



**Press Release**

**24 November 2009**

**Gladstone plc**

("Gladstone", "the Group" or "the Company")

**Preliminary Results**

Gladstone plc (AIM:GLD.L), the leading provider of software solutions and services to the health & leisure and education markets, is pleased to announce its preliminary results for the twelve months ended 31 August 2009.

**Financial Highlights:**

- Turnover up by 2% to £9.73 million (2008: £9.55 million) during a challenging year
- Underlying operating profit increased by 14% to £1.93 million (2008: £1.69 million)
- EBITDA before revaluation of Glasgow property, exceptional items representing defence costs against Constellation's hostile approaches and share based payment charge up 11% to £2.13 million (2008: £1.91 million). The reduction in profit before tax to £1.21 million (2008: £1.75 million) is largely due to the significant exceptional costs of £0.7 million incurred to deal with Constellation's hostile approaches.
- Cash generated from operating activities increased 86% to £2.33 million (2008: £1.25 million)
- Cash at bank at year end up 19% to £5.44 million (2008: £4.58 million)
- Net tangible assets at £7.1 million, 9% increase on last year (2008: £6.5 million)
- Invested £0.8 million in developing Gladstone's next generation product Orbit and OnRecord (2008: £0.5 million)

**Operating Highlights:**

- Gladstone's product strength and financial stability resulted in several significant contract wins
- The Board has communicated a consistent and clear view of the long-term direction and opportunities ahead of Gladstone. The recession has indeed confirmed the robustness of Gladstone's business model
- The Board announced on 6 November 2009 that it had received approaches from third parties regarding a possible offer for Gladstone, one of which had led to an

indicative offer at a price of 33 pence in cash per share

- In light of the underlying financial stability of the Group, the Board intends to implement a capital restructuring in order to enable the Board to consider dividends to be paid in the future

Commenting on the results, Dr Said Ziai, Chairman and Chief Executive of Gladstone plc, said: “The Company is pleased to report yet another year of improved performance in terms of the underlying profits for the fourth consecutive year. This was achieved despite particularly difficult and unprecedented economic conditions and the considerable effort and expense associated with protecting shareholders’ interests against a hostile bid by Constellation Software Inc. The inherent robustness of Gladstone’s operations and the ability of Gladstone’s products to improve its customers’ performance have enabled the Company to more effectively mitigate against the adverse impacts of the economic downturn.

“The Board of Gladstone continues to focus on long-term growth. The Company continues to follow a strategy of expanding its solutions beyond the UK health & leisure market, in which the Company is already the leader, into complementary vertical markets and other geographies. As Gladstone has now reached an inflexion point in its growth, the Company is now looking to further broaden its Board to capitalise on the opportunities ahead. Furthermore, the Board intends to implement a capital restructuring in order to enable dividends to be paid in the future.”

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**Gladstone plc**

Gladstone plc's innovative software products and services, currently targeted at the global health and leisure and education markets, are used daily by thousands of front line staff, managers, end users and students.

Gladstone Health and Leisure is the market leader in the provision of member relationship management solutions for a wide range of health and leisure organisations including trusts, leisure centres, and major private leisure chains and is established as the de facto standard for UK local authorities. The Company enables all its clients in both public and private sectors to utilise central database facilities for central and cross-site on-line bookings, Customer Relationship Management ("CRM") and membership management, centralisation of administration, marketing and reporting.

The Company also provides a wide range of integrated systems and software-based solutions for the rapidly expanding Education Facilities Management Solutions ("EFMS") market across the entire spectrum of educational establishments and is a key supplier to the UK Government's Building Schools for the Future ("BSF") initiative.

Gladstone is focused on extending its solutions capabilities, which enable its clients to maximise resource usage, retain customers and improve operational performance, thereby

making cost efficiencies, into new vertical and geographic markets aligned with its growth strategy.

The Company's current solutions include the comprehensive Plus2™ product suite which incorporates advanced functionality including web-based remote booking, advanced analysis and the use of kiosks, as well as Gladstone OnRecord™ which serves the education industry with e-registration, biometric and smart card recognition, cashless payment systems, extensive information portals, libraries usage and access control.

Based in Oxfordshire, the Company has sales offices in Glasgow, Dublin (Ireland) and Sydney (Australia), in addition to development facilities in Sonderborg (Denmark) and Karachi (Pakistan).

For further information, visit [www.gladstoneplc.com](http://www.gladstoneplc.com) .

## **CHAIRMAN AND CHIEF EXECUTIVE'S REPORT**

### **INTRODUCTION**

It is with pleasure that I report Gladstone's results for the twelve months ended 31 August 2009. Despite the unprecedented economic conditions, alongside the considerable effort and expense associated with protecting shareholders' interests against a hostile bid by Constellation Software Inc ("Constellation"), Gladstone's 2009 results for the fourth consecutive year show another increase in the underlying performance of the Company. The Company's underlying earnings before interest, tax, depreciation, amortisation, exceptional items representing defence costs against Constellation's bid, share based payment charge and revaluation of Gladstone's Scottish office increased by 11% to £2.13 million (2008: £1.91 million). This increase in trading performance was achieved whilst the Company continued to invest in new product development and build its new education business. Gladstone's financial strength and the clarity of vision are now well recognised within its chosen market sectors.

With the challenges of the severe economic downturn facing all businesses, there is a heightened emphasis within the Company's primary industry on delivering value. Increasingly Gladstone's products and services are being recognised for the tangible value they bring. This value comes in the form of greater efficiencies for our customers. The recession has sharply focused the minds of many clients on the need to retain the loyalty of their users as well as increasing the utilisation of their facilities. Gladstone's solutions in the health and leisure market help its clients to better focus on their key assets, namely their members and their facilities, thus increasing member retention and enabling higher returns to be achieved.

