

Fulcrum Pharma plc  
INTERIM REPORT 2010

# Chairman's report

## Introduction

I am pleased to report strong growth in operating profit and significant cash generation during the first half of the year. The trading highlights for the period from 1 September 2009 to 28 February 2010 are:

- *Revenue essentially unchanged at £8.1 million (compared to H1 2009 of £8.2 million) despite closure of business segments in 2009*
- *Gross profit increased by 7% to £3.7 million (compared to H1 2009 of £3.5 million)*
- *Operating profit before exceptional items increased by 237% to £411,000 and operating profit increased by 170% to £330,000 (compared to H1 2009 of £122,000)*
- *EBITDA before exceptional items increased by 92% to £594,000 (compared to H1 2009 of £310,000)*
- *Cash balances increased by 54% to £3.1 million (compared to year end balance in August 2009 of £2.0 million and by 13% compared to the H1 2009 balance of £2.7 million)*
- *The EU business re-structuring programme implemented in H2 2009 has significantly increased operational efficiency in H1 2010*

## Business review

Fulcrum Pharma has continued to pursue its clear strategy to deliver a growing, sustainable and profitable business. The actions taken by management in 2009 allow the Group to function more efficiently in 2010. The benefits of the reorganisation undertaken during H2 2009, coupled with subsequent strong control of costs, have resulted in a very good interim result compared to last year. The second half will be affected by the early termination of a significant project by a client that has decided not to continue its development plan but your Board remains confident of the Group's prospects overall based on current trading conditions and an increasing volume of business development enquiries and proposals.

Despite the financial environment in calendar year 2009, the Group has continued to predict an increased trend to outsourcing driven, inter alia, by larger pharma and biotechnology companies and underpinned for the Group by its expertise in the neglected diseases / not-for-profit sector. The second half of calendar year 2009 showed a pick up in business development enquiries and proposals providing encouragement that the business would continue to grow in 2010. In response to the turbulent financial environment, management has continued targeting business development activities and have managed costs strictly. The principal risks and uncertainties to the business remain unchanged from those described in the Directors' report in the Group's last annual report and are not expected to change significantly in the second half of the year.

In November 2009, the Company announced that an approach had been made to acquire the entire issued share capital of Fulcrum Pharma. After protracted discussions and negotiation, your Board came to the conclusion that the best short term return for shareholders would be achieved by recommending the offer for the Company by Gold Medal Acquisitions UK Ltd, an acquisition vehicle of SV Life Sciences and The Halifax Group, that was announced today.

## Financial results

Revenue for the Group was essentially unchanged at £8,099,000 (2009: £8,246,000), a very positive result given the reorganisation in the second half of the 2009 financial year and the closure of some business segments. Gross profit increased 7% to £3,727,000 (2009: £3,498,000) and operating profit after exceptional items increased 170% to £330,000 (2009: £122,000). Before exceptional items operating profit shows a greater than three-fold increase on the same period last year to £411,000. Retained profit is £225,000 (2009: £120,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') were £594,000 (2009: £310,000) before exceptional items. Underlying basic earnings per share ('EPS') was 0.18p and the actual basic EPS was 0.13p (2009: 0.07p).

The Group has incurred an exceptional charge of £81,000 primarily as a result of the approach to acquire the issued share capital of the Company. Additional costs of dealing with the approach will arise in the second half of the year.

The Group's half year tax charge is increasing as accumulated tax losses in the overseas subsidiaries have been fully utilised against profits in the prior year.

The balance sheet remains strong with cash and cash equivalents of £3,104,000 (2009: £2,744,000).

The Directors do not propose a dividend (2009: £nil).

Average headcount for the period decreased to 133 from 148, reflecting the reorganisation in the last financial year. 134 staff were in post at the period end.

