Freshwater UK PLC
Interim results for the half year to 28 February 2011

Financial Highlights

	2011 £m	2010 £m
Turnover	£3.27m	£3.66m
Revenue	£2.57m	£2.81m
EBITDA	£0.33m	£0.21m
Profit before income tax	£0.21m	£0.03m
Net cash from operating activities before tax & interest	£0.28m	£0.10m
Reduced net debt balance	£0.52m	£1.07m
Reduced tax liabilities balance	£0.12m	£0.38m
Reduced earn-out liabilities balance	£0.57m	£0.70m

Operational Highlights

- De-listed from the Alternative Investment Market ('AIM') of the London Stock Exchange on 22 November 2010 to pursue a strategy focused on organic growth
- Provided services to 182 clients across the UK and the Republic of Ireland
- Secured new contracts or project work with all top ten clients in the period
- Increased annualised revenue per head by 8% to £74,461 (from £69,082 in the same period last year)
- Established a dedicated digital team to take advantage of a growing market
- Reorganised the management team and reduced profit centres from twelve to seven to concentrate on the Group's strongest sectors and regions
- Continued to integrate the two recent acquisitions, Life Communications and Profileplus, with both on course to achieve their targets

Introduction

The first half of the trading year saw Freshwater embark on a new strategy of de-listing from AIM to focus on organic growth against a background of a much improved trading performance.

From the low point of the final quarter of 2009-10, revenue rose 2% in the first quarter and a further 8% in the second quarter to recover to an annualised rate at the same level as in the first half last year.

Meanwhile, with costs reduced by 15%, EBITDA increased 57% to £0.33m (2010: £0.21m) and operating profit increased 178% to £0.25m (2010: £0.09m).

The EBITDA margin of 13% is now heading towards our target of 20%, allowing the Group to generate the cash to pay down its remaining liabilities much more rapidly.

Financial Review

The Group traded profitably throughout the period, delivering an EBITDA of £0.33m (2010: £0.21m) on revenue of £2.57m (2010: £2.81m) and turnover of £3.27m (2010: £3.66m).

The Group achieved its budgeted revenue target overall, with five out of seven divisions ahead of expectations. Two divisions missed their target but in both cases we have taken action to improve performance and expect to see better results in the second half.

Savings implemented in 2009-10 reduced costs by 15% to £2.33m in the period (2010: £2.73m), even though we ended a temporary freeze on pension payments and reinstated a 5% reduction in senior management salaries.

The number of people we employ was stable through the first half at 79 with growth in some teams and reductions in others. With revenue rising, we were able to increase annualised revenue per head by 8% to £74,461 (2010: £69,082 annualised), the best performance the Group has ever achieved.

The Group's statement of financial position has also improved markedly, with liabilities from tax, the bank, borrowings and deferred consideration reducing from £2.14m on 28 February 2010 to £1.21m this year.

Following a half-year review of our banking facilities, we have agreed with RBS terms for a new £0.5m overdraft facility (see note 8), which the Board believes is ample for our working capital needs. The Group's term loan with RBS currently has an outstanding balance of £0.10m and will be cleared by the year end, as will nearly all our earn-out liabilities.

Dividend

The Board has decided not to award an interim dividend for the period in order to further strengthen the cash position of the business. We are, however, committed to rewarding investors appropriately through the payment of a dividend and intend to review the situation after the year end.

Operating Review

Freshwater's organic growth strategy is playing to the sectoral, specialist and geographical strengths the Group has developed over the last decade.

Freshwater is the only PR agency with offices in every region and nation of the UK, and we are combining this with our expertise in specialisms such as digital, stakeholder communications and public affairs to win new business in sectors where we already have a strong presence.

Despite the economic difficulties in the last three years, the Group has retained a very broad base of around 300 clients with whom we have regular contact throughout the year.

During the first half, we provided services to 182 clients compared to 206 in the same period last year. Multiple projects delivered for National Grid plc accounted for 34% of revenue compared to 13% in the same period last year.

Operating Review (continued)

Overall, the top 10 clients, including National Grid, accounted for 57% of revenue in the first half. All the top 10 clients are on contracts with terms of between six months and two years. In the case of National Grid, we are on a 'framework' contract and had purchase orders in hand at the half year with an unspent value of £0.82m.

