

BITE COMMUNICATIONS LIMITED
(Registered number: 3023521)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007

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Bite Communications Limited

Annual report and financial statements for the year ended 31 July 2007

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Directors

C Armitage
H MacPhail
R Gilley
R Wilson
D Hargreaves

Secretary and registered office

M Sanford, Bite Communications Limited, The Character Building, Beavor Lane, London, W6 9BL

Company number

3023521

Bankers

Barclays Bank Plc, Hammersmith Area Branches 1, London, W6 9HY

Solicitors

Salans, Clements House, 14-18 Gresham Street, London, EC2V 7NN

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

BITE COMMUNICATIONS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 JULY 2007

The directors present their report together with the audited financial statements of Bite Communications Limited ("the Company") for the year ended 31 July 2007

RESULTS AND DIVIDENDS

The state of the Company's affairs at the balance sheet date was satisfactory. The directors report a profit after tax of £746,347 (2006 £417,289) for the year.

The final dividend of £704,243 (2006 £100,000) equivalent to 70p per share (2006 10p) was paid on 31 January 2007.

PRINCIPAL ACTIVITY, REVIEW OF BUSINESS AND FUTURE PROSPECTS

The principal activity of the Company during the year was the provision of international public and press relations services, dealing principally with clients in the high-technology sector. The company has a branch operating in Sweden.

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year, except as noted, are shown below. No directors had any beneficial interest in the share capital of the company.

C Armitage	
H Macphail	
R Gilley	
R Wilson	Appointed 1 August 2006
D Hargreaves	Appointed 1 January 2007
P Mackender	Resigned 10 September 2007
B Dodworth	Resigned 11 August 2006

C Armitage, and H Macphail, were also directors of the immediate parent undertaking, Bite Communications Group Limited, during the year and their interests in the share capital of that company are shown in its financial statements.

At 31 July 2007, the following other directors held options to purchase 2.5p ordinary shares in the Company's ultimate parent Company, Next Fifteen Communications Group Plc.

	Date granted	Exercise price per share	Unexercised share options at 31 July 2006	Granted during the year	Exercised or Lapsed during the year	Unexercised share options at 31 July 2007
R Gilley	16 06 2005	56p	20,625	-	-	20,625
	11 11 2005	56p	25,446	-	-	25,446
	18 10 2006	62p	-	23,673	-	23,673
P Mackender	16 06 2005	56p	21,429	-	-	21,429
	11 11 2005	56p	25,446	-	-	25,446
	18 10 2006	62p	-	23,673	-	23,673
B Dodworth	16 06 2005	56p	26,786	-	26,786	-
	11 11 2005	56p	32,143	-	-	32,143

The share options become exercisable on the following dates:

- The first third of the total number granted on the third anniversary of the date of granting
- The second third of the total number granted on the fourth anniversary of the date of granting
- The final third of the total number granted on the fifth anniversary of the date of granting

The share options will lapse on the date of cessation of the director's employment with the Group or ten years after the date on which the share options were granted.

BITE COMMUNICATIONS LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 JULY 2007

CHARITABLE DONATIONS

During the year the Company made charitable donations of £546 (2006 £1,577)

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

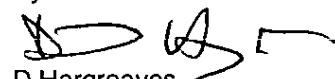
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

All the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware

AUDITORS

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

By Order of the Board



D Hargreaves
Director

11 April 2008

BITE COMMUNICATIONS LIMITED

REPORT OF THE INDEPENDENT AUDITOR

To the shareholders of Bite Communications Limited

We have audited the financial statements of Bite Communications Limited for the year ended 31 July 2007 which comprise the profit and loss account, the balance sheet, and related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

BITE COMMUNICATIONS LIMITED

REPORT OF THE INDEPENDENT AUDITOR (continued)

Opinion

In our opinion

- The financial statements give a true and fair view in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2007 and of its profit the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Director's Report is consistent with the financial statements



BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*

London

11 / 4 2008

BITE COMMUNICATIONS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2007

	Note	<u>31 July 2007</u> £	<u>31 July 2007</u> £	<u>31 July 2006</u> £	<u>31 July 2006</u> £
TURNOVER	1,2		7,147,184		6,250,384
Other external charges			<u>(937,610)</u>		<u>(737,404)</u>
TURNOVER LESS OTHER EXTERNAL CHARGES			6,209,574		5,512,980
Wages and salaries		(3,243,265)		(2,918,726)	
Social security costs		(386,868)		(485,180)	
Other pension contributions		(86,628)		(105,257)	
Depreciation		(150,228)		(149,364)	
Amortisation		(52,520)		(30,636)	
Other operating charges		<u>(1,299,137)</u>	<u>(5,218,646)</u>	<u>(1,226,945)</u>	<u>(4,916,108)</u>
OPERATING PROFIT	3		990,928		596,872
Profit on sale of business	23		170,283		-
Interest receivable	5		17,837		31,194
Interest payable and similar charges	6		<u>(2,461)</u>		<u>(465)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			1,176,587		627,601
Tax on profit on ordinary activities	7		<u>(430,240)</u>		<u>(210,312)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			<u>746,347</u>		<u>417,289</u>

The results for the current and preceding years relate to the continuing activities of the company

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2007

	<u>31 July 2007</u> £	<u>31 July 2006</u> £
Profit for the financial year	746,347	417,289
Exchange differences on translation of overseas entities	<u>(8,032)</u>	<u>9,838</u>
Total recognised gains and losses for the financial year	<u>738,315</u>	<u>427,127</u>

The accompanying notes on pages 7 to 17 form an integral part of these financial statements

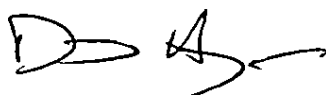
BITE COMMUNICATIONS LIMITED

BALANCE SHEET

AS AT 31 JULY 2007

	Note	<u>2007</u>	<u>2007</u> £	<u>2006</u>	<u>2006</u> £
FIXED ASSETS					
Intangible assets	9		179,438		231,956
Tangible assets	10		341,706		402,572
Investments	11		<u>451,189</u>		<u>451,189</u>
			972,333		1,085,717
CURRENT ASSETS					
Debtors	12	4,647,570		3,734,467	
Cash at bank and in hand		<u>669,849</u>		<u>311,629</u>	
		5,317,419		4,046,096	
CREDITORS					
– Amounts falling due within one year	13	<u>(4,409,938)</u>		<u>(3,331,142)</u>	
NET CURRENT ASSETS					
			<u>907,481</u>		<u>714,954</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			1,879,814		1,800,671
CREDITORS					
– Amounts falling due after one year	14		(391,484)		(391,484)
Provisions for liabilities and charges	15		<u>(6,754)</u>		<u>38,317</u>
NET ASSETS					
			<u>1,481,576</u>		<u>1,447,504</u>
CAPITAL AND RESERVES					
Called up share capital	16		50,000		50,000
Profit and loss account	17		<u>1,431,576</u>		<u>1,397,504</u>
EQUITY SHAREHOLDERS' FUNDS					
	18		<u>1,481,576</u>		<u>1,447,504</u>

The financial statements were approved by the Board of Directors and authorised for issue on 11 APRIL 2008



D Hargreaves
Director

The accompanying notes on pages 7 to 17 form an integral part of these financial statements

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2007

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. The following principal accounting policies have been applied:

Basis of Accounting

The financial statements are prepared under the historical cost convention and on a going concern basis.

The Company has taken advantage of s 228 of the Companies Act 1985 and has not prepared Group Accounts. Consequently these financial statements contain information about the Company only and not its Group.

The company's outside the scope of FRS 1 (revised) "cashflow statements" as it is part of a group for which consolidated financial statements are publicly available.

