

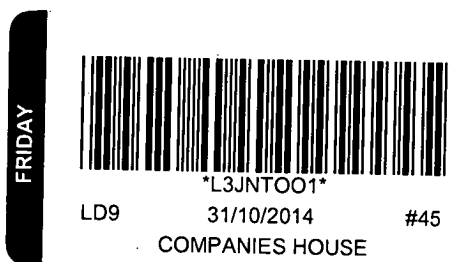
Bite Communications Limited

Report and Financial Statements

Period Ended

31 January 2014

Company Number 03023521



Bite Communications Limited

Report and financial statements for the period ended 31 January 2014

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Directors

R Gilley
K Easthope
M Harvey
J Silk
P Harris
P Bath

Registered office

The Character Building, 41b, Beavor Lane, London, W6 9BL

Company number

03023521

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Bite Communications Limited

Strategic report for the period ended 31 January 2014

The directors present their strategic report together with the audited financial statements of Bite Communications Limited ("the Company") for the period ended 31 January 2014.

Results and dividends

The state of the Company's affairs at the balance sheet date was in line with management's expectation following a period of restructure and change in management. The directors report a loss after tax of £1,128,000 (31 July 2012 - profit after tax of £769,000) for the period.

No dividends were declared or paid during the period (31 July 2012 - £Nil).

Principal activity, review of business and future prospects

Principal activity

The principal activity of the Company during the period was the provision of international content, communications and social services, dealing principally with clients in the high-technology sector across Consumer and Business Practice.

Review of business

The 18 months to 31 January 2014 represent a period of significant change for the Company. There were two separate organisational restructures within the UK office, time invested in management of an under-performing Swedish branch ultimately leading to a decision to exit, an overhaul of the entire finance team, a three month office refurbishment and a full restructure of the Board of Directors including two CEO's who exited to start up a new business.

These factors have added significant cost to Company's EBITDA (profit before interest, tax, depreciation and amortisation) which is a loss of £601,000 for the period. Key factors driving that result were:

- Non-recurring costs of £515,000 associated with the acquisition of trade and assets of CMG Worldwide Limited consisting of;
 - Redundancies of £133,000;
 - Write off of unrecoverable debts of £257,000;
 - Non-recurring share scheme charges of £125,000
- Under-performance in the Swedish branch which generated a loss of £225,000 for the period (2012 - break-even). Management have since taken the decision to cease operations in that office after the period end;
- Loss of the two largest clients (Nokia and Microsoft) mid-way through the current period creating a like for like revenue shortfall of £1,300,000 at a typical gross margin of 45%;
- Additional redundancies of £107,000 (2012 - £19,000) in response to the loss of major international clients and as a result of the restructure of the UK finance team;

On 1 August 2012, the Company acquired the trade and assets of CMG Worldwide Limited (trading as "Bourne"). The skill sets acquired were designed to enhance the service offering of the Bite brand globally, giving access to more digital markets. On 1 October 2013, the decision was taken to transfer the digital clients and people into a new trading entity (Bite DA Limited). The two businesses are being run independently whilst maintaining enhanced collaboration across the global Bite brand.

The acquisition of trade brought in an additional £2,943,000 in fee income for the period. The restructure created £133,000 in redundancy costs, gave rise to unrecoverable assets of £257,000 (£198,000 associated with one client insolvency alone) and share scheme charges of £125,000 which ceased with the subsequent transfer of employees out to Bite DA Limited. There were further costs associated with the restructures through duplication of resource, significant challenges in the financial integration and creating much management distraction.

Bite Communications Limited

Strategic report for the period ended 31 January 2014 *(continued)*

Principal activity, review of business and future prospects *(continued)*

Review of business (continued)

During the period, the branch operating in Sweden generated revenue of £1,080,000 and a loss of £225,000, primarily driven by a combination of a top-heavy management structure and international client losses. On 1 September 2014, Bite Communications Limited ("Bite") began the process of transferring the clients and certain people from its branch in Sweden to Text Sweden. This decision was in-line with the ultimate parent Company, Next Fifteen Communications Group plc, wider strategy focused on enabling the Group to take advantage of synergies and increased scale by combining operations in non-core markets.

Additional redundancy costs of £107,000 were incurred through the period ended January 2014. Part of this was associated with direct staff following the loss of some major international clients. The remainder was associated with admin staff and in particular an overhaul of the previous finance team which followed from a review of the level of internal controls in operation and the weaknesses identified during the financial integration process of CMG Worldwide Limited.