## Forward-looking statements

Certain statements in this interim report are forward-looking statements that reflect the Group's current expectations regarding future events. Forward-looking statements inherently involve risks and uncertainties. Actual events could differ materially from those expected and depend on a number of factors including the general economic outlook and successful BD activity. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

# Chairman's report

## Operating review

- **EU / PDC**

Revenue in the EU business in H1 2010 was 5% lower than in H1 2009. Despite the reduction in sales, operating profit was £467,000 greater than last year, demonstrating the positive result of the re-structuring programmed undertaken in the latter half of the last financial year. Market conditions have remained slow during the period but appear to be improving, with a number of large multi year contracts being won and others being discussed with major customers. The Company has also celebrated the final submission for the anti-malarial drug Pyramax. Fulcrum Pharma, in conjunction with the not-for-profit organisation Medicines for Malaria, has been involved in the development of Pyramax for over seven years, taking it through all stages of drug development including CMC, preclinical and clinical, and the final submission to EMA in March 2010.

- **US**

Revenue in the first half decreased by 10% (7% when adjusted for currency effects) compared to H1 2009, although operating profit has risen by 77% as a result of strict cost control. Funding for early stage research, the traditional focus of the US organisation, remains difficult and this condition has impacted their business development efforts. In order to expand the service offerings of the US organisation into later stage research a Vice President of Clinical has been successfully recruited.

- **Japan**

Japanese revenue has increased by 13% compared to H1 2009 (9% when adjusted for currency effects), although operating profit has fallen by 30% following the cancellation of a major contract when a client decided not to continue its development plan. Despite this loss, good cost control has mitigated the potential downside and a replacement contract has been identified which will commence in H2 2010. The Japanese office has been expanded to allow recruitment of additional staff and Fulcrum Pharma is examining options to further grow the business. There also continues to be substantial work generated from Japanese companies for the Fulcrum Pharma EU and US businesses based on the strong local relationships.

## Future strategy and outlook

The Board and Management of Fulcrum Pharma remain convinced of the opportunities that exist to grow the business significantly and to improve results, through winning larger projects, building a substantial regulatory business and capitalising on the benefit of the restructuring completed last year and improving market conditions. We would like to make a number of identified acquisitions to add critical mass and expand our service offering but have been unable to achieve the required equity funding from the stock market despite significant efforts to do so. Our small market cap and shareholder structure mean that there is very low liquidity in our shares and the share price is unlikely to reflect the Company's value in the foreseeable future. Your Board has therefore concluded that a greater short term return can be achieved by accepting the recommended offer announced today which represents a substantial premium to the current share price and is in the best interests of shareholders as it brings more immediate access to the growth capital necessary to make the acquisitions that will drive future growth.

## Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the EU;
- The interim management report includes a fair review of the information required by DTR 4.2.7 R (indication of important events during the first six months of the financial year, their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8 R (disclosure of material related party transactions and changes therein).

I would like to thank all our staff for contributing to Fulcrum Pharma's success so far in 2010.

At the date of this statement, the Directors in office are those listed in the Group's annual report and accounts 2009.

By order of the Board

### Grahame Cook

Chairman  
27 April 2010

## Condensed consolidated income statement

For the period ended 28 February 2010

	Note	Period ended 28 February 2010			Period ended	Year ended
		Before exceptional items	Exceptional items*	Unaudited Total	28 February 2009 Unaudited Total	31 August 2009 Audited Total
		£'000	£'000	£'000	£'000	£'000
Continuing operations						
<b>Revenue</b>	3	<b>8,099</b>	—	<b>8,099</b>	8,246	16,760
Cost of sales		<b>(4,372)</b>	—	<b>(4,372)</b>	(4,748)	(9,188)
<b>Gross profit</b>		<b>3,727</b>	—	<b>3,727</b>	3,498	7,572
Distribution costs		<b>(378)</b>	—	<b>(378)</b>	(544)	(980)
Administrative expenses		<b>(2,938)</b>	(81)	<b>(3,019)</b>	(2,832)	(6,702)
<b>Operating profit / (loss)</b>		<b>411</b>	(81)	<b>330</b>	122	(110)
Finance income	5	<b>2</b>	—	<b>2</b>	27	41
Finance costs	5	<b>(17)</b>	—	<b>(17)</b>	(27)	(99)
<b>Profit / (loss) profit before income tax</b>		<b>396</b>	(81)	<b>315</b>	122	(168)
Income tax expense	6	<b>(90)</b>	—	<b>(90)</b>	(2)	(397)
<b>Profit / (loss) for the year</b>		<b>306</b>	(81)	<b>225</b>	120	(565)
<b>Earnings per share (pence)</b>						
Basic	8			<b>0.13p</b>	<b>0.07p</b>	(0.33)p
Diluted	8			<b>0.13p</b>	<b>0.07p</b>	(0.33)p