The Board believes Gladstone's competitive position has in fact strengthened despite the adverse economic conditions. For example, the strength of the local authority pay-as-you-go proposition to users in the health and leisure market has become more apparent relative to the subscription only memberships offered by most private operations. This trend has attracted the attention of the larger private operators. Such operators have traditionally focused on subscription-based membership with less emphasis on bookings. Gladstone's command of complex bookings based solutions and processes combined with the launch of its new Orbit technology platform are currently encouraging a new level of dialogue with key players across the industry. The Company's disciplined and focused approach to building a robust business for the future has assisted Gladstone in establishing a resilient framework

for winning new clients and developing constructive partnerships. This should stand the Company in good stead when the market conditions improve.

Four years ago the Board reviewed Gladstone's strategic opportunities and core strengths. This led to the decision to invest in new technologies to increase the Company's growth potential. As well as investing in a new industry redefining technology platform, Orbit, the Company has continued to invest in its nascent education business activities with the release of a new version of its education product, OnRecord, in September 2009. The Board continues to believe in the robustness and depth of the Company's plans for growth, which it expects would create significant sales opportunities for the future.

Gladstone's goal is to expand the boundaries of its solutions beyond the health and leisure market into complementary vertical markets as well as further replicating its success internationally. Gladstone's investment in Orbit is not only targeted towards consolidating the Company's current market leadership but also on opening up opportunities for new revenue streams. The Company has, as a result, embarked on a path that will allow its considerable expertise to be made available to several niche markets and for its products and services to be deployed with more cost effective technical assistance and training. The Board considers the Group to be in a better financial condition than many of its competitors, removing the pressures of short term, low margin, revenue growth or any activity that may undermine the long term interests of the Group. The Board believes this will, in the long run, enable Gladstone to claim a large share of the new growth opportunities in its core markets.

With this underlying strength, the Board is now mindful of adopting a sustainable dividend policy in the interest of providing ongoing returns to shareholders. The Board has already canvassed the views of a number of major shareholders on this subject, who have all welcomed such a move. For Gladstone to be in a position to pay dividends, it must undergo a capital restructuring to create distributable reserves. The Board has already received legal advice in this respect, suggesting that, due to the strength and structure of the Company's balance sheet, such a restructuring is a straightforward process but is subject to shareholders' approval. The Board will, therefore, set out to present this as a special resolution to shareholders as a whole at the earliest opportunity.

During last financial year, the Board of Gladstone expended considerable time and resource to deal with Constellation's hostile approaches. The Board strongly believed an independent Gladstone free from opportunistic approaches by Constellation would deliver significant long term value to all shareholders. This view is now fully vindicated by the Company's

announcement on 6 November 2009 that it had received approaches from third parties regarding a possible offer for the Company, one of which had led to an indicative offer at a price of 33 pence in cash per share. These discussions with third parties are at an early stage and therefore there is no certainty that an offer will ultimately be made to shareholders or as to the terms on which any such offer may be made. The Board has reserved its position with regards to such offers until further constructive discussions take place with a number of parties, and will inform shareholders of any further developments when appropriate.

Three years ago, the Board of Gladstone decided to combine the Chairman and the Chief Executive's roles in order to focus on turning around the strategic direction of the Company as well as maintaining clear control over the day-to-day management of the business consistent with the Group's stated strategy. The Board believes this move has served the interests of all shareholders well. However, as Gladstone is now poised for the next phase of its long-term growth strategy, with a number of material options ahead, the Board is mindful that making further board appointments will be advantageous, when the right opportunities arise in the future.

## **FINANCIAL OVERVIEW**

Virtually all markets and sectors of the economy have faced particular challenges over the past year, given the most severe downturn in decades. Against such challenging economic conditions in the United Kingdom and Australia (the Group's principal trading locations) many companies have reported shrinking results. Gladstone, however, maintained stability in revenues whilst also materially improving its underlying operating profits. Company turnover was up marginally at £9.73 million in 2009 from £9.55 million in 2008. The underlying operating profit increased to £1.93 million, a 14% increase on last year (2008: £1.69 million). This is the fourth consecutive year of steady improvement in the underlying performance of the Group, whilst continually increasing substantial investments to support our long term growth objectives.

The Board believe the results for the year to 31 August 2009 are a significant milestone in demonstrating the underlying strength of Gladstone's position amidst an unprecedented market downturn. The growth in the underlying operating profit has been achieved while at the same time strengthening the Group's capacity to absorb new business activities such as education, releasing a new version of our OnRecord product for the education market and investing in people to secure delivery of the Group's key business objectives. The Board hopes these initiatives will help mitigate some of the current recessionary pressures and will

contribute towards enhanced sales and operational efficiencies in the periods ahead. During the year to 31 August 2009, the Company capitalised £814,000 (2008: £521,000) of development costs relating to Orbit and OnRecord, the Company's new generation product platforms. These costs will be amortised in accordance with the Group's accounting policies under IFRS standards. Ongoing development costs on Plus2 are expensed through the profit and loss account in the year to which they relate.

Net tangible assets as at 31 August 2009 increased to £7.1 million (2008: £6.5 million). Cash also increased in the year by £0.86 million to £5.4 million. The Company generated £2.33 million of cash from operating activities before exceptional costs (2008: £1.25 million). Under IFRS accounting methods, Gladstone is required to adopt share based payment standards. This has led to an accounting cost of £63,061 in the current year (2008: £77,210). Revaluation of Gladstone's Scottish offices in Glasgow further reduced profits by £86,953. These adjustments have no cash impact.