Internal controls have now been enhanced and are being regularly monitored.

All of the above has had a significant impact on staff costs raising the staff cost percentage KPI to 78% (2012 - 65%). The Company is anticipating a return to the target of 65% in the following period.

Future Prospects

Annualised revenue will see an initial decline following the transfer of trade to Bite DA, the exit from Sweden and the loss of the two largest clients. The removal of the management distractions discussed above and continuing investment and will then drive subsequent growth in the UK. In particular, investment is being made into content marketing and communications through creation of a new Branded Content Practice which will support the existing Consumer and Business Practice teams.

Profitability in the subsequent period will also be impacted by costs of exit from Sweden but the underlying trading business in the UK is expected to return to a position of healthy profitability in future years.

The continuing board of directors are strong. They have managed and stabilised the business through this period of change and are well placed to drive the business forward.

Details of significant events since the balance sheet date are contained in note 24 to the financial statements.

Bite Communications Limited

Strategic report for the period ended 31 January 2014 (*continued*)

Principal risks and uncertainties

The on-going risks that the Company faces are the possible loss of senior staff and the possible loss of clients in excess of new business.

The key metric that the directors monitor carefully is the staff cost to fee income ratio and this is managed sensibly using flexible freelance resources where possible to allow this key element of the cost base to reflect fluctuations in fees. Other overheads will continue to be closely managed.

The Company places considerable importance on the motivation and retention of its people and regularly reviews its HR policies to this end.

The Company monitors its cash position daily and its cash flow projections on a monthly basis as part of its control procedures, taking action as appropriate.

Going Concern

The business is forecast to be profitable going forwards. At the balance sheet date the Company had net current liabilities of £407,000 which will be recovered through future profits and is supported by the ultimate parent company.

Key performance indicators

The principal financial indicators which the Company uses to monitor performance throughout the period are fee income (turnover less external charges) and EBITDA (profit before interest, tax, depreciation and amortisation) and net assets. It also monitors the total staff costs as a percentage of fee income.

The principal non-financial indicators are the level of new business won from both existing clients and new clients, and the level of staff turnover.

The key performance indicators for the period were as follows:

	31 January 2014 £'000	31 July 2012 £'000
Fee income	10,506	6,335
EBITDA	(601)	967
EBITDA to fee income margin (%)	(6%)	15%
Staff costs to fee income (%)	78%	65%
Net current (liabilities) / assets	(407)	657

Charitable donations

During the period the Company made charitable donations of £2,941 (31 July 2012 - £481).

Approval

This strategic report was approved on behalf of the Board on 30 October 2014.



P Bath
Director

Bite Communications Limited

Report of the directors for the period ended 31 January 2014

The directors present their report together with the audited financial statements of Bite Communications Limited ("the Company") for the period ended 31 January 2014.

Directors

The directors who served during the period and up to the date of signing are shown below.

T J R Berry	(resigned 1 October 2012)
C Armitage	(resigned 16 January 2013)
H Macphail	(resigned 24 January 2013)
D Dewhurst	(resigned 14 November 2013)
J Rowntree	(resigned 2 September 2013)
J Wilmot	(appointed 12 October 2012, resigned 30 September 2013)
I Boston	(appointed 27 September 2013, resigned 31 January 2014)
R Gilley	
K Easthope	
M Harvey	(appointed 12 October 2012)
J Silk	(appointed 3 December 2012)
P Harris	(appointed 25 March 2014)
P Bath	(appointed 8 September 2014)

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Bite Communications Limited

Report of the directors for the period ended 31 January 2014 (*continued*)

Auditors

All of 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 purposes 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.

On behalf of the Board



**P Bath
Director**

30 October 2014

Bite Communications Limited

Independent auditors' report

TO THE MEMBERS OF BITE COMMUNICATIONS LIMITED

We have audited the financial statements of Bite Communications Limited for the period 1 August 2012 to 31 January 2014 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Basis for qualified opinion on financial statements

With respect to the opening balances, the audit evidence available to us was limited because the previous year's deferred consultants' costs balance of £225,635, included within prepayments and accrued income, was not reconciled and the state of the company's records in relation to this balance was such that we were unable to obtain satisfactory and appropriate evidence that:

- the opening deferred consultants' costs balance does not contain material misstatements that materially affect the current period's financial statements; and
- the appropriate accounting policies were consistently applied.