Turnover

Turnover represents the invoiced value of services supplied excluding all sales taxes after adjusting for any change in the level of accrued income during the year.

Accrued income

Accrued income is valued on the basis of the cost of services provided up to the balance sheet date and not yet invoiced. Profit is taken on all work completed by that date. Provision is made for the full amount of foreseeable losses.

Fixed Assets

Fixed assets are stated at cost, net of accumulated depreciation. Depreciation is provided on all tangible fixed assets, at annual rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Short leasehold property	Depreciated over minimum length of the lease
Office furniture	20% per annum straight line
Motor vehicles	25% per annum straight line
Office equipment	33% per annum straight line

Foreign currencies

The results of overseas subsidiaries are translated at the average rates during the year and the balance sheets of these undertakings are translated at the year end exchange rates. Exchange differences arising on retranslation of opening net assets of foreign subsidiaries and branches are taken to reserves.

Monetary assets and liabilities denominated in foreign currencies are expressed in sterling at the rate of exchange ruling at the balance sheet date. Foreign currency transactions are expressed in sterling at the rate of exchange ruling at the date of the transaction. Exchange gains and losses and translation differences are taken directly to the profit and loss account.

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2007 (continued)

1 ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is recognised as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

Pension Costs, which relate to payments to employee's own defined contribution pension plans, are charged to the profit and loss account as incurred.

Leasing transactions

Assets held under finance leases are included in the balance sheet at cost, less accumulated depreciation. The interest element on these obligations is charged to the profit and loss account using the sum of digits method so as to achieve a constant interest rate over the life of each agreement. Operating lease rentals are charged to the profit and loss account as incurred.

Investments

Fixed asset investments and investments in Group undertakings are stated at cost less provisions for impairment in value.

Goodwill

Purchased goodwill, which is the difference between the fair value of the consideration paid and the fair value of the net assets acquired, is capitalised in the year in which it arises and is amortised over its estimated useful life. Each acquisition is assessed separately with regard to the estimated useful life of the goodwill. Goodwill generated from the acquisition of a stand alone business is amortised over 20 years, whilst goodwill generated by acquisitions of businesses which are subsequently integrated into an existing brand, is amortised over 5 years. The directors regard 20 years as a maximum for the estimated useful life of goodwill since it is very difficult to make projections exceeding this period.

2 TURNOVER

All of the Company's turnover arises from the provision of public relations consultancy services within Europe.

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2007 (continued)

3 OPERATING PROFIT

	<u>2007</u>	<u>2006</u>
Operating profit is stated after charging / (crediting)	£	£
Auditors' remuneration		
Audit services	32,269	10,262
Tax services	3,253	2,500
Amortisation of intangible fixed assets		
Owned	52,520	30,636
Depreciation of tangible fixed assets		
Owned	150,228	149,364
Loss on disposal of tangible fixed assets	2,486	819
Operating lease rentals		
Land and buildings	313,362	313,362
Operating lease income	(67,065)	(75,670)
Foreign exchange loss	49,559	26,013
	<u> </u>	<u> </u>

4 STAFF COSTS

	<u>2007</u>	<u>2006</u>
Staff costs (including directors) consist of	£	£
Wages and salaries	3,243,265	2,918,726
Social security costs	386,868	485,180
Other pension costs	86,628	105,257
	<u>3,716,761</u>	<u>3,509,163</u>

The average monthly number of full time employees during the year was as follows

	<u>2007</u>	<u>2006</u>
	No	No
Directors	6	6
Direct Public Relations	52	53
Administration	14	19
	<u>72</u>	<u>78</u>

Directors' emoluments

	<u>31 July 2007</u>	<u>31 July 2006</u>
	£	£
Emoluments of highest paid director		
Aggregate emoluments excluding pension contributions	139,200	275,872
Company contributions to defined contribution scheme	8,623	5,177
	<u>147,823</u>	<u>281,049</u>
Total emoluments of all Directors		
Aggregate emoluments excluding pension contributions	486,856	888,944
Company contributions to defined contribution schemes	27,907	18,734
	<u>514,763</u>	<u>907,678</u>