## **OPERATIONS OVERVIEW**

During the year Gladstone appointed a new Director of Sales as well as a Director of Technology and Product Development. Contributions from these appointments to Group performance are of key importance. We also recruited new internal sales staff to service the growing demand from our customers for training services for our flagship product Plus2, technical backup, hardware and consumables. Gladstone's proposition to its existing and new customers is stronger than ever with an array of solutions; Plus2, Kiosk2, Connect2, Business Intelligence Reporting, Orbit Professional (first phase of Gladstone's next generation product platform Orbit), OnRecord and much more. With Orbit technology paving the way for the future, Gladstone already has a solution for almost every segment of the health and leisure market in the UK and Ireland, from single sites to the largest multi-site facilities.

### **UK and Ireland**

Market conditions were notably challenging during last year with a particularly rapid decline in demand within the private sector. The Board believes these challenges will continue to exist in the current financial year. With a noticeable reduction in market activity levels and pressures on sales margins, in line with the market downturn, the Company rationalised some of its operating costs in early 2009 to maintain profitability levels. A majority of Gladstone's sales success during 2008–2009 resulted from the ability of local authorities to attract business for their leisure facilities, possibly at the expense of the private sector. Their formula of allowing customers to pay only when they use facilities has given them a

particular advantage in today's economic climate. In addition, their ability to allow bookings on line and to deploy kiosks as an alternative to using receptionists have proved to be popular and reassuring features for leisure facility clients.

Gladstone's financial and broad product strength, combined with a fragmented competition, resulted in several significant contract wins; mitigating the worst impact of the general downturn in the market. The Board believes Gladstone Health and Leisure can continue to consolidate its position as the leading supplier across all segments of the market, specifically with Local Authorities, Leisure Trusts and Universities in the UK and Ireland. During last year, Gladstone won notable new contracts with Vision Redbridge, Celtic Community Leisure and University of Cambridge. There were also a number of key new client wins, replacing competitors' systems; such as Western Isles, Heriot Watt University, South Lanarkshire and Mytime Active.

In addition to major projects with Highlands, Tendring District Council and New Forest, a number of the Company's existing key clients also continued to roll out further Gladstone products and services to expand their own operations and streamline their services. These included; adoption of integrated chip and pin payment solution by Sports and Leisure Management (SLM), further roll out of Kiosks by Greenwich Leisure Ltd (GLL) and extended Connect online bookings across all their sites by Leisure Connection (Harpers).

During the year Gladstone's commercial team also set up two significant strategic partnerships with key industry participants, Technogym and Alliance Leisure. These partnerships will widen the scope of the Company's services and more extensively benefit our clients to more fully leverage the value of Gladstone's solutions and create higher levels of customer service and returns on their investments.

The Company has been successful with its focused program of testing and trialling Orbit Professional, aimed at single gyms and private clubs. This is the first phase of introducing our latest technology platform to the market. Gladstone has received considerable enthusiasm and recognition from these early adopters. It is particularly pleasing that the Company's primary industry body FIA (Fitness Industry Association) has chosen Orbit Professional to manage the requirements of its own membership, comprising fitness industry operators. In addition, Gladstone is also pleased to welcome Ben Dunne Clubs in Ireland to join an increasing group of independent health and leisure facility operators recognising the deep and modern capabilities of Orbit solution. The Company is now in dialogue with a

number of notable industry operators, including leading chains, who are interested to be proactively involved in the forthcoming development phases of the Orbit platform.

Gladstone Education has now established itself as a key solution provider in the Education Facilities Management Solutions (EFMS) market, partnering with a number of Construction and Information and Communication Technologies ("ICT") providers and contractors, including; Northgate Education, Civica, Skanska FM, European Electronique, XMA and Redstone. Gladstone Education is now actively involved in a number of BSF bids (the UK Government's Building Schools for the Future initiative) along with lead ICT partners. Working with these partners, Gladstone Education was able to implement its OnRecord solution in three sites in Leicester BSF; Soar Valley, Judge Meadow and Beaumont Leys. Beaumont Leys was the winner of BSF school of the year in 2009. Gladstone Education continued its phased roll out in Bristol BSF as it implemented OnRecord at Bristol Cathedral Choir School and continued to develop its position within the direct channel to market by implementing OnRecord at Bishop Challoner Catholic College in Birmingham.

### **Australia**

Despite the severe effects of the recession in Australia, Gladstone was able to win some notable contracts in the public and private sectors. With Orbit Professional already introduced in the UK, the Company is currently configuring the product for use in Australia. Combined with other related products and services within the Australian market, Gladstone sees Orbit unlocking further untapped opportunities across all segments of this market.

The Company was successful in a major tender, winning the contract for Blacktown City Council in NSW to replace a competitor's existing solution. Blacktown Leisure Centre is one of Australia's most prominent centres; having won numerous awards. Gladstone also won the tender for Dunedin City Council in New Zealand, again replacing a competitive solution. The University of Melbourne contract win further consolidated the Company's position in this part of the market too as well as removing another competitive solution.

A number of our existing clients, despite difficult economic market conditions, also implemented the Company's Plus2 solution in their new sites. Virgin Active successfully opened its new site in Melbourne. South Pacific Health Club opened its second club in Melbourne whilst Melville City Council in WA became the first council in Australia to adopt Gladstone's new Kiosk system. Nedlands City Council in WA will be implementing Plus2 for its Community Bookings.

## **Delivery and Service**

In pursuing Gladstone's focus on improving the overall service offered to its clients, particular attention is being given to processes adopted by the Company in allocating staff to projects and monitoring their deployment.