Qualified opinion on financial statements

In our opinion, except for the possible effects of matters described in the Basis for qualified opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2014 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Bite Communications Limited

Independent auditors' report (*continued*)

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to deferred consultants costs, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- in our opinion adequate accounting records have not been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.



*Julian Frost (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom*

Date **30/10/2014**

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Bite Communications Limited

Profit and loss account for the period ended 31 January 2014

	Note	Period ended 31 January 2014 £'000	Year ended 31 July 2012 £'000
Turnover	2	13,095	7,542
External charges		(2,589)	(1,207)
Turnover less external charges		10,506	6,335
Other operating income		119	127
Administrative expenses		(11,763)	(5,742)
Operating (loss)/profit	3	(1,138)	720
Interest receivable	5	5	4
Interest payable and similar charges	6	(5)	-
(Loss)/profit on ordinary activities before taxation		(1,138)	724
Taxation	7	10	45
(Loss)/profit on ordinary activities after taxation	15,16	(1,128)	769

All amounts relate to continuing activities.

The accompanying notes on pages 11 to 23 form an integral part of these financial statements.

Bite Communications Limited

Statement of total recognised gains and losses for the period ended 31 January 2014

	Note	Period ended 31 January 2014 £'000	Year ended 31 July 2012 £'000
(Loss)/profit for the financial period	15	(1,128)	769
Translation differences on foreign currency net investments	15, 16	13	10
Total recognised (expense)/gains for the financial period	15, 16	(1,115)	779

The accompanying notes on pages 11 to 23 form an integral part of these financial statements.

Bite Communications Limited

Balance sheet at 31 January 2014

<i>Company number 03023521</i>	Note	31 January 2014 £'000	31 January 2014 £'000	31 July 2012 £'000	31 July 2012 £'000
Fixed assets					
Intangible assets	8		38		307
Tangible assets	9		503		77
Investments	10		453		453
			994		837
Current assets					
Debtors	11	6,390		6,001	
Cash at bank and in hand		99		700	
		6,489		6,701	
Creditors: amounts falling due within one year	12	(6,896)		(6,044)	
Net current (liabilities)/assets			(407)		657
Total assets less current liabilities			587		1,494
Creditors: amounts falling due after more than one year	13		(230)		(22)
			357		1,472
Capital and reserves					
Called up share capital	14		50		50
Profit and loss account	15		307		1,422
Shareholders' funds	16		357		1,472

The financial statements were approved by the Board of Directors and authorised for issue on 30 October 2014.



P Bath
Director

The accompanying notes on pages 11 to 23 form an integral part of these financial statements.

Bite Communications Limited

Notes forming part of the financial statements for the period ended 31 January 2014

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.

Going concern

The ultimate parent company, Next Fifteen Communications Group Plc, has agreed to support the company for a period of at least one year from the approval date of these financial statements.

Basis of consolidation

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared Group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Next Fifteen Communications Group Plc, a company incorporated in the United Kingdom, and is included in the consolidated accounts of that company. Copies of the consolidated financial statements of Next Fifteen Communications Group Plc are publicly available from Companies House.

Cash flow statement

The company is outside the scope of FRS 1 (revised) "cash flow 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 period.

Turnover is recognised on the following basis:

- Retainer and other non-retainer fees are recognised as the services are performed;
- Project fees are recognised on a percentage completion basis;
- Expenses are re-charged to clients at cost plus an agreed mark up when the services are performed;
- Amounts rebilled on behalf of other group companies are shown net in the accounts.

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 equipment	-	33% per annum straight line
Office furniture	-	20% per annum straight line
Motor vehicles	-	25% per annum straight line

Bite Communications Limited

Notes forming part of the financial statements for the period ended 31 January 2014 (*continued*)

1 Accounting policies (*continued*)

Foreign currencies

The results of overseas branches are translated at the average rates during the period and the balance sheets of those branches are translated at the period end exchange rates. Exchange differences arising on retranslation of opening net assets of foreign 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.

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 considered 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 employees' own defined contribution pension plans, are charged to the profit and loss account as incurred.

Leasing transactions

Operating lease rentals are charged to the profit and loss account as incurred. Rent free periods are written off over the original term of the lease.