The number of directors to whom retirement benefits are accruing is

	<u>Year</u>	<u>Year</u>
	<u>Ended</u>	<u>Ended</u>
	<u>31 July 2007</u>	<u>31 July 2006</u>
	No	No
Defined contribution schemes	5	6

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2007 (continued)

5 INTEREST RECEIVABLE

	<u>2007</u> £	<u>2006</u> £
Intercompany interest received	16,752	23,867
Bank interest received	1,085	7,260
Finance lease interest	-	67
	<u>17,837</u>	<u>31,194</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>Year Ended</u> <u>31 July 2007</u> £	<u>Year Ended</u> <u>31 July 2006</u> £
Other Interest	2,461	465
	<u>2,461</u>	<u>465</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2007</u> £	<u>2006</u> £
UK Corporation tax	84,902	244,867
Group relief payable	311,282	-
Prior year (over)/under provision	(6,183)	6,461
Foreign tax	-	77,989
Double taxation relief	<u>(4,832)</u>	<u>(77,989)</u>
Current tax charge for the year	385,169	251,328
Deferred taxation (Note 15)	<u>45,071</u>	<u>(41,016)</u>
	<u>430,240</u>	<u>210,312</u>
Reconciliation of current year tax charge	£	£
Profit on ordinary activities before taxation	<u>1,176,587</u>	<u>627,601</u>
Tax on profit on ordinary activities at the standard rate of tax in the UK of 30% (2006 30%)	352,976	188,280
Effects of		
Disallowed expenses	34,605	8,100
Depreciation in excess of capital allowances	8,470	44,726
Prior period adjustment	(6,183)	6,461
Prior year foreign tax recoverable	(4,832)	-
Other timing differences	133	3,761
	<u>385,169</u>	<u>251,328</u>

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2007 (continued)

8 DIVIDENDS

	<u>Year Ended</u> <u>31 July 2007</u>	<u>Year Ended</u> <u>31 July 2006</u>
	£	£
Final dividend of 70p per ordinary share (2006 10p)	<u>704,243</u>	<u>100,000</u>
	<u>704,243</u>	<u>100,000</u>

9 INTANGIBLE ASSETS

	<u>Year Ended</u> <u>31 July 2007</u> £
Cost at 1 August 2006 and at 31 July 2007	<u>262,592</u>
Amortisation at 1 August 2006	30,636
Provided for the year	52,518
As at 31 July 2007	<u>83,154</u>
Net Book Value at 31 July 2007	<u>179,438</u>
Net Book Value at 31 July 2006	<u>231,956</u>

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2007 (continued)

10 TANGIBLE FIXED ASSETS

	Short Leasehold Premises £	Office Equipment £	Office Furniture £	Motor Vehicles £	Total £
COST					
At 1 August 2006	452,929	710,600	227,254	8,460	1,399,243
Additions	17,826	71,885	4,665	-	94,376
Disposals	-	(38,905)	-	-	(38,905)
Exchange Differences	-	(524)	(198)	-	(722)
At 31 July 2007	470,755	743,056	231,721	8,460	1,453,992
DEPRECIATION					
At 1 August 2006	215,725	600,557	174,880	5,509	996,671
Charge for the year	47,487	82,770	19,663	308	150,228
Disposals	-	(34,188)	-	-	(34,188)
Exchange Differences	-	(410)	(15)	-	(425)
At 31 July 2007	263,212	648,729	194,528	5,817	1,112,286
NET BOOK VALUE					
As at 31 July 2007	207,543	94,327	37,193	2,643	341,706
As at 31 July 2006	237,204	110,043	52,374	2,951	402,572

The net book value of short leasehold assets includes £nil (2006 £nil) in respect of assets held under finance lease

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2007 (continued)