Implementation of the Company's Orbit technology will allow Gladstone the opportunity to change materially the solution delivery model across the markets it serves. The Board believes this will also place Gladstone at the forefront of solutions provision and innovation across the market and lead to new revenue earning opportunities for the Company in value-added products and services.

Delivery of Gladstone's more comprehensive solutions in the education market can involve relatively long time cycles. This is primarily due to the need to integrate into a school a number of systems, OnRecord solution being one, as part of an overall new building/refurbishment ICT project. Most schools and educational facilities require systems implementations to span a narrow period over the school holidays. These parameters introduce material challenges in implementation and project management. Gladstone has already addressed a number of these challenges and believes that the Company is well placed to manage these requirements.

## **Development**

The Board has in the past stated its commitment to a significant strategic product development program. The Board has also communicated the rationale for introducing a new technology platform and creating more innovative solutions in order to bring about transformational changes across the sector. It is believed that these developments should secure Gladstone's long-term market leadership as well as the opportunity to grow its revenue and presence in other geographic and adjacent vertical markets. A clear roadmap of development priorities aimed at positioning the Company as a market leader in the UK and abroad is set out. With the rapid changes in software development platforms and increasing demands for the convergence of web, communications and network applications, all the Company's development programs incorporate the latest technologies.

Due to the extensive scope of Gladstone's flagship product, Plus2, and its wide presence across the health and leisure sector, the main thrust for its further development is directed towards providing extended functionality and integration with third party applications. This will enhance our clients' operational efficiency and broaden the scope of their interaction

with their customers. In line with this approach, the Company continues to enhance Kiosk2 and Connect2, which provide self service and web enabled bookings to a large number of our clients. Gladstone has also introduced a new and comprehensive suite of reporting services, helping our clients to better manage their operating environment and maximising return on their investment in the Company's solutions.

## **STRATEGY**

The Board has, over the past four years, communicated a consistent and clear view of the long-term direction and the diverse opportunities ahead of Gladstone. Patience has been exercised by prudently managing the Company's resources during this period, delivering consistent and improved results year on year, building on the Company's competitive position whilst addressing the legacy deficits in investments across the business and in particular setting out to develop market leading products and services for the future. The Board has further enhanced the Company's growth prospects following its entry into the education market, a new vertical, with direct synergy with the Company's core business. This new market has significant national and international growth prospects. The board believes Gladstone is now fundamentally stronger than ever. It is a very different business from four years ago. Having built up significant financial strength, the Company is in a strong position to deliver transformational growth for the future. The Board believes there will be further opportunities to enter other adjacent sectors.

A key part of Gladstone's long-term growth plans is predicated on reinforcing the Company's leadership position in a largely fragmented health and leisure software solutions market. Whilst the Company has traditionally served the needs of the more complex multi-site operations, a significant proportion of Gladstone's potential market in the independent private club sector has been content to utilise entry level solutions with limited capabilities. Gladstone's stated commitment to invest substantially in Orbit, not only fulfils the Company's existing clients' long term needs to migrate to the latest technology platforms but also provides the potential clients of Gladstone with the ability to invest in the Company's solutions with the knowledge that their investment will generate the returns they are looking for. The introduction of Orbit Professional into the single gym market has progressed well with clear signs that this potential client base instantly recognises the distinct capabilities of this solution, and the operational benefits that it offers. The Company believes the general lack of comprehensive membership management solutions in the health and leisure market across Europe provides Gladstone with additional opportunities. Orbit represents the Company's long-term vision to serve the emerging needs of an expanding global market for health and leisure software solutions and systems. The Board also believes that the

Company's new product platform will enable Gladstone to open up new horizontal and vertical market opportunities, such as golf, spa, attractions and theme parks.

Despite the current state of the global economy and possible cuts in spending by government and the private sector, the education market is expected to continue to grow and be open to developments in the UK and elsewhere. Gladstone believes the core competencies, software requirements and end market characteristics of the education market are a natural extension to its current activities. Gladstone's early experience to date of this sector, and the knowledge that the Company has already gained, reinforce the Board's decision three years ago to enter the education market. The Board sees significant growth potential given the ongoing need for information systems and services within primary, secondary and sixth form schools, in addition to Further Education and Higher Education establishments. The opportunity to introduce high value-added solutions and services to help schools, academies and colleges manage their facilities and activities better can be significant. Gladstone is already witnessing this first hand as part of its active involvement with a number of industry partners to implement leading edge solutions in the UK Government's Building Schools for the Future ("BSF") program. The 15-year £45 billion BSF investment initiative should underpin these growth opportunities.

The Board has also been reviewing a range of other related growth options facing Gladstone, and is fully aware and intent on utilising all of Gladstone's standing in its existing market as well as the Company's robust financial base to deliver improved long term results as the right opportunities with the right characteristics become available.

## **OUTLOOK**

The Company's improved performance in the period ended 31 August 2009, during a difficult and unpredictable year is testament to the inherent robustness of Gladstone's operations and its strong competitive position in the health and leisure market. The Board has carried on executing its long-term plans whilst managing the worst effects of the sudden downturn in the economy.

The Board expects the challenges of last year to persist well into the current financial year, with a distinct lack of visibility on any material activity in the private sector and an acute focus on cost controls in the public sector. The Board, however, believes that the key elements of Gladstone's longer term growth are robust and there is scope in the possible pipeline of sales opportunities for the business to manage its way through the harsh and unpredictable impacts of the current recessionary environment. The Company is highly

focused on consolidating its current position as well as broadening its future market presence. The development of the Orbit platform and its introduction into single gym, private club, segments of the health and leisure market is gathering momentum and the Company is continuing to make progress with most encouraging feedback. Gladstone is increasingly finding new ways of enhancing its product and service offerings and is confident in its ability to extend its reach.