Investments

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

Share based employee remuneration

The share options are over shares issued by the ultimate parent company, Next Fifteen Communications Group Plc. The charges are recognised in the subsidiary to which the employee relates.

The Company has applied the requirements of FRS 20 - "Share based payments". In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 August 2010. Next Fifteen Communications Group Plc issues equity settled share based payments to certain employees. The share based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest.

Fair value is measured by use of a Black Scholes model on the grounds that there are no market related vesting conditions. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Details of the risk free rate and dividend yield used to underpin these assumptions are included in note 19. The market price on any given day is obtained from external publicly available sources.

Bite Communications Limited

Notes forming part of the financial statements
for the period ended 31 January 2014 (*continued*)

1 Accounting policies (*continued*)

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 period 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 relating to the acquisition of businesses which have been subsequently integrated into an existing brand is amortised over 5 years.

2 Turnover

The Company's turnover arises from the provision of public relations consultancy services within Europe (2014 - 74%, 2012 - 80%), USA (2014 - 18%, 2012 - 19%) and the rest of world (2014 - 8%, 2012 - 1%).

3 Operating (loss)/profit

	Period ended 31 January 2014 £'000	Year ended 31 July 2012 £'000
Operating (loss)/profit is stated after charging/(crediting):		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	102	24
Fees payable to the auditors and its associates for other services:		
Tax services	12	-
Share scheme charge (note 19)	163	21
Bad debt write off	257	-
Depreciation	258	56
Amortisation	279	191
Operating lease rentals - land and buildings	549	381
Operating lease income - land and buildings	(119)	(127)
Redundancy costs	240	19
Foreign exchange loss	28	65

Share scheme charges of £163,000 for the current period relate primarily to the employees who were transferred to Bite DA Limited during the period and as such are a non-recurring expense. £110,000 relates to these employees on which £15,000 of NI has arisen.

During the period the Company incurred £240,000 of redundancy costs which includes payment in lieu of notice for which employees were put on gardening leave. £133,000 of these were associated with the transfer of trade and assets from CMG Worldwide Limited to Bite UK Limited and the subsequent transfer of trade from Bite UK Limited to Bite DA Limited. The remainder of costs are associated with losses of some significant clients during the period and an overhaul of the UK finance team.

Bite Communications Limited

Notes forming part of the financial statements
for the period ended 31 January 2014 (*continued*)

4 Staff costs

	Period ended 31 January 2014 £'000	Year ended 31 July 2012 £'000
Wages and salaries	7,004	3,541
Social security costs	935	481
Pension contributions	212	117
	8,151	4,139
The average monthly number of full time employees during the period was as follows:	Number	Number
Directors	8	6
Direct public relations	76	42
Administration	14	12
	98	60
Total remuneration of all directors:	£'000	£'000
Aggregate emoluments	1,313	926
Company contributions to defined contribution schemes	37	34
Compensation for loss of office	30	-
	1,380	960
Remuneration of highest paid director:		
Aggregate emoluments	279	268
Company contributions to defined contribution scheme	14	14
	293	282
The number of directors to whom retirement benefits are accruing is:	Number	Number
Defined contribution schemes	4	4

Bite Communications Limited

Notes forming part of the financial statements
for the period ended 31 January 2014 (*continued*)

5 Interest receivable

	Period ended 31 January 2014 £'000	Year ended 31 July 2012 £'000
Intercompany interest received	4	4
Bank interest received	1	-
	<u>5</u>	<u>4</u>

6 Interest payable and similar charges

	Period ended 31 January 2014 £'000	Year ended 31 July 2012 £'000
Other interest	5	-
	<u>5</u>	<u>-</u>

7 Taxation

	Period ended 31 January 2014 £'000	Year ended 31 July 2012 £'000
a) Analysis of credit in the period		
<i>Current tax</i>		
Prior period overprovision	-	(39)
	<u>-</u>	<u>(39)</u>
Current tax credit for the period	-	(39)
<i>Deferred tax</i>		
Deferred taxation	(10)	(6)
	<u>(10)</u>	<u>(6)</u>
Tax credit	(10)	(45)
	<u>(10)</u>	<u>(45)</u>
b) Factors affecting current tax credit		
(Loss)/profit on ordinary activities before taxation	(1,138)	724
	<u>(1,138)</u>	<u>724</u>
Tax on profit on ordinary activities at the standard rate of tax in the UK of 23.44% (31 July 2012 - 25.33%)	(267)	183
	<u>(267)</u>	<u>183</u>
Effects of:		
Disallowed expenses	85	(3)
Depreciation in excess of capital allowances	27	14
Prior period adjustment	-	(39)
Group relief surrendered/(claimed) for no consideration	155	(194)
	<u>267</u>	<u>(194)</u>
Current tax credit for the period (note 7a)	-	(39)
	<u>-</u>	<u>(39)</u>