The breakdown of first half revenue by sector (with a comparison with the same period last year in brackets) is as follows:

Energy	35% (14%)
Consumer and retail	17% (21%)
Public sector	13% (25%)
Transport	13% (17%)
Leisure and hospitality	5% (1%)
Education	5% (1%)
Professional and business services	4% (8%)
Industry and technology	4% (4%)
Housing and property	4% (8%)
Other	0% (1%)

The sectoral breakdown reflects a number of sharp changes in market conditions since the same period last year, notably an increase in revenue relating to major energy infrastructure investments and a decrease in public sector spending on communications.

We continue to see potential for growth in all the sectors in which we operate. However, we have structured the executive responsibilities in a way that focuses group resources particularly on two areas: 1) stakeholder communication and PA in energy, transport and healthcare and 2) brand communication in retail, leisure and consumer. Alongside this, our award-winning expertise in online marketing, social media, video production and events gives us an edge when clients are seeking an integrated approach to their communication needs.

Outlook

The Board is very encouraged by the early results from Freshwater's renewed focus on profitable organic growth.

While the economic situation is still challenging, we believe we can continue to increase revenue, improve profitability and strengthen our statement of financial position.

The Board is very grateful to shareholders for their loyal support and to management and staff for the hard work and professionalism they constantly demonstrate.

Marie Louise Windeler	**Steve Howell**
Chairman	**Chief Executive**

Freshwater's mission:

Freshwater is an innovative communications agency offering:

- Presence in every region of the UK and Ireland
- Expertise in PR, marketing, social media, events, broadcast, public affairs and stakeholder communications
- Detailed knowledge of the diverse sectors in which our 300-plus clients operate

Freshwater meets multiple client needs in multiple locations – enhancing reputations, building brands, engaging with stakeholders and influencing decisions.

Online and offline, we craft the messages and convey them creatively – delivering results for our clients time and again.

Freshwater – The national agency with regional reach and specialist expertise

FRESHWATER UK PLC
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011

	Note	**6 months to 28 Feb 2011 £**	6 months to 28 Feb 2010 £	Year ended 31 Aug 2010 £
TURNOVER		**3,267,435**	3,659,461	7,286,138
REVENUE		**2,572,631**	2,810,353	5,431,861
Exceptional administrative expenses		-	-	(758,595)
Other administrative expenses		**(2,327,374)**	(2,725,270)	(5,262,863)
OPERATING PROFIT / (LOSS)		**245,257**	85,083	(589,597)
Finance costs		**(36,305)**	(53,285)	(78,597)
PROFIT / (LOSS) BEFORE INCOME TAX	**4**	**208,952**	31,798	(668,194)
Income tax expense	**5**	**(58,506)**	(9,171)	(9,401)
PROFIT / (LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**150,446**	22,627	(677,595)
Basic earnings per share	**13**	**0.79p**	0.15p	(4.07)p
Diluted earnings per share	**13**	**0.60p**	0.15p	(4.07)p

FRESHWATER UK PLC
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2011

	Note	**28 Feb 2011**	31 Aug 2010	28 Feb 2010
		£	£	£
ASSETS				
Non-current assets				
Property, plant and equipment		**665,811**	738,713	834,025
Intangible assets	**6**	**9,996,076**	10,000,178	10,409,386
		10,661,887	10,738,891	11,243,411
Current assets				
Trade and other receivables		**2,056,357**	1,934,119	2,268,578
		2,056,357	1,934,119	2,268,578
Total assets		**12,718,244**	12,673,010	13,511,989
EQUITY				
Issued equity capital	**11**	**1,896,104**	1,896,104	1,544,246
Share premium		**7,415,515**	7,415,515	7,123,837
Other reserves		**20,000**	20,000	20,000
Retained earnings		**655,144**	504,698	1,204,919
		9,986,763	9,836,317	9,893,002
LIABILITIES				
Non-current liabilities				
Deferred consideration		**110,000**	110,000	350,000
Long term borrowings	**10**	**52,142**	103,869	306,379
Deferred tax liabilities		**43,116**	43,116	63,301
		205,258	256,985	719,680
Current liabilities				
Bank overdraft	**8**	**222,113**	172,542	445,710
Trade and other payables		**1,446,470**	1,360,228	1,387,269
Deferred consideration		**463,698**	467,990	350,000
Derivative financial instruments	**9**	**71,265**	103,816	87,000
Short-term borrowings	**10**	**246,754**	398,592	314,410
Current tax liabilities		**75,923**	76,540	314,918
		2,526,223	2,579,708	2,899,307
Total liabilities		**2,731,481**	2,836,693	3,618,987
Total equity and liabilities		**12,718,244**	12,673,010	13,511,989