Gladstone has already built an attractive cash generative core business with significant and increasing recurring revenues. It is hoped revenues will further improve as the Company implements its future plans through delivery of SaaS (Software as a Service) based offerings. With a strong balance sheet and a healthy pipeline of transformational developments and a market leading position, the Board continues to be cautiously confident of the Company weathering the current difficult market conditions and delivering sustainable growth in the long-run.

## **PEOPLE**

Gladstone's growth strategy is driven by the skills, dedication and focus of its people. During 2009 the number of staff in general was maintained at a constant level. Certain departmental changes were made to rationalise some of the delivery activities and bolster other areas such as development and specialist functions.

Gladstone appreciates the commitment and loyalty of its staff. The Board would like to take this opportunity to thank all employees for their commitment and focus. We look forward to their continuing contributions.

**Dr. Said Ziai**

**Chairman and Chief Executive Officer**

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 AUGUST 2009**

	Notes	2009 £	2008 £
<b>Revenue</b>		9,734,777	9,551,267
Cost of Sales		<u>(2,053,823)</u>	<u>(1,719,957)</u>
<b>Gross Profit</b>		<u>7,680,954</u>	<u>7,831,310</u>
<b>Underlying operating profit</b>	3	1,928,862	1,691,177
Revaluation of Glasgow property		(86,953)	-
Exceptional items	4	(694,466)	(86,218)
Share based payment charge		(63,061)	(77,210)
<b>Operating profit</b>		<u>1,084,382</u>	<u>1,527,749</u>
Interest receivable		123,263	228,456
Interest payable		<u>(343)</u>	<u>(2,375)</u>
Profit before taxation		<u>1,207,302</u>	<u>1,753,830</u>
Taxation	5	<u>118,166</u>	<u>349,868</u>
Profit for the year		<u>1,325,468</u>	<u>2,103,698</u>
<b>Attributable to:</b>			
Equity holders of the company		1,325,468	2,094,392
Minority interests		-	9,306
		<u>1,325,468</u>	<u>2,103,698</u>
The results shown above relate to continuing operations			
<b>Earnings per ordinary share (pence):</b>	6		
Basic based on profit attributable to equity holders		2.51p	3.99p
Diluted based on profit attributable to equity holders		2.48p	3.94p
<b>EBITDA (Earnings before interest, tax, depreciation and amortisation):</b>	7		
EBITDA before revaluation of Glasgow property, exceptional items and share based payment charge		2,126,270	1,908,198
EBITDA		1,281,790	1,744,770

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE  
FOR THE YEAR ENDED 31 AUGUST 2009**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Exchange differences on retranslation of net assets of foreign currency operations	79,337	89,638
Release of share based payments reserve following exercise of share options	-	3,739
Deficit on revaluation of Wallingford office	(327,346)	-
Deferred tax credit to revaluation reserve	5,500	5,500
Net (expense) / income recognised directly in equity	<u>(242,509)</u>	<u>98,877</u>
Profit for the financial period	<u>1,325,468</u>	<u>2,103,698</u>
<b>Total recognised income in the year</b>	<b><u>1,082,959</u></b>	<b><u>2,202,575</u></b>
<b>Attributable to:</b>		
Equity holders of the company	1,082,959	2,193,269
Minority interests	-	9,306
	<u>1,082,959</u>	<u>2,202,575</u>

## CONSOLIDATED BALANCE SHEET

AS AT 31 AUGUST 2009

	Note	£	2009 £	£	2008 £
	s				
<b>ASSETS</b>					
<b>Non current assets</b>					
Intangible assets	8	1,435,097		621,343	
Goodwill	8	7,065,412		7,272,972	
Property, plant and equipment		1,959,806		2,594,292	
Deferred tax asset		944,832		558,248	
			11,405,147		11,046,855
<b>Current assets</b>					
Inventories		37,060		36,694	
Trade and other receivables		3,127,606		3,578,929	
Current income tax asset		24,088		31,592	
Cash and cash equivalents		5,439,817		4,584,663	
			8,628,571		8,231,878
<b>Total assets</b>			<u>20,033,718</u>		<u>19,278,733</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables		907,589		1,046,054	
Accruals and deferred revenue		3,033,235		3,364,608	
			3,940,824		4,410,662
<b>Non current liabilities</b>					
Provision for liabilities		12,327		12,174	
Deferred tax liability		455,025		418,665	
			467,352		430,839
<b>Total liabilities</b>			<u>4,408,176</u>		<u>4,841,501</u>
<b>Net assets</b>			<u>15,625,542</u>		<u>14,437,232</u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the company</b>					
Issued share capital			4,228,773		4,226,434
Share premium account			15,319,395		15,279,444
Treasury shares	9		(981,875)		(981,875)
Special reserve			4,667,133		4,667,133
Revaluation reserve			304,781		646,271
Translation reserve			170,951		91,614
Share based payments reserve			208,093		238,424
Retained earnings			(8,291,709)		(9,730,213)
			15,625,542		14,437,232
Minority interest			-		-
<b>Total equity</b>			<u>15,625,542</u>		<u>14,437,232</u>