\* Exceptional items primarily relate to costs incurred as a result of the approach to acquire the issued share capital of the Company which was subsequently recommended by the Board (see Note 4).

## Condensed consolidated statement of comprehensive income

For the period ended 28 February 2010

	Period ended 28 February 2010	Period ended	Year ended
	Unaudited	28 February 2009	31 August 2009
	£'000	£'000	Audited £'000
Fair value gains / (losses) net of tax:			
– available-for-sale financial assets	45	(46)	—
Currency translation differences	(83)	106	85
<b>Total other comprehensive income</b>	<b>(38)</b>	<b>60</b>	<b>85</b>
Profit / (loss) for the year	225	120	(565)
<b>Total comprehensive income for the period</b>	<b>187</b>	<b>180</b>	<b>(480)</b>

# Condensed consolidated balance sheet

As at 28 February 2010

		28 February 2010	28 February 2009	31 August 2009
		Unaudited	Unaudited	Audited
	Note	£'000	£'000	£'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	9	3,881	3,932	3,923
Property, plant and equipment	9	932	740	771
Available-for-sale financial assets		105	332	60
Deferred tax assets		109	219	68
		<b>5,027</b>	<b>5,223</b>	<b>4,822</b>
<b>Current assets</b>				
Trade and other receivables		4,508	5,718	4,704
Cash and cash equivalents		3,104	2,744	2,013
		<b>7,612</b>	<b>8,462</b>	<b>6,717</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(5,410)	(5,404)	(4,547)
Current tax liabilities		(130)	(161)	(272)
Bank and other borrowings	10	(303)	(457)	(198)
Convertible loan notes	10	(460)	(295)	(460)
Deferred cash consideration		—	(122)	(38)
		<b>(6,303)</b>	<b>(6,439)</b>	<b>(5,515)</b>
<b>Net current assets</b>		<b>1,309</b>	<b>2,023</b>	<b>1,202</b>
<b>Non-current liabilities</b>				
Bank loans and other borrowings	10	(405)	(693)	(291)
Convertible loan notes	10	—	(148)	—
Deferred tax liabilities		(95)	(73)	(114)
		<b>(500)</b>	<b>(914)</b>	<b>(405)</b>
<b>Net assets</b>		<b>5,836</b>	<b>6,332</b>	<b>5,619</b>
<b>Equity</b>				
Share capital		1,779	1,779	1,779
Share premium account		6,082	6,082	6,082
Merger reserve		(454)	(454)	(454)
Retained earnings		(1,571)	(1,075)	(1,788)
<b>Total equity</b>		<b>5,836</b>	<b>6,332</b>	<b>5,619</b>

