 September 2008	
	Loans and receivables £'000	Total £'000	Loans and receivables £'000	Total £'000
Financial assets per balance sheet				
Trade and other receivables (less prepayments)	12,346	12,346	12,917	12,917
Cash	8,478	8,478	3,216	3,216
	20,824	20,824	16,133	16,133

The Group's financial assets comprise cash at bank and deposits at the year end. Interest is received on cash deposits at variable rates primarily based on the relevant bank rate. All cash at bank and cash deposits are held in Pounds Sterling.

26 FINANCIAL INSTRUMENTS (CONTINUED) GROUP

	30 September 2009		30 September 2008	
	Other financial liabilities £'000	Total £'000	Other financial liabilities £'000	Total £'000
Financial liabilities per balance sheet				
Echo contingent consideration (Note 25)	—	—	97	97
Trade and other payables (less deferred income)	14,906	14,906	15,696	15,696
Secured bank loans	924	924	995	995
Current tax liabilities	1,333	1,333	1,380	1,380
	17,163	17,163	18,168	18,168

COMPANY

	30 September 2009		30 September 2008	
	Other financial liabilities £'000	Total £'000	Other financial liabilities £'000	Total £'000
Financial liabilities per balance sheet				
Echo contingent consideration (Note 25)	—	—	97	97
Trade and other payables (less deferred income)	16,060	16,060	14,523	14,523
Secured bank loans	924	924	989	989
Current tax liabilities	1,223	1,223	1,332	1,332
	18,207	18,207	16,941	16,941

Secured bank loans are secured by fixed charges over the long leasehold property at Chatfield Court. Interest is payable at a variable rate of 1.0% per annum over the Bank of England base rate.

The Chatfield Road loan is repayable in quarterly instalments over a 25 year period commencing February 2001.

	Group		Company	
	30 September 2009 £'000	30 September 2008 £'000	30 September 2009 £'000	30 September 2008 £'000
In one year or less	16,288	17,208	17,332	15,987
In more than one year but not more than two years	51	43	51	37
In more than two years but not more than five years	156	127	156	127
In more than five years	667	790	667	790
	17,162	18,168	18,206	16,941

During the year ended 30 September 2009, £62,000 (2008: £584,000) of capital repayments were made on the loans above.

	Group		Company	
	30 September 2009 £'000	30 September 2008 £'000	30 September 2009 £'000	30 September 2008 £'000
Undrawn facilities				
Secured bank overdraft	6,000	6,000	6,000	6,000
Secured bank drawdown facility	6,000	6,000	6,000	6,000
	12,000	12,000	12,000	12,000

These are both part of a multi-option facility which is due for renewal on 17 January 2011.

27 CASH GENERATED FROM OPERATIONS GROUP

	Year ended 30 September 2009 £'000	Year ended 30 September 2008 £'000
Operating profit	7,031	8,755
Adjustments for:		
Depreciation of property, plant and equipment	375	358
Impairment of freehold property	170	—
Amortisation of intangible assets	1,501	1,637
Employee share scheme charges	565	303
(Profit)/loss on sale of tangible assets	(44)	3
Movements in working capital:		
Decrease in property deposits	—	51
Decrease/(increase) in inventories	214	(113)
Decrease/(increase) in trade and other receivables	1,915	(201)
Decrease in trade and other payables	(1,122)	(458)
Cash generated from operations	10,605	10,335

COMPANY

	Year ended 30 September 2009 £'000	Year ended 30 September 2008 £'000
Operating profit	7,543	10,583
Adjustments for:		
Dividends from subsidiaries not yet received	—	(2,708)
Depreciation of property, plant and equipment	290	244
Amortisation of intangible assets	412	388
Employee share scheme charges	565	303
Profit on sale of tangible assets	(8)	—
Movements in working capital:		
Decrease in property deposits	1	63
Decrease/(increase) in inventories	7	(6)
Increase/(decrease) in trade and other receivables	690	(266)
Increase/(decrease) in trade and other payables	1,438	(3,003)
Write-off investment following hive-up of ICB	—	3,818
Cash generated from operations	10,938	9,416

28 OTHER COMMITMENTS

At 30 September 2009 the Group and Company had minimum future lease commitments under non-cancellable operating leases as follows:

	Group		Company	
	30 September 2009 £'000	30 September 2008 £'000	30 September 2009 £'000	30 September 2008 £'000
Land and buildings				
Expiry date:				
Within one year	532	463	512	453
Between one and two years	467	430	467	430
Between two and five years	471	792	471	792
	1,470	1,685	1,450	1,675
Motor vehicles				
Expiry date:				
Within one year	37	—	—	—
Between one and two years	37	—	—	—
Between two and five years	6	—	—	—
	80	—	—	—

29 SHARE-BASED PAYMENTS

SHARE OPTION SCHEME

The Group's EMI scheme was adopted on the 22 December 2004 (EMI 2004). Under the Group's EMI scheme, options which are qualifying options under the EMI regime and also unapproved options may be granted. There were 2,167,200 granted at this date. As at the 30 September 2009 there were no options outstanding (2008: 30,400).

On 18 January 2006, the Group granted a further series of 429,307 EMI scheme options (EMI 2006). The options can be exercised from December 2008 if the option holder is still an employee of the Group and subject to certain performance criteria all of which were met. There were 165,305 EMI 2006 options outstanding as at 30 September 2009 (2008: 288,574).

On 17 January 2007, the Group granted a further series of 1,147,907 EMI scheme options (EMI 2007). The options can be exercised in December 2009 if the option holder is still an employee of the Group and certain performance criteria have been met. There were 913,067 EMI 2007 options outstanding as at 30 September 2009 (2008: 962,385).