**CONSOLIDATED CASHFLOW STATEMENT  
FOR THE YEAR ENDED 31 AUGUST 2009**

		2009	2008
	Notes	£	£
<b>Cash flows from operating activities</b>			
Profit before tax		1,207,302	1,753,830
Adjustments for:			
Exceptional items	0	694,466	86,218
Depreciation charges		197,408	217,021
Revaluation loss		86,952	-
Share based payment expense		63,061	77,210
Interest receivable		(123,263)	(228,456)
Interest payable		343	2,375
(Increase) / decrease in inventories		(366)	16,654
Decrease / (increase) in trade and other receivables		451,323	(504,811)
Decrease in trade and other payables		(150,608)	(63,459)
Decrease in accruals and deferred revenue		(92,692)	(127,296)
Increase / (decrease) in provisions		153	(16,367)
Foreign exchange (gain) / loss		(6,369)	37,709
<b>Cash generated from operations before exceptional items</b>		<b>2,327,710</b>	<b>1,250,628</b>
Exceptional items		(682,323)	-
Cash generated from operations		1,645,387	1,250,628
Interest paid		(343)	(2,375)
Income taxes paid		(91,753)	(270,069)
Net cash generated by operating activities		<u>1,553,291</u>	<u>978,184</u>
<b>Cash flows from investing activities</b>			
Interest received		123,263	228,456
Acquisition of subsidiaries net of cash acquired		-	(50,010)
Payments for property, plant and equipment		(103,532)	(100,865)
Development expenditure		(813,753)	(521,191)
Net cash used in investing activities		<u>(794,022)</u>	<u>(443,610)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issues of equity shares		42,290	57,374
Purchase of treasury shares		-	(981,875)
Net cash used in financial activities		<u>42,290</u>	<u>(924,501)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>801,559</b>	<b>(389,927)</b>
Cash and cash equivalents at the beginning of the period		4,584,663	4,974,590
Effect of exchange rate fluctuations on cash held		53,595	-
<b>Cash and cash equivalents at the end of the period</b>		<u><u>5,439,817</u></u>	<u><u>4,584,663</u></u>

## **NOTES TO THE PRELIMINARY ANNOUNCEMENT**

### **General Information**

Gladstone plc ('the Company') is a company incorporated in England and Wales. The consolidated financial statements of the Company for the year ended 31 August 2009 comprise those of the Company and its subsidiaries (together referred to as 'the group'). The company is listed on AIM, the Alternative Investment Market of the London Stock Exchange, and has the TIDM code GLD. Information required by AIM Rule 26 is available in the investor relations section of the Group's website at [www.gladstoneplc.com](http://www.gladstoneplc.com).

The financial statements for the year ended 31 August 2009 were authorised for issue by the Board of Directors on 23 November 2009 and the balance sheets were signed on the Board's behalf by Dr. Said Ziai and Roderick Chamberlain.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The principal accounting policies adopted are set out in note 2 below.

The Company has elected to prepare its parent company financial statements under UK Generally Accepted Accounting Principles.

### **1. Application of International Financial Reporting Standards**

The Group's financial statements for the year ended 31 August 2009 and for the comparative year ended 31 August 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and IFRIC (International Financial Reporting Interpretations Committee) interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

### **2. Accounting policies**

The Group has adopted the accounting policies set out below in the preparation of this financial information. All of these policies have been applied consistently throughout the period unless otherwise stated.

#### **2.1 Basis of preparation**

The financial statements are prepared in sterling under the historical cost basis, as modified by the revaluation of land and buildings and certain financial instruments that are stated at their fair value.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman and Chief Executives Statement. In addition, the notes to the financial statements include the company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The company has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## **2.2 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All business combinations are accounted for using the purchase method of accounting. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

## **2.3 Segmental reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment which is subject to risks and returns that are different from those of segments operating in other economic environments. In the directors' opinion the Group operates in one business segment which cannot be subdivided in a meaningful way.

## **2.4 Revenue recognition**

Revenue represents the value of sales of software and related services to third parties, exclusive of value added tax or equivalent.

Software licences are recognised on delivery of the software licence. When delivery of goods is delayed at the buyer's request, and the buyer specifically acknowledges the deferred delivery instructions, and the usual payment terms apply, revenue is recognised when the buyer takes title to those goods. Consultancy and training revenues provided on a time and materials basis are recognised when the service has been performed. For services provided on a fixed price basis, revenue is recognised proportionately to the percentage of planned costs incurred. Rental payments are recognised in accordance with the substance of the relevant agreements. Maintenance renewals are recognised rateably over the period of the maintenance contract.

Where a contract consists of various components that operate independently of each other, the company recognises revenue for each component as if it were an individual contract.

## **2.5 Employee benefits**

The Company has defined contribution plans under which fixed payments are made to employees' personal pension schemes. The payments are charged to the income statement when they are due.

Accruals are made for holiday pay, based on a calculation of the number of days holiday earned during the year, but not yet taken.

## **2.6 Share based payments**

The fair value of all share based payment arrangements granted after 7 November 2002 that had not vested prior to 1 September 2006 are recognised in the financial statements.

Where employees are rewarded using share based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact on non-market vesting conditions.

All equity-settled share based payments are ultimately recognised as an expense in the income statement with a corresponding credit to reserves.

If vesting periods apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates.

Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

A charge is made to reflect the fair value to the Group of issuing employee share options. This charge is calculated using the Black-Scholes model to apply a fair value to the options issued and to spread that charge over the vesting period.

### **2.7 Intangible fixed assets – research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred. Development costs incurred after the point at which the commercial and technical feasibility of the product has been proven, and the decision to complete the development has been taken and the resources made available, are capitalised. The expenditure capitalised includes the cost of direct labour and an appropriate proportion of overheads.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. These costs will be amortised when the asset is available for use and commercial sales have commenced. Development expenditure is amortised on a straight line basis over the estimated useful life of the product.