Bite Communications Limited

Notes forming part of the financial statements
for the period ended 31 January 2014 (*continued*)

7 Taxation (*continued*)

Deferred tax asset (note 11)

	Period ended 31 January 2014 £'000	Year ended 31 July 2012 £'000
Accelerated capital allowances	104	92

Analysis of movement in deferred tax

	Year ended 31 July 2012 £'000	Movement in profit and loss account £'000	Foreign Exchange £'000	Period ended 31 January 2014 £'000
Deferred tax asset	92	10	2	104

8 Intangible assets

	Intellectual Property £'000	Credo £'000	Inferno £'000	AIMPR £'000	Total £'000
<i>Cost</i>					
At 1 August 2012	-	263	752	204	1,219
Transfer in	30	-	-	-	30
Disposal	(30)	-	-	-	(30)
Exchange differences	-	-	-	(2)	(2)
At 31 January 2014	-	263	752	202	1,217
<i>Amortisation</i>					
At 1 August 2012	-	263	489	160	912
Transfer in	12	-	-	-	12
Amortisation during the period	10	-	225	44	279
Disposal	(22)	-	-	-	(22)
Exchange differences	-	-	-	(2)	(2)
At 31 January 2014	-	263	714	202	1,179
<i>Net book value</i>					
At 31 January 2014	-	-	38	-	38
At 31 July 2012	-	-	263	44	307

Bite Communications Limited

Notes forming part of the financial statements
for the period ended 31 January 2014 (*continued*)

9 Tangible fixed assets

	Short leasehold property £'000	Office equipment £'000	Office furniture £'000	Motor Vehicles £'000	Total £'000
<i>Cost</i>					
At 1 August 2012	648	1,092	268	8	2,016
Transfers in	-	78	8	-	86
Additions	595	66	4	8	673
Disposals	(198)	(86)	(8)	-	(292)
Exchange differences	-	(1)	-	-	(1)
At 31 January 2014	1,045	1,149	272	16	2,482
<i>Depreciation</i>					
At 1 August 2012	648	1,020	263	8	1,939
Transfers in	-	46	3	-	49
Charge for the period	165	87	5	1	258
Disposals	(198)	(64)	(4)	-	(266)
Exchange differences	-	(1)	-	-	(1)
At 31 January 2014	615	1,088	267	9	1,979
Net book value					
At 31 January 2014	430	61	5	7	503
At 31 July 2012	-	72	5	-	77

Transfers in relate to the acquisition of trade and assets from CMG Worldwide Limited on 1 August 2012. Leasehold additions of £595,000 relate to office refurbishments that took place in November 2013. Leasehold disposals of £198,000 relate to the clear out of fully depreciated fixed assets. Remaining disposals all relate to the transfer of trade and assets to Bite DA Limited on 1 October 2013.

10 Investments

Shares in group undertakings

£'000

Cost and net book value at 31 July 2012 and 31 January 2014

453

The Company owns 100% of the ordinary shares in Credo Communications Limited, a company incorporated in England & Wales. The ESOP (note 20) owns 4% of the ordinary shares in Bite Communications Group Limited, also incorporated in England & Wales.

On 12 September 2014, The ESOP transferred its 4% shareholding in Bite Communications Group Limited to Next Fifteen Communications Group plc for consideration of £23,000.