FRESHWATER UK PLC
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011

	Note	Ordinary shares £	Share premium £	Share option £	Other reserves £	Retained earnings £
31 August 2009		**1,544,246**	**7,123,837**	**20,000**	**-**	**1,259,505**
Profit and Total Comprehensive Income for the period		**-**	**-**	**-**	**-**	**22,627**
Dividends	**12**	-	-	-	-	(77,212)
Transactions with owners		**-**	**-**	**-**	**-**	**(77,212)**
28 February 2010		**1,544,246**	**7,123,837**	**20,000**	**-**	**1,204,920**
Loss and Total Comprehensive Income for the period		**-**	**-**	**-**	**-**	**(700,222)**
Issue of ordinary shares	**11**	351,858	291,678	-	-	-
Dividends	**12**	-	-	-	-	-
Transactions with owners		**351,858**	**291,678**	**-**	**-**	**-**
31 August 2010		**1,896,104**	**7,415,515**	**20,000**	**-**	**504,698**
Profit and Total Comprehensive Income for the period		**-**	**-**	**-**	**-**	**150,446**
Transactions with owners		**-**	**-**	**-**	**-**	**-**
28 February 2011		**1,896,104**	**7,415,515**	**20,000**	**-**	**655,144**

FRESHWATER UK PLC
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011

	Note	**6 months to 28 Feb 2011 £**	6 months to 28 Feb 2010 £	Year ended 31 Aug 2010 £
Operating profit / (loss)		**245,257**	85,083	(589,597)
Depreciation of property, plant and equipment		**99,836**	119,927	230,129
Amortisation of other intangible assets	**6**	**4,102**	2,891	4,504
Impairment of goodwill		**-**	-	758,595
Unrealised (gain) / loss on derivative financial instrument	**9**	**(32,551)**	-	16,816
Change in trade and other receivables		**(122,238)**	37,067	395,730
Change in trade and other payables		**86,242**	(147,765)	(176,617)
		280,648	97,203	639,560
Interest paid		**(36,305)**	(53,285)	(78,597)
Income taxes paid		**(59,123)**	(142,302)	(418,102)
Net cash flow from operating activities		**185,220**	(98,384)	142,861
Net cash flow arising from acquisitions		**(4,292)**	(25,590)	(415,648)
Purchase of property, plant and equipment		**(26,934)**	(9,595)	(21,915)
Net cash flow from investing activities		**(31,226)**	(35,185)	(437,563)
Proceeds from the issue of share capital		-	-	548,536
Repayment of borrowings	**10**	**(203,565)**	(231,508)	(345,743)
Dividends paid	**12**	**-**	(77,212)	(77,212)
Net cash flow from financing activities		**(203,565)**	(308,720)	125,581
Decrease in cash and cash equivalents	**8**	**(49,571)**	(442,289)	(169,121)
Cash and cash equivalents at the start of the period	**8**	**(172,542)**	(3,421)	(3,421)
Cash and cash equivalent at the end of the period	**8**	**(222,113)**	(445,710)	(172,542)

FRESHWATER UK PLC
NOTES TO THE INTERIM REPORT
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011

1. INTERIM REPORT FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011

Freshwater Group ('the Group') comprises Freshwater UK Plc (the 'Company') and its subsidiary undertakings. The Company is a limited liability company incorporated and domiciled in the United Kingdom. The Company's registered number is 4059741 (England and Wales) and its registered office is Raglan House, Malthouse Avenue, Cardiff Gate Business Park, Cardiff, CF23 8BA.

This document constitutes the Group's interim report for the six months ended 28 February 2011 (the 'Group's interim report'). It has been produced in accordance with IAS 34 – Interim Financial Reporting. The financial information for the six months ended 28 February 2011 and the comparative figures for the six months ended 28 February 2010 are neither audited nor reviewed by the Company's auditors. The interim report notes focus on explanation of the events and changes that are significant to an understanding of the changes in financial position and performance of the Group since the year ended 31 August 2010 financial statements. The comparative figures for the year ended 31 August 2010 are not statutory accounts within the meaning of Section 434 of the Companies Act 2006 but are abridged from such accounts. The statutory accounts for the twelve months ended 31 August 2010 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors on these accounts was unqualified and did not contain any statement under Sections 498 (3) of the Companies Act 2006.