On 3 July 2008, the Group granted a further series of 243,018 EMI scheme options (EMI 2008). The options can be exercised in July 2011 if the option holder is still an employee of the Group and certain performance criteria have been met. All 243,018 EMI 2008 options were outstanding as at 30 September 2009 (2008: 243,018).

On 25 April 2008, the Group granted a series of 1,388,919 LTIP options (LTIP 2008). The options can be exercised in April 2010 if the option holder is still an employee of the Group and certain performance criteria have been met. 55% of the options are subject to a 20% increase in total shareholder return, with the remaining 45% being subject to a 4% increase in total shareholder return. All 1,388,919 LTIP 2008 options were outstanding as at 30 September 2009.

Date of grant	Scheme	Exercise price (pence)	Exercise period	30 September 2009	30 September 2008
22 December 2004	EMI	25.0	2006–2014	—	30,800
18 January 2006	EMI	102.5	2008–2016	165,305	288,574
17 January 2007	EMI	150.5	2009–2017	913,067	962,385
3 July 2008	EMI	135.5	2011–2018	243,018	243,018
25 April 2008	LTIP	0.125	2010–2018	1,388,919	1,388,919
				2,710,309	2,913,696

SHARE OPTION CHARGE

	30 September 2009 £'000	30 September 2008 £'000
Share option charge	565	303

Details of the Group's EBT and EMI schemes are contained in the Remuneration Report on page 27.

29 SHARE-BASED PAYMENTS (CONTINUED)

SHARE OPTION CHARGE (CONTINUED)

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. A reconciliation of option movements over the year ended 30 September 2009 is shown below:

	2009		2008	
	Number	Weighted exercise average price	Number	Weighted average exercise price
Outstanding at 1 October	2,913,696	71.3p	1,503,714	130.9p
Granted	—	—	1,631,937	20.1p
Forfeited	(49,318)	150.5p	(143,555)	136.5p
Exercised	(154,069)	87.0p	(78,400)	25.0p
Outstanding at 30 September	2,710,309	69.2p	2,913,696	71.3p
Exercisable at 30 September	165,305	102.5p	30,800	25.0p

As no share options were granted in the year the weighted average fair value of options granted in the year was £nil (2008: £862,000).

The total charge for the year relating to employee share-based payment plans was £565,000 (2008: £303,000), all of which related to equity-settled share-based payment transactions.

30 RELATED PARTY TRANSACTIONS

Tony Caplin was a director of Hand Picked Hotels Ltd until 30 September 2008. The Group's turnover from Hand Picked Hotels during the year was £56,000 (2008: £113,000) (Company: 2009: £56,000, 2008: £112,000). The Group and Company receivable was £nil (2008: £7,000).

All transactions were made at an arm's length basis and at full market value.

In the opinion of the Board, key management is defined as members of the Group's Operational Board as well as Executive Board members. For further disclosure see Note 7.

31 POST BALANCE SHEET EVENTS

Subsequent to the year end the Company carried out three further share repurchases for cancellation. These took place on the 2, 6 and 8 October 2009. On these dates 320,000 shares were bought back by the Company for an aggregate sum of £359,100. These shares were purchased as a means of returning excess levels of cash to shareholders.

On 30 October 2009 the Group acquired 100% ordinary shares of AKJ and obtained control of the company. AKJ is a provider of software and consultancy specialising in the telecommunications industry and was purchased for a maximum of £5.5m and an initial consideration of £3.75m cash and £0.8m through the issue of 707,076 ordinary shares. Deferred consideration of £0.75m payable in cash and £0.2m payable in shares will be payable in 2010 subject to certain revenue and profit targets being achieved. Further details of the strategic benefits of this acquisition are provided in the Chief Executive's Review on page 6.

At the date of issue of these financial statements, neither the completion accounts nor the intangible valuations were complete. A full report of acquired assets and consideration, including contingent consideration, will be published in the next financial statements. The Group had no prior interest in AKJ prior to the acquisition, and no minority interest exist following the combination.

The Group has also won by tender, a three year contract from October 2009 onwards, to bill and service 50 business clients with an annual turnover of £2.5m.

32 RECONCILIATION TO ADJUSTED PERFORMANCE RECONCILIATION OF ADJUSTED EBITDA

	30 September 2009 £'000	30 September 2008 £'000
Profit before tax	7,115	8,901
Amortisation of purchased customer contracts and other intangibles (excluding computer software)	1,220	1,375
Share-based payments	565	303
Add back impairment of freehold property	170	—
Adjusted profit before tax	9,070	10,579
Finance income	(105)	(223)
Finance costs	21	77
Adjusted operating profit	8,986	10,433
Add: depreciation of property, plant and equipment	375	358
Add: amortisation of software (intangibles)	281	262
Adjusted EBITDA	9,642	11,053

RECONCILIATION OF ADJUSTED PROFITS FOR EARNINGS PER SHARE

	30 September 2009 £'000	30 September 2008 £'000
Adjusted profit before tax (see above)	9,070	10,579
Less: share-based payments	(565)	(303)
Less: taxation per profit and loss accounts	(2,024)	(2,402)
Less: taxation on amortisation of purchased customer contracts and other intangibles (excluding computer software)	(342)	(385)
Less: exceptional deduction on exercise of AN share options	(26)	(27)
Adjusted profit after tax	6,113	7,462

Adjusted earnings per share is calculated on adjusted earnings after deduction of share option costs.

This analysis is provided as the Group considers it provides a truer reflection of the underlying performance of the business, and is common practice in the investment analyst community.