Bite Communications Limited

Notes forming part of the financial statements
for the period ended 31 January 2014 (*continued*)

11 Debtors

	31 January 2014 £	31 July 2012 £
Trade debtors	1,187	2,122
Amounts owed by ultimate parent undertaking	15	748
Amounts owed by fellow subsidiaries	4,295	2,107
Other debtors	93	23
Prepayments and accrued income	649	909
Corporation tax recoverable	47	-
Deferred tax asset (note 7)	104	92
	<u>6,390</u>	<u>6,001</u>

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

12 Creditors: amounts falling due within one year

	31 January 2014 £'000	31 July 2012 £'000
Trade creditors	332	117
Amounts owed to ultimate parent undertaking	389	155
Amounts owed to fellow subsidiaries	5,430	4,735
Other taxes and social security	213	251
Other creditors	26	407
Accruals and deferred income	400	379
Deferred tax liability	6	-
Bank loan (note 13)	100	-
	<u>6,896</u>	<u>6,044</u>

13 Creditors: amounts falling due after more than one year

	31 January 2014 £'000	31 July 2012 £'000
Provisions	80	22
Bank loan	150	-
	<u>230</u>	<u>22</u>

Bite Communications Limited

Notes forming part of the financial statements for the period ended 31 January 2014 (continued)

13 Creditors: amounts falling due after more than one year (continued)

The provision covers the cost of rent, rates and dilapidations on an unoccupied leasehold property.

The bank loan was drawn down in July 2013 in order to finance the office refurbishment. The amount drawn down was £300,000 with equal repayments due over a period of 36 months. At the year end the total liability remaining was £250,000 of which £100,000 falls due within one year. Interest is charged at 3.22% annually.

14 Share capital

	Allotted, called up and fully paid			
	31 January 2014 Number	31 July 2012 Number	31 January 2014 £'000	31 July 2012 £'000
Ordinary shares of 5p each	1,000,000	1,000,000	50	50

15 Profit and loss account

	31 January 2014 £'000	31 July 2012 £'000
Opening balance at 1 August	1,422	643
(Loss)/profit for the period	(1,128)	769
Translation differences on foreign currency net investments	13	10
Closing balance at 31 July	307	1,422

16 Reconciliation of movements in shareholders' funds

	31 January 2014 £'000	31 July 2012 £'000
(Loss)/profit on ordinary activities after tax	(1,128)	769
Translation differences on foreign currency net investments	13	10
Net (decrease)/increase to shareholders' funds	(1,115)	779
Opening shareholders' funds	1,472	693
Closing shareholders' funds	357	1,472

Bite Communications Limited

Notes forming part of the financial statements
for the period ended 31 January 2014 (*continued*)

17 Operating lease commitments

The company had annual commitments under non-cancellable operating leases as set out below:

	31 January 2014 Land and buildings £'000	31 July 2012 Land and buildings £'000
Between two and five years	294	298
	<u>294</u>	<u>298</u>

18 Related parties

The Company has taken advantage of paragraph 3 of Financial Reporting Standard 8 "Related Party Disclosures", not to disclose transactions with wholly owned Group undertakings as 100 percent of its shares are controlled within the Group which is headed by Next Fifteen Communications Group Plc as described in note 21.

19 Share based payments

The company uses a Black-Scholes model to calculate the fair value of options on grant date. At each period end the cumulative expense is adjusted to take into account any changes in estimate of the likely number of shares expected to vest. All the share-based plans are subject to non-market performance conditions such as earnings per share targets and continued employment. All schemes are equity settled, the key inputs are listed below and market price on any given day is obtained from external, publicly available sources. The share options are over shares issued by the ultimate parent company, Next Fifteen Communications Group Plc. The charges are recognised in the subsidiary to which the employee relates.

	31 January 2014 %	31 July 2012 %
Risk free rate	4.00	2.00
Dividend Yield	3.04	2.22
Volatility ¹	28	34

¹Volatility is based on the Group's share price movement between January 2005 and January 2014. In the opinion of the Directors, this period is appropriate, given the Group's history of growth and acquisitions, and external industry factors.

The Company recognised a charge of £163,000 (31 July 2012 - £21,000).

The majority of the current year charge is associated with the transfer of trade from CMG Worldwide Limited that took place on 1 August 2012. Part of the consideration for the business was paid in a new grant of 1,340,000 Long-term incentive performance shares which accrued a charge of £110,000 and associated NI of £15,000 (total non-recurring cost of £125,000). All employees who were granted these performance shares were subsequently transferred out of the Company to Bite DA Limited on 1 October 2013. No further charge will accrue in respect of that grant.