11 INVESTMENTS

Year Ended
31 July 2007
£

SHARES IN GROUP UNDERTAKINGS

Cost at 1 August 2006 and at 31 July 2007

Bite Communications Group Limited

85,813

Credo Communications Limited

365,376

451,189

The investment represents a holding of ordinary shares in Bite Communications Group Limited, a company incorporated in Great Britain that acts as an investment holding company. The holding represents a portion of the shares in Bite Communications Group Limited that are held in an Employee Share Ownership Plan Trust (ESOP) as described in Note 21. On 24 October 2005, employee share options were exercised to the value of £271,254 resulting in a disposal on investment.

On 31 December 2005 the company acquired the entire share capital of Credo Communications Limited, a UK incorporated company. The purchase price was £365,376 based on a net asset value of £102,784. Credo was a press relations agency, dealing principally with clients in the high-technology sector.

12 DEBTORS

	<u>Year Ended</u> <u>31 July 2007</u> £	<u>Year Ended</u> <u>31 July 2006</u> £
Trade debtors	862,998	1,323,547
Amounts owed by parent undertaking	328,007	235,739
Amounts owed by fellow subsidiaries	2,708,755	1,368,376
Foreign tax recoverable	158,059	77,989
Other debtors	163,509	319,781
Prepayments and accrued income	<u>426,242</u>	<u>409,035</u>
	<u>4,647,576</u>	<u>3,734,467</u>

All amounts shown in debtors fall due for payment in one year.

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2007 (continued)

13 CREDITORS. Amounts falling due within one year

	<u>Year Ended</u> <u>31 July 2007</u>	<u>Year Ended</u> <u>31 July 2006</u>
	£	£
Trade creditors	277,927	79,707
Amounts owed to parent undertaking	1,358,697	828,582
Amounts owed to fellow subsidiaries	1,448,045	934,139
Other creditors including tax and social security	192,278	394,447
Corporation tax payable	158,059	77,989
Deferred Consideration	-	80,383
Accruals and deferred income	974,932	935,895
	<u>4,409,938</u>	<u>3,331,142</u>

14 CREDITORS. Amounts falling due after more than one year

	<u>Year Ended</u> <u>31 July 2007</u>	<u>Year Ended</u> <u>31 July 2006</u>
	£	£
Amounts owed to fellow subsidiaries	<u>391,484</u>	<u>391,484</u>
	<u>391,484</u>	<u>391,484</u>

15 PROVISION FOR LIABILITIES AND CHARGES

	<u>Year Ended</u> <u>31 July 2007</u>	<u>Year Ended</u> <u>31 July 2006</u>
	£	£
Analysis of deferred tax liability		
Accelerated capital allowances	6,887	(38,317)
Other	(133)	-
	<u>6,754</u>	<u>(38,317)</u>

Analysis of movement in provisions	<u>2006</u>	<u>Movement in</u> <u>profit and loss</u> <u>account</u>	<u>2007</u>
	£	£	£
Deferred tax liability	(38,317)	45,071	6,754

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2007 (continued)

16 CALLED UP SHARE CAPITAL

At 1 August 2006 and at 31 July 2007

	<u>2007</u> £	<u>2006</u> £
Authorised		
1,000,000 ordinary shares of 5p each	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid	£	£
1,000,000 ordinary shares of 5p each	<u>50,000</u>	<u>50,000</u>

17 RESERVES

	<u>2007</u> Profit & loss Account £	<u>2006</u> Profit & loss Account £
Opening balance at 1 August 2006	1,397,504	1,070,377
Retained profit for the year	746,347	417,289
Final dividend for the year	(704,243)	(100,000)
Currency translation differences	(8,032)	9,838
	<u>1,431,576</u>	<u>1,397,504</u>
Closing balance at 31 July 2007	<u>1,431,576</u>	<u>1,397,504</u>