The Group's interim report contains forward-looking statements. By their nature forward-looking statements involve risks and uncertainties and actual results may differ from those expressed or implied in such statements. The Group undertakes no obligation to update any forward-looking statements as a result of new information, future events or otherwise.

The Group's interim report will be sent to the Company's shareholders. The report will also be available from the Company's registered office and on the Company's website: www.freshwater-uk.com.

2. ACCOUNTING POLICIES

The accounting policies used are consistent with those set out in pages 25-29 of the Group's Annual Report 2010.

a) Adoption of Standards effective

The following standards and amendments were effective for the current period, but the adoption of these did not have a material effect in these interim consolidated financial statements:

- IFRS Annual Improvements 2009 – most amendments are effective for annual periods beginning on or after 1 January 2010

b) Standards, Amendments and Interpretations effective but not relevant

The following standards, amendments and interpretations are mandatory for the Group for the current accounting period, but are not relevant to the operations of the Group:

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – new interpretation effective for annual periods beginning on or after 1 July 2010

2. ACCOUNTING POLICIES (CONTINUED)

c) Standards, Amendments and Interpretations issued but not yet effective

The following standards, amendments and interpretations have been issued but are not yet effective. Application of these standards, amendments and interpretations is not currently expected to have a material impact on the financial statements in the future. However, the Directors have not completed their evaluation of the impact of adoption on the disclosures in the financial statements.

- IFRS 9 Financial Instruments – effective for annual periods beginning on or after 1 January 2013
- IFRS Annual Improvements 2010 – amendments that are effective for annual periods beginning on or after 1 January 2011
- IAS 24 Related Party Disclosures - effective for annual periods beginning on or after 1 January 2011
- IFRS 7 Financial Instruments: Disclosures – "Transfers of Financial Assets" - effective for annual periods beginning on or after 1 July 2011
- IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, "Prepayments of a Minimum Funding Requirement" - effective for annual periods beginning on or after 1 January 2011

3. CHANGES TO FRESHWATER GROUP

Since the Group's last financial year end of 31 August 2010, the Group has sought to further its restructuring plan, moving trades for nil value and certain assets at book value to reduce its administrative costs by centralising its operations in a smaller number of companies. Information on these business combinations are contained in notes 7 and 14.

4. PROFIT / (LOSS) BEFORE INCOME TAX

Profit / loss before income tax is stated after charging the following:

	6 months to 28 Feb 2011 £	6 months to 28 Feb 2010 £	Year ended 31 Aug 2010 £
Depreciation of property, plant and equipment	**99,836**	119,927	230,129
Amortisation of other intangible assets	**4,102**	2,891	4,504
Amounts payable under operating leases	**193,391**	206,664	429,716
Unrealised (gain) / loss on derivative contract	**(32,551)**	-	16,816
Employee costs	**1,414,541**	1,711,446	3,258,560
Goodwill impairment	**-**	-	758,595
Acquisition costs	**-**	-	19,947

Amounts payable under operating leases primarily relate to leases entered in order to occupy office premises. No new operating leases have been entered into since 31 August 2010.

5. TAXATION

The income tax expense for the period ended 28 February 2011 is an estimate based on the Directors' estimate of the effective rate of income tax that will apply to the Group's profit for the year ending 31 August 2011.

	6 months to 28 Feb 2011 £	Year ended 31 Aug 2010 £	Year ended 31 Aug 2009 £
Profit / (loss) before income tax	208,952	(668,194)	240,012
Income tax expense	(58,506)	(9,401)	(34,413)
Effective tax rate	28%	(1.41%)	14.33%

Effective tax rates of 14.33% and (1.41%) for the year ended 31 August 2010 and the year ended 31 August 2009 reflect an adjustment for impairment of goodwill and adjustments relating to prior year profits.

6. INTANGIBLE FIXED ASSETS

	Goodwill £	**Other £**	**Total £**
Cost			
31 August 2010 and 28 February 2011	**10,775,615**	**81,712**	**10,857,327**
Amortisation and impairment			
31 August 2010	**788,684**	**68,465**	**857,149**
Amortisation	-	4,102	4,102
28 February 2011	**788,684**	**72,567**	**861,251**
Carrying value at 28 February 2011	**9,986,931**	**9,145**	**9,996,076**
Carrying value at 31 August 2010	9,986,931	13,247	10,000,178

7. BUSINESS COMBINATIONS

Information on the business combination during period 31 August 2010 - 28 February 2011 is provided below. Information on further business combinations subsequent to the statement of financial position date that involve businesses under common control are contained in note 14.