## Condensed statement of changes in equity

For the period to 28 February 2010

	Called up share capital	Share premium account	Merger reserve	Retained earnings			Total
				Available-for- sale assets	Translation	Retained earnings	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 September 2008</b>	<b>1,779</b>	<b>6,082</b>	<b>(454)</b>	<b>105</b>	<b>65</b>	<b>(1,381)</b>	<b>6,196</b>
Retained profit for the period	—	—	—	—	—	120	120
Fair value losses on available for sale assets	—	—	—	(46)	—	—	(46)
Purchase of shares for ESOP Trust	—	—	—	—	—	(44)	(44)
Unrealised exchange profit on consolidation	—	—	—	—	106	—	106
<b>At 28 February 2009</b>	<b>1,779</b>	<b>6,082</b>	<b>(454)</b>	<b>59</b>	<b>171</b>	<b>(1,305)</b>	<b>6,332</b>
Retained profit for the period	—	—	—	—	—	(685)	(685)
Reversal of fair value gains on sale of available-for-sale assets	—	—	—	(59)	—	—	(59)
Options compensation charge	—	—	—	—	—	76	76
Purchase of shares for ESOP Trust	—	—	—	—	—	(24)	(24)
Unrealised exchange loss on consolidation	—	—	—	—	(21)	—	—
<b>At 31 August 2009</b>	<b>1,779</b>	<b>6,082</b>	<b>(454)</b>	<b>—</b>	<b>150</b>	<b>(1,938)</b>	<b>5,619</b>
Retained profit for the period	—	—	—	—	—	225	225
Fair value gains on available for sale assets	—	—	—	45	—	—	45
Options compensation charge	—	—	—	—	—	30	30
Unrealised exchange loss on consolidation	—	—	—	—	(83)	—	(83)
<b>At 28 February 2010</b>	<b>1,779</b>	<b>6,082</b>	<b>(454)</b>	<b>45</b>	<b>67</b>	<b>(1,683)</b>	<b>5,836</b>

# Condensed consolidated cash flow statement

For the period ended 28 February 2010

		28 February 2010	28 February 2009	31 August 2009
		Unaudited	Unaudited	Audited
	Note	£'000	£'000	£'000
<b>Continuing operations</b>				
Profit / (loss) before tax		315	122	(168)
<b>Adjustments for:</b>				
Depreciation of property, plant and equipment	9	141	146	305
Amortisation of intangible assets	9	42	42	84
Share-based payments		30	36	76
Loss on disposal of fixed assets		—	1	1
Net finance costs		15	—	58
<b>Changes in working capital:</b>				
Decrease in trade and other receivables		355	529	1,270
Increase / (decrease) in payables		708	(695)	(1,271)
<b>Cash generated by operations</b>		<b>1,606</b>	<b>181</b>	<b>355</b>
<b>Operating activities</b>				
Interest received		2	12	28
Interest paid – bank and other loans		(9)	(31)	(61)
Taxation paid		(306)	(52)	(204)
<b>Net cash used in operating activities</b>		<b>(313)</b>	<b>(71)</b>	<b>(237)</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment		(271)	(218)	(435)
Acquisition of a subsidiary and related costs		(38)	(250)	(348)
Sale of available-for-sale financial assets		—	—	190
<b>Net cash used in investing activities</b>		<b>(309)</b>	<b>(468)</b>	<b>(593)</b>
<b>Financing activities</b>				
Increase in bank borrowings		279	369	499
Repayment of bank loans		(125)	(211)	(941)
Repayment of obligations under finance leases		(1)	(3)	(5)
Purchase of shares for ESOP Trust		—	(44)	(68)
<b>Net cash generated by / (used in) financing activities</b>		<b>153</b>	<b>111</b>	<b>(515)</b>
Exchange gains on cash and cash equivalents		(46)	88	100
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,091</b>	<b>(159)</b>	<b>(890)</b>
Cash and cash equivalents at the beginning of the period		2,013	2,903	2,903
<b>Cash and cash equivalents at the end of the period</b>		<b>3,104</b>	<b>2,744</b>	<b>2,013</b>

# Notes to the condensed interim financial statements

For the period ended 28 February 2010

## 1. General information

Fulcrum Pharma plc (the "Company") and its subsidiaries (together, the "Group") are professional service companies providing clients with expert solutions for the development of therapeutic products. The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Hemel One, Boundary Way, Hemel Hempstead, Hertfordshire, HP2 7YU, UK. The Company is listed on the London AIM stock exchange.