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2007</u> £	<u>2006</u> £
Retained profit for the year	746,347	417,289
Final dividend for the year	(704,243)	(100,000)
Currency translation differences	<u>(8,032)</u>	<u>9,838</u>
Net addition to shareholders' funds	34,072	327,127
Opening shareholders' funds	<u>1,447,504</u>	<u>1,120,377</u>
Closing shareholders' funds	<u>1,481,576</u>	<u>1,447,504</u>

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2007 (continued)

19 OPERATING LEASE COMMITMENTS

The Company has entered into operating leases and has annual commitments under these expiring as follows

	2007 Land and Buildings £	2006 Land and Buildings £
Between two and five years	313,362	-
After five years	<u>313,362</u>	<u>313,362</u>

20 RELATED PARTIES

The Company has taken advantage of paragraph 3 of Financial Reporting Standard 8 "Related Party Disclosures", not to disclose transactions with Group undertakings as more than 90 percent of its shares are controlled within the Group which is headed by Next Fifteen Communications Group plc as described in note 21 below

21 EMPLOYEE SHARE OWNERSHIP PLAN TRUST (ESOP)

The Company formed an Employee Share Ownership Plan Trust (ESOP) during the year ended 31 July 1998

The purpose of the ESOP is to enable the Company to offer participation in the ownership shares in Bite Communications Group Limited, the immediate parent company

Arrangements for the distribution of benefits to employees which may be the ownership of shares in Bite Communications Group Limited or the granting of options over shares in Bite Communications Group Limited held by the ESOP are made at the ESOP's discretion in such manner as the ESOP considers appropriate

Administration costs of the ESOP are accounted for in the profit and loss account of the Company as they are incurred

Shares owned by the ESOP

At 31 July 2006 and at 31 July 2007 the ESOP held 875,000 "B1" Ordinary shares of 0 1p each in Bite Communications Group Limited

The conditional shares sold to employees in the previous financial year were as follows

- 372,000 shares exercised at 3 1p and sold for £11,532
- 924,000 shares exercised at 3 85p and sold for £35,574 and
- 71,332 shares exercised at 12 5p and sold for £8,916

These conditional shares become eligible for payment on the following dates

- The first one third of the total number sold two years prior to the vesting date,
- The second one third of the total number sold one year prior to the vesting date and
- The final one third of the total number sold on the vesting date

Once eligible for payment and paid for, the conditional shares gain full voting, dividend and winding-up rights and rank par passu with the ordinary shares

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2007 (continued)

21 EMPLOYEE SHARE OWNERSHIP PLAN TRUST (ESOP) (continued)

A condition of the employee's ownership of the Conditional Shares is that

- (i) if the employee's employment with all Group companies terminates before the Vesting Date, or
- (ii) if the employee attempts to dispose of the Conditional Shares without prior written approval of the Board of directors of the Company, then the employee will forfeit all rights to and derived from the Conditional Shares which they have not yet paid for and must transfer them back to the Bite ESOP at the same price at which they were sold to them

The shares of Bite Communications Group Limited are not openly traded and as such do not have a market price

22 IMMEDIATE AND ULTIMATE PARENT COMPANY

The ultimate parent undertaking and the parent company of the smallest and largest group into which the company is consolidated is Next Fifteen Communications Group plc, which is incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of Next Fifteen Communications Group plc are available to the public and can be obtained from The Triangle, 5-17 Hammersmith Grove, London, W6 0LG. The immediate parent undertaking is Bite Communications Group Limited.

23 PROFIT ON SALE OF BUSINESS

On 31 August 2006, the Company sold its online division 'Bullet' to a newly incorporated company, Bulletonline Limited, as part of a management buyout for a total consideration of £175,000.

The assets transferred were as follows

	£
Office Equipment	4,717
Total Assets	4,717
Consideration*	175,000
Profit on Sale	170,283

* At 31st July 2007, £129,389 was due to the company from Bulletonline Limited. This amount is included within other debtors.