Freshwater (UK Regions) Limited - Midlands

On 1 September 2010, as part of a Group restructuring plan, Freshwater (UK Regions) Limited transferred its Midlands trade including its associated assets and liabilities to Freshwater Consumer Limited, a fellow wholly-owned subsidiary of the Company. The transferred trade continues as a going concern within Freshwater Consumer Limited. The transfer was done to help the Group reduce its administrative costs by centralising its operations in a smaller number of companies. The transfer constituted a business combination involving a business under common control. IFRS 3 does not provide specific guidance on how such combinations should be accounted for. In the absence of such guidance assets were transferred at book value and trades for nil value.

8. CASH AND CASH EQUIVALENTS

	28 Feb 2011	31 Aug 2010
	£	£
Current account balances	**(222,113)**	(172,542)

The Group's statutory accounts for the year ended 31 August 2010, which were signed on 16 December 2010, reported that since November 2010 a Group overdraft facility was put in place which allowed the aggregate of the balances on Group members' primary current accounts to go overdrawn by up to £550,000 until 28 February 2011. The Group's bankers would then review the ongoing needs of the Group in line with current trading, cash flows and future expectations. As part of the review, a risk fee of £3,000 per month would be deemed payable in month's in which the Group did not meet its agreed EBITDA target.

Post balance sheet event

Group overdraft facility review and changes

In March 2011, the Group overdraft facility in place from November 2010 was reviewed as planned. As trading was in line with expectations, a new facility was put in place divided into two slices. A 'bottom slice' net limit of £400,000 would continue to allow the aggregate of the balances on Group members' primary current accounts to go overdrawn by £400,000, but still subject to the aggregate of individual overdrawn balances not exceeding a £2.3 million gross limit. Interest is payable at 4% over the base rate to the extent that the aggregate of the balances on Group members' primary current accounts total an amount up to the £400,000 net limit. A 'top slice' £100,000 facility would be allowed increasing the total net limit to £500,000, to cover temporary timing differences in receipting monies from trade debtors. Interest is payable at 5.5% over the base rate to the extent that the aggregate of the balances on Group members' primary current accounts total an amount between £400,000 and £500,000 net limits. Interest is payable at 8% over the base rate to the extent that the aggregate of the balances on Group members' primary current accounts exceed a net limit of £500,000. A risk fee of £3,000 per month would continue to be payable in each month the Group does not meet its agreed EBITDA target. The facility will be due for further review on 15 September 2011, with the benefit of the Group's trading performance and cash flows for the full year ended 31 August 2011.

In March 2011, the Group's trading performance was also reviewed against EBITDA targets for the first five month's trading performance of the year ended 31 August 2011. It was agreed risk fees of £6,000 would be payable, equating to two month's where the Group did not meet its cumulative rolling EBITDA target as per expectations.

9. DERIVATIVE FINANCIAL INSTRUMENT

Since the Group's year end at 31 August 2010, the fair value of the Group's only derivative financial instrument has changed giving rise to a gain as recognised in the consolidated statement of comprehensive income.

	6 months to 28 Feb 2011	6 months to 28 Feb 2010	Year ended 31 Aug 2010
	£	£	£
Base rate swap (gain) / loss	**(32,551)**	-	16,816

Upon recognition of the derivative gain in the statement of comprehensive income (see note 4), the corresponding financial liability has reduced to £71,265 (year ended 31 August 2010: £103,816, period ended 28 February 2010: £87,000) as recognised in the consolidated statement of financial position. All other information relating to the derivative financial instrument provided in the Group's year ended 31 August 2010 financial statements remains unchanged.

10. BORROWINGS

28 February 2011	Current	> 1 but < 2 yrs	> 2 but < 5 yrs	> 5 yrs	Non current	Total
	£	£	£	£	£	£
Fixed rate						
£76,744 finance lease	23,309	-	-	-	-	23,309
£95,000 finance lease	37,104	-	-	-	-	37,104
	60,413	**-**	**-**	**-**	**-**	**60,413**
Floating rate						
£1.2 million term loan	152,123	-	-	-	-	152,123
£180,000 term loan	34,218	39,360	12,782	-	52,142	86,360
	186,341	**39,360**	**12,782**	**-**	**52,142**	**238,483**
	246,754	**39,360**	**12,782**	**-**	**52,142**	**298,896**