### **2.8 Intangible fixed assets – goodwill**

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the fair value of the group share of the net identifiable assets of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

### **2.9 Impairment of goodwill and intangible assets**

The recoverable amount of goodwill is tested for impairment annually or when events or changes in circumstances indicate that it might be impaired. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is based on the discounted present value of the future cash flows expected to arise from the cash generating unit to which the asset relates. Estimates are used in deriving these cash flows and the discount rate that reflects current market assessments of the risks specific to the asset and the time value of money.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the intangible asset accounting policies affect

the amounts reported in the financial statements. In particular, if different estimates of the projected future cash flows or a different selection of an appropriate discount rate or long-term growth rate were made, these changes could materially alter the projected value of the cash flows of the asset, and as a consequence materially different amounts would be reported in the financial statements.

### **2.10 Property, plant and equipment**

Other than revalued land and buildings, tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold properties	2% straight line basis
Office equipment and computers	20% reducing balance basis
Fixtures and fittings	25% reducing balance basis

The freehold properties are carried at their revalued amount. If a property's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity as a revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same property previously recognised in profit or loss. If a property's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that property. The decrease recognised in other comprehensive income reduces the amount accumulated in equity as a revaluation reserve.

The properties are revalued once every 3 years, the last time being as at 31 August 2009. An impairment review is carried out each year to ensure the value being carried forward is appropriate. Depreciation is charged on the revalued amount so as to write off the asset over its expected useful life, being 50 years. An equal amount to the excess of the annual depreciation charge over the historic cost depreciation charge is transferred annually from the revaluation reserve to retained earnings.

### **2.11 Inventories**

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories comprises the purchase price, carriage and other costs directly attributable to the acquisition of goods, less any trade discounts deductible.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **2.12 Trade receivables**

Trade receivables are recognised initially at fair value and thereafter at amortised cost, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets' carrying amount and the recoverable amount. Provisions for impairment of receivables are included in the income statement.

### **2.13 Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and short term (with an original maturity of less than three months) deposits. Bank overdrafts that are repayable on demand form a part of the cash and cash equivalents for the purpose of the cash flow statement.

## **2.14 Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## **2.15 Treasury shares**

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid is deducted from equity until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received is included in equity.

## **2.16 Taxation**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## **2.17 Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

## **2.18 Foreign currency translation**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in UK £ which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Results of the overseas subsidiaries are translated into sterling at the weighted average rates for the year, which is effected by translating each overseas subsidiary's monthly result at exchange rates applicable to each of the respective months. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the foreign exchange rate ruling at that date. Differences on exchange resulting from the translation of overseas assets and liabilities are recognised directly in equity.

As permitted by IFRS 1, transition differences arising prior to 1 September 2006 are deemed to be zero at the IFRS transition date, and any amounts recognised in accordance with UK GAAP at that date have been included in retained earnings.

### **2.19 New IFRS standards and interpretations not applied**

At the date of approval of these financial statements, the following Standards and Interpretations which will be applicable to the Group, but have not been applied in these financial statements, were in issue but not yet effective:

<b>International Financial Reporting Standards (IFRS/IAS)</b>		<b>Effective date</b>
Amendment to IFRS3 and IAS 27	Business combinations; and Consolidated and separate financial statements	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 23 (Amendment)	Borrowing Costs	1 January 2009
IFRIC 16	Hedges of a net investment in a foreign operation	30 June 2009
Amendments to IAS 1	Presentation of Financial Statements: A Revised Presentation	1 January 2009

Based on management's initial assessment, the Group does not anticipate that the adoption of these standards will have a material effect on its financial statements on initial adoption.

### **2.20 Critical accounting estimates and judgements**

When applying the Group's accounting policies, management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date and the amounts of revenue and expenses recognised during the accounting period. Such assumptions and estimates are based upon factors such as historical experience, the observance of trends in the industries in which the Group operates, and information available from the Group's customers and other outside sources.

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

#### *Goodwill and intangible assets*

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the intangible asset accounting policies affect the amounts reported in the financial statements. In particular, if different estimates of the projected future cash flows or a different selection of an appropriate discount rate or long-term growth rate were made, these changes could materially alter the projected value of the cash flows of the asset, and as a consequence materially different amounts would be reported in the financial statements. However management believe that there is currently no reasonably possible change in growth or margin rates which would reduce the headroom to zero.

#### *Revenue recognition*

Where a contractual arrangement consists of various components, management make a judgment as to whether the components operate independently of each other and therefore whether the company can recognise revenue for each component as if it were an individual contractual arrangement.

#### *Share based payments*

Where an equity-settled share based payment scheme has a vesting period, the expense is allocated over the vesting period, based on the best available estimate of the number of

share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates.

### 3. Operating profit

Operating profit for year ended 31 August 2009

	Underlying	Revaluation of Glasgow property, exceptional items and share based payment charge	Total
<b>Revenue</b>	9,734,777	-	9,734,777
Cost of Sales	<u>(2,053,823)</u>	-	<u>(2,053,823)</u>
<b>Gross Profit</b>	7,680,954	-	7,680,954
Operating expenses	(5,775,342)	(844,480)	(6,619,822)
Other income	23,250	-	23,250
<b>Operating profit</b>	<u>1,928,862</u>	<u>(844,480)</u>	<u>1,084,382</u>

Operating profit for year ended 31 August 2008

	Underlying	Revaluation of Glasgow property, exceptional items and share based payment charge	Total
<b>Revenue</b>	9,551,267	-	9,551,267
Cost of Sales	<u>(1,719,957)</u>	-	<u>(1,719,957)</u>
<b>Gross Profit</b>	7,831,310	-	7,831,310
Operating expenses	(6,161,463)	(163,428)	(6,324,891)
Other income	21,330	-	21,330
<b>Operating profit</b>	<u>1,691,177</u>	<u>(163,428)</u>	<u>1,527,749</u>

### 4. Exceptional item

Legal and consultancy costs of £694,466 were incurred in the year to 31 August 2009 following the announcement by Constellation Software Inc. ("Constellation") of an unsolicited and hostile cash offer of 25p per share for the entire issued and to be issued ordinary share capital of Gladstone not already owned by Constellation on 13 October 2008. An Offer document was posted to Shareholders on 30 October 2008 setting out the full terms of the Offer. The Offer subsequently lapsed.