## 2. Summary of significant accounting policies

### **Basis of preparation**

The condensed interim financial statements for the six months ended 28 February 2010 are neither reviewed nor audited and do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 and were approved by the Board on 27 April 2010. Statutory accounts for the year ended 31 August 2009 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and have been reported on by the Company's auditors, PricewaterhouseCoopers LLP, and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The condensed interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and IAS 34 "Interim Financial Reporting" and should be read in conjunction with the annual report and accounts 2009.

The condensed interim financial statements have been prepared on a going concern basis. The Board is confident that, on the basis of current financial projections and facilities available and after considering sensitivities, the Group has sufficient resources for its operational needs for at least the next 12 months.

The Group has adopted IAS 1 (revised) "Presentation of Financial Statements" in the period. This requires changes in equity to be shown as a primary statement. As a result, changes in equity are disclosed in these condensed interim financial statements in a primary statement rather than in the notes.

The Group has also adopted IFRS 8 "Operating Segments" in the period. IFRS 8 amends the segmental reporting disclosure and requires a "management approach" to be adopted so that segment information is presented on the same basis as that used for internal reporting purposes.

In addition, the Group has adopted the following new financial reporting standards, interpretations and amendments to published standards in the period, which have not had a material effect on the results or the financial position of the Group for the six months ended 28 February 2010:

- IAS 23 (revised) "Borrowing Costs"
- IFRS 1 (revised) "First-time Adoption of International Financial Reporting Standards"
- IFRS 2 (revised) "Share-based Payments"
- IAS 32 (revised) "Financial Instruments: Presentation" and IAS 1 (revised) "Presentation of Financial Statements – Puttable Instruments and Instruments with Obligations Arising on Liquidation"
- IAS 39 (revised) "Financial Instruments: Recognition and Measurement"
- IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 18 "Transfer of Assets from Customers"

Apart from the above changes, the accounting policies adopted in these condensed interim financial statements are consistent with those set out in the Group's annual report and accounts for the year ended 31 August 2009.

## 3. Segmental reporting

The Group has three reportable segments, EU, US, Japan; they are regional subsidiaries with separate management teams, each providing professional services to clients for the development of therapeutic products.

Results of activities considered incidental to the Group's main operations as well as unallocated revenues, expenses, liabilities and assets are reported separately under the caption "Corporate and Eliminations". These amounts principally include interest income and expenses, goodwill, intangible assets and amortisation and foreign exchange gains and losses on consolidation. In addition, eliminations of gains and losses related to transactions between the operating segments are included in Corporate and Eliminations.

The Chief Operating Decision Maker of the Group is the Business Management Team ("BMT"), consisting of the CEO, FD and the regional heads of department. The BMT evaluates the performance of the Group and allocates resources to its operating segments based on revenue and operating income, considered before finance costs and exceptional items. The accounting policies of the Group's segments are the same as those for the Group as described in Note 2. Corporate administrative costs and assets are not allocated to operating segments; instead, operating segments are charged for direct corporate services.

The Group has adopted IFRS 8 for the period commencing 1 September 2009 and comparative figures are therefore being reported for the first time.

# Notes to the condensed interim financial statements

For the period ended 28 February 2010

## 3. Segmental reporting (continued)

	Period ended 28 February 2010				
	Unaudited				
	EU	US	Japan	Corporate & Eliminations	Group
	£'000	£'000	£'000	£'000	£'000
External revenue	4,449	1,275	2,375	—	<b>8,099</b>
Internal revenue	42	424	112	(578)	—
Depreciation & amortisation	(141)	(19)	(23)	—	<b>(183)</b>
Operating profit before exceptional items	134	251	288	(262)	<b>411</b>
<b>Total assets</b>	<b>9,657</b>	<b>2,997</b>	<b>2,725</b>	<b>(2,740)</b>	<b>12,639</b>