31 August 2010	Current	> 1 but < 2 yrs	> 2 but < 5 yrs	> 5 yrs	Non Non current	Total
	£	£	£	£	£	£
Fixed rate						
£76,744 finance lease	22,395	11,858	-	-	11,858	34,253
£95,000 finance lease	38,000	21,597	-	-	21,597	59,597
	60,395	**33,455**	**-**	**-**	**33,455**	**93,850**
Floating rate						
£1.2 million term loan	304,248	-	-	-	-	304.248
£180,000 term loan	33,949	37,467	32,947	-	70,414	104,363
	338,197	**37,467**	**32,947**	**-**	**70,414**	**408,611**
	398,592	**70,922**	**32,947**	**-**	**103,869**	**502,461**

The Group continues to make repayments on its borrowings. The changes in carrying values are therefore representative of repayments since the year ended 31 August 2010.

11. SHARE CAPITAL

	Authorised 10p Ordinary shares	Allotted, called up and fully paid 10p Ordinary shares
31 August 2009	**20,000,000**	**15,442,458**
Authorised / issued	-	-
28 February 2010	**20,000,000**	**15,442,458**
Authorised / issued	-	3,518,581
31 August 2010	**20,000,000**	**18,961,039**
Authorised / issued	-	-
28 February 2011	**20,000,000**	**18,961,039**

12. DIVIDENDS

Paid during the six months ended 28 February 2010:
Final 2008/09 ordinary dividend at 0.5p per qualifying share - £77,212

No further ordinary dividends have been paid since the year ended 31 August 2010.

13. EARNINGS PER SHARE

Basic earnings per share

	6 months to 28 Feb 2011 £ / no.	6 months to 28 Feb 2010 £ / no.	Year ended 31 Aug 2010 £ / no.
Profit attributable to ordinary shareholders	**150,446**	22,627	(677,595)
Weighted average number of ordinary shares	**18,961,039**	15,442,458	16,639,248
Basic earnings per share	**0.79p**	0.15p	(4.07)p

Diluted earnings per share

	6 months to 28 Feb 2011	6 months to 28 Feb 2010 £ / no.	Year ended 31 Aug 2010 £ / no.
Profit attributable to ordinary shareholders	**150,446**	22,627	-
Weighted average number of ordinary shares	**18,961,039**	15,442,458	-
Share options	**-**	-	-
Business combin. – Contingent consideration	**264,583**	-	-
Weighted average number of shares	**19,225,622**	15,442,458	
Diluted earnings per share	**0.60p**	0.15p	-

Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding after adjusting these amounts for the effects of dilutive potential ordinary shares. Contingent share consideration is taken into account from the earlier of the beginning of the period and the date of the related business combination to the extent that the relevant conditions have been met by the balance sheet date and the consideration is dilutive. In calculating diluted earnings per share for the year ended 31 August 2008, the share option contracts entered into by the Company in February 2005, January 2006, July 2006, July 2007, June 2008 and July 2010 were considered antidilutive due to the exercise price being greater than the Company's average market price during the period. No new share option contracts were entered during the period ended 28 February 2011.

14. EVENTS AFTER THE BALANCE SHEET DATE

Bank overdraft facility review and changes

In March 2011, the Group's bankers conducted a review of the ongoing overdraft needs of the Group in conjunction with current trading, cash flows and future expectations. See note 8 for details on the outcome of the review, including an outline of the changes to the overdraft structure and applicable interest rates.

Business combinations

Freshwater Healthcare Limited and Freshwater Scotland Limited

On 1 March 2011, Freshwater Healthcare Limited and Freshwater Scotland Limited transferred their trades and certain assets to Freshwater (UK Regions) Limited, a fellow wholly-owned subsidiary of the Company. The transferred trades continue as going concerns within Freshwater (UK Regions) Limited. The transfers were done to help the Group reduce its administrative costs by centralising its operations into a smaller number of companies. Each constituted a business combination involving businesses under common control. IFRS 3 does not provide specific guidance on how such combinations should be accounted for. In the absence of such guidance, assets were transferred at book value and trades for nil value. In recognition of the Freshwater Healthcare Limited transfer, the carrying value of the Company's investment was reduced by £1,055,382 (being the carrying value of goodwill in the Group's consolidated statement of financial position in relation to Freshwater Healthcare Limited) and goodwill in the Company's statement of financial position increased by a corresponding amount.