Further legal and consultancy costs were incurred after Gladstone received a letter (the "Requisition") from Pershing Nominees Limited, acting as nominee of Constellation on 6 January 2009, requiring the convening of a general meeting pursuant to section 303 of the Companies Act 2006 (the "Act") for the purpose of considering a resolution to appoint Mark Leonard, Constellation's chairman and president, as a director of Gladstone. The general

meeting was held on 16 March 2009 and at the General Meeting the resolution was rejected by Gladstone shareholders.

Legal and consultancy costs of £86,218 were incurred in the year to 31 August 2008 as the Company considered its response to Constellation Software Inc's requisition for a General Meeting made in a letter dated 16 May 2008. Constellation withdrew this requisition on 9 June 2008. The Company subsequently entered into negotiations with Constellation regarding a Standstill Agreement and the appointment of Mark Leonard, chairman and president of Constellation to the Gladstone Board. These negotiations were terminated by Constellation on 21 August 2008.

## 5. Taxation

	2009 £	2008 £
UK corporation tax on profits for the year	34,996	94,417
Adjustments in respect of prior periods	16,335	(59,992)
	<u>51,331</u>	<u>52,474</u>
Foreign tax on profits for the year	45,934	42,596
Adjustments in respect of prior periods	-	(18,050)
	<u>45,934</u>	<u>24,547</u>
Total current tax	97,265	77,021
Deferred tax:		
Origination and reversal of temporary timing differences	(215,431)	(426,889)
Total tax	<u>(118,166)</u>	<u>(349,868)</u>

## 6. Earnings per ordinary share

The basic earnings per ordinary share has been calculated using the profit for the year and the weighted average number of ordinary shares in issue during the year as follows:

	2009 £	2008 £
Profit attributable to equity shareholders	1,325,468	2,094,392
Revaluation of Glasgow property	86,953	-
Exceptional items	694,466	86,218
Share based payments	63,061	77,210
Finance income (net)	(122,920)	(226,081)
Tax	(118,166)	(349,868)
Minority interest	-	9,306
Underlying operating profit	<u>1,928,862</u>	<u>1,691,177</u>
	<b>Number</b>	<b>Number</b>

**Weighted average of ordinary shares of 1p (2008: 1p) each:**

For basic earnings per share	52,714,001	52,466,899
Dilution for outstanding share options	694,157	733,134
For diluted earnings per share	<u>53,408,158</u>	<u>53,200,033</u>
	<b>Pence per share</b>	<b>Pence per share</b>

**Earnings per share:**

Basic based on underlying operating profit	3.66p	3.22p
Diluted based on underlying operating profit	3.61p	3.18p
Basic based on profit attributable to equity holders	2.51p	3.99p
Diluted based on profit attributable to equity holders	2.48p	3.94p

The earnings per share on the underlying operating profit has also been presented because, in the opinion of the directors, this provides shareholders with a more appropriate measure of earnings derived from the Group's business.

**7. EBITDA**

The earnings before interest, tax, depreciation and amortisation (EBITDA) has been calculated as follows:

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Profit for the period	1,325,468	2,103,698
Net finance income	(122,920)	(226,081)
Tax	(118,166)	(349,868)
Depreciation	197,408	217,021
Amortisation	-	-
EBITDA	<u>1,281,790</u>	<u>1,744,770</u>
Revaluation of Glasgow office	86,953	-
Exceptional item	694,466	86,218
Share based payment charge	63,061	77,210
EBITDA based on underlying operating profit	<u>2,126,270</u>	<u>1,908,198</u>

**8. Intangible fixed assets**

<b>Group – Year ended 31 August 2009</b>	<b>Goodwill</b>	<b>Development Costs</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 September 2008	7,272,972	1,355,216	8,628,188
Costs capitalised during the year	-	813,753	813,753
Adjustment to the accrual relating to the	(238,681)	-	(238,681)

purchase of London Systems UK Ltd			
Retranslation of goodwill on foreign			
acquisitions	31,121	-	31,121
At 31 August 2009	<u>7,065,412</u>	<u>2,168,969</u>	<u>9,234,381</u>
<b>Amortisation</b>			
At 1 September 2008 and 31 August			
2009	<u>-</u>	<u>733,873</u>	<u>733,873</u>
<b>Net book values</b>			
At 31 August 2009	<u>7,065,412</u>	<u>1,435,096</u>	<u>8,500,508</u>
At 31 August 2008	<u>7,272,972</u>	<u>621,343</u>	<u>7,894,315</u>

\* On 31 December 2007 the Group acquired 20% of the shares in Valuenetics A/S bringing the Group's holding in this company to 100%.

### 9. Treasury shares

On 17, 20 and 21 August 2007 the Group committed to the purchase of a total of 1,250,000 ordinary shares of 1p each in Gladstone plc at 22p to be held as treasury shares. On 18 September 2007 the Group purchased a further 2,075,000 ordinary shares of 1p each in Gladstone plc at 22.5p each, and on 5 December 2007 the Group purchased a further 1,200,000 ordinary shares of 1p each of Gladstone plc at 20p each, all to be held as treasury shares. The total number of shares held as treasury shares as at 31 August 2009 was 4,525,000 (8.6% of the total ordinary shares of 1p each).

- Ends -