Bite Communications Limited

Notes forming part of the financial statements
for the period ended 31 January 2014 (*continued*)

19 Share based payments (*continued*)

Movement on options granted (represented in ordinary shares)

	Outstanding at 1 August 2012 Number ('000)	Granted Number ('000)	Lapsed Number ('000)	Exercised Number ('000)	Transferred Number ('000)	Outstanding 31 January 2014 Number ('000)	Exercisable 31 January 2014 Number ('000)
Long-term incentive plan	48	-	-	(30)	-	18	18
21 Long-term incentive - performance shares	1,148	273	(468)	(330)	(123)	500	-
Bourne transfer Long-term incentive - performance shares	-	1,340	-	-	(1,340)	-	-
	<u>1,196</u>	<u>1,613</u>	<u>(468)</u>	<u>(360)</u>	<u>(1,463)</u>	<u>518</u>	<u>18</u>
Weighted-average exercise price (p)	2	-	-	5	-	2	56

Bite Communications Limited

Notes forming part of the financial statements
for the period ended 31 January 2014 (continued)

19 Share based payments (continued)

A total of 359,749 (31 July 2012 - 253,391) shares were exercised during the period ended 31 January 2014 at a weighted average share price of 5.42p (31 July 2012 - 6p).

Options over ordinary shares outstanding

Range of exercise prices (p)	0 - 56
Weighted average exercise price (p)	2
Weighted average contractual life (months)	22

The fair value of performance shares granted in the period calculated using the Black Scholes model

	January 2013	May 2013	January 2014
Fair value of performance shares granted under the LTIP (p)	84	69	69
Share price at date of grant (p)	92	77	85
Risk free rate (%)	4	4	4
Expected life (years)	4	4	4
Expected volatility (%)	21	25	28
Dividend yield (%)	2.29	2.81	3.04

The terms and conditions of each share option scheme is disclosed within the Next Fifteen Communications Group Plc 2013 Annual Report.

20 Employee Share Ownership Plan Trust (ESOP)

The Company formed an Employee Share Ownership Plan Trust (ESOP) during the period ended 31 July 1998. The purpose of the ESOP was 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.

At 31 July 2012 and at 31 January 2014 the ESOP held 568,667 ordinary shares of 0.1p each in Bite Communications Group Limited.

21 Immediate and ultimate parent company

The immediate parent company is Bite Communications Group Limited. The ultimate parent company and controlling party 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.

Bite Communications Limited

**Notes forming part of the financial statements
for the period ended 31 January 2014 (continued)**

22 Contingent liabilities

The Company participates in a multilateral guarantee with Barclays Bank Plc relating to the overdraft facilities of the parent and certain group companies. The maximum amount of the contingent liability which could arise from this guarantee is limited to £1,500,000 (31 July 2012 - £1,500,000).

23 Acquisition of CMG Worldwide Limited and transfer of trade to Bite DA Limited

On 1 August 2012, the Company acquired the trade and assets of CMG Worldwide Limited (trading as "Bourne"). The skill sets acquired were designed to enhance the service offering of the Bite brand globally, giving access to more digital markets. Operations were merged with the existing Bite business, assets and liabilities were consolidated into one balance sheet and from 1 August 2012 the operations were run as one entity.

On 1 October 2013, the decision was taken to transfer the digital clients and certain employees into a new trading entity (Bite DA Limited). Prior to transfer, only digital revenues were reported separately and so results of the overall digital operation cannot be separately distinguished for financial reporting purposes and have not been classified as a discontinued operation.

During the period, digital revenues added £2,943,000 in fee income. The restructure created £133,000 in redundancy cost (note 3), gave rise to unrecoverable assets of £257,000, £198,000 associated with one client insolvency alone (note 3) and share scheme charges of £125,000 (note 3 and note 19) which ceased with the subsequent transfer of employees out to Bite DA Limited.

Certain intangible and fixed assets were acquired as part of the CMG Worldwide acquisition and subsequently disposed of as part of the transfer to Bite DA. The net book value acquired was £53,000 and the net book value transferred to Bite DA Limited was £28,000 (note 8 and note 9).

24 Post balance sheet events

On 1 September 2014, Bite Communications Limited ("Bite") began the process of transferring the clients and certain people from its branch in Sweden to Text Sweden. This decision was in-line with the ultimate parent Company, Next Fifteen Communications Group plc, wider strategy focused on enabling the Group to take advantage of synergies and increased scale by combining operations in non-core markets.

On 12 September 2014, The ESOP transferred its 4% shareholding in Bite Communications Group Limited to Next Fifteen Communications Group plc for consideration of £23,000.