	Period ended 28 February 2009				
	Unaudited				
	EU	US	Japan	Corporate & Eliminations	Group
	£'000	£'000	£'000	£'000	£'000
External revenue	4,677	1,525	2,044	—	<b>8,246</b>
Internal revenue	104	354	157	(615)	—
Depreciation & amortisation	(161)	(15)	(12)	—	<b>(188)</b>
Operating profit before exceptional items	(333)	142	413	(100)	<b>122</b>
<b>Total assets</b>	<b>9,314</b>	<b>2,286</b>	<b>3,181</b>	<b>(1,096)</b>	<b>13,685</b>

	Year ended 31 August 2009				
	Unaudited				
	EU	US	Japan	Corporate & Eliminations	Group
	£'000	£'000	£'000	£'000	£'000
External revenue	9,438	2,802	4,520	—	<b>16,760</b>
Internal revenue	330	812	245	(1,387)	—
Depreciation & amortisation	(324)	(35)	(30)	—	<b>(389)</b>
Operating profit before exceptional items	(43)	253	644	(285)	<b>569</b>
<b>Total assets</b>	<b>10,400</b>	<b>2,153</b>	<b>2,752</b>	<b>(3,766)</b>	<b>11,539</b>

Reconciliation	Period ended	Period ended	Year ended
	28 February 2010	28 February 2009	31 August 2009
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Operating profit before exceptional items	<b>411</b>	<b>122</b>	<b>569</b>
Exceptional items	(81)	—	(679)
<b>Operating profit</b>	<b>330</b>	<b>122</b>	<b>(110)</b>
Finance income	2	27	41
Finance costs	(17)	(27)	(99)
<b>Profit / (loss) before income tax</b>	<b>315</b>	<b>122</b>	<b>(168)</b>

# Notes to the condensed interim financial statements

For the period ended 28 February 2010

## 4. Exceptional items

The Group separately presents exceptional items in the current year primarily relating to costs incurred as a result of the approach to acquire the issued share capital of the Company which was subsequently recommended by the Board. In the prior year, exceptional items related to reorganisation costs and acquisition expenses in respect of an acquisition under negotiation during the year which has not been completed. In the judgement of the Directors, these need to be disclosed separately by virtue of their size and incidence in order for the reader to obtain a proper understanding of the financial information.

	Period ended 28 February 2010 Unaudited £'000	Period ended 29 February 2009 Unaudited £'000	Year ended 31 August 2009 Audited £'000
Costs related to the bid approach	74	—	—
Reorganisation costs	—	—	342
Acquisition costs written off under IFRS 3 (revised)	7	—	337
<b>Total exceptional items</b>	<b>81</b>	<b>—</b>	<b>679</b>

## 5. Finance income and costs

	Period ended 28 February 2010 Unaudited £'000	Period ended 29 February 2009 Unaudited £'000	Year ended 31 August 2009 Audited £'000
Interest income:			
– bank interest	2	27	24
Fair value gains on financial instruments:			
– recognised gain on disposal of available-for-sale financial assets	—	—	17
<b>Finance income</b>	<b>2</b>	<b>27</b>	<b>41</b>
Interest expense:			
– on bank loans and overdrafts	(9)	(26)	(40)
– on convertible loan stock	(8)	—	(18)
– in respect of finance leases	—	(1)	(1)
Fair value losses on financial instruments:			
– impairment of available-for-sale financial assets	—	—	(40)
<b>Finance costs</b>	<b>(17)</b>	<b>(27)</b>	<b>(99)</b>
<b>Net finance costs</b>	<b>(15)</b>	<b>—</b>	<b>(58)</b>

## 6. Income tax expense

	Period ended 28 February 2010 Unaudited £'000	Period ended 29 February 2009 Unaudited £'000	Year ended 31 August 2009 Audited £'000
Current taxation	131	160	357
Adjustments in respect of prior periods	14	(1)	(4)
<b>Total current taxation</b>	<b>145</b>	<b>159</b>	<b>353</b>
Deferred taxation	(55)	(157)	44
<b>Taxation charge</b>	<b>90</b>	<b>2</b>	<b>397</b>

## 7. Dividends

The Directors do not propose to pay an interim dividend (2009: £Nil per share).

# Notes to the condensed interim financial statements

For the period ended 28 February 2010

## 8. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares used excludes those shares held by the ESOP Trust on behalf of the Group. For diluted earnings per share the weighted average number of shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares arising from unvested share-based awards including share options. Underlying earnings per share figures are presented below in addition to the basic and diluted earnings per share as the Directors consider this gives a more relevant indication of underlying business performance and reflects the adjustments to basic earnings per share for the impact of exceptional items.

		Period ended 28 February 2010	Period ended 29 February 2009	Year ended 31 August 2009
		Unaudited	Unaudited	Audited
Profit / (loss) attributable to shareholders	£'000	225	120	(565)
Weighted average number of shares	Million	171.3	172.9	172.4
Basic earnings per share		0.13p	0.07p	(0.33)p
Profit / (loss) attributable to shareholders	£'000	225	120	(565)
Weighted average number of shares after effect of dilutive securities	Million	173.6	174.8	172.4
Diluted earnings per share		0.13p	0.07p	(0.33)p
Profit / (loss) attributable to shareholders	£'000	225	120	(565)
Costs in respect of potential offer	£'000	74	—	—
Reorganisation costs	£'000	—	—	342
Acquisition costs written off under IFRS 3 (revised)	£'000	7	—	337
Underlying profit after taxation	£'000	306	120	114
Weighted average number of shares	Million	171.3	172.9	172.4
Underlying basic earnings per share		0.18p	0.07p	0.07p

	Period ended 28 February 2010	Period ended 29 February 2009	Year ended 31 August 2009
	Unaudited	Unaudited	Audited
	Number	Number	Number
Weighted average number of shares	177,940,743	177,940,743	177,940,743
Weighted average number of shares held by the ESOP Trust	(6,619,853)	(5,068,172)	(5,571,474)
Weighted average number of shares for basic earnings per share	171,320,890	172,872,571	172,369,269
Number of dilutive shares under option	2,276,070	1,903,153	1,573,164
Weighted average number of shares for diluted earnings per share	173,596,960	174,775,724	173,942,433

Shares under option have not been included in the calculation of diluted earnings per share for the year ended 31 August 2009 because doing so would have an anti-dilutive effect.

## 9. Tangible and intangible fixed assets

	Goodwill	Other intangible fixed assets	Leasehold improvements	Computers and office fixtures and fittings	Total tangible and intangible fixed assets
	£'000	£'000	£'000	£'000	£'000
Net book value at 1 September 2009	3,698	225	217	554	4,694
Additions	—	—	109	162	271
Depreciation & amortisation	—	(42)	(26)	(115)	(183)
Exchange rate adjustment	—	—	13	18	31
Net book value at 28 February 2010	3,698	183	313	619	4,813

Goodwill acquired on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are any indications that the goodwill may be impaired. There have been no events that would indicate any impairment to the carrying value of goodwill or the intangible assets held.

There are no commitments to purchase property, plant and equipment after the end of the period.

## Notes to the condensed interim financial statements

For the period ended 28 February 2010

### 10. Borrowings

	28 February 2010 Unaudited £'000	29 February 2009 Unaudited £'000	31 August 2009 Audited £'000
<b>Current</b>			
– bank loans	303	455	197
– finance lease obligation	—	2	1
– convertible loan notes	460	295	460
	<b>763</b>	<b>752</b>	<b>658</b>
<b>Non-current</b>			
– bank loans	405	693	291
– convertible loan notes	—	148	—
	<b>405</b>	<b>841</b>	<b>291</b>
	<b>1,168</b>	<b>1,593</b>	<b>949</b>

Bank loans and overdrafts are unsecured. There is no difference between the fair value and carrying value of borrowings.

### 11. Related party transactions

There are no material related party transactions requiring disclosure under IAS 24 "Related Party Disclosures", other than compensation of key management personnel which will be disclosed in the Group's annual report for the year ending 31 August 2010.