ACAL Management Services Limited

Report and Financial Statements

31 March 2012

Directors
N J Jefferies
S M Gibbins

Secretary
G P Shillinglaw

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers
Barclays Bank Plc
1 Queensmere
Slough
Berkshire SL1 1DT

Registered Office
2 Chancellor Court
Occam Road
Surrey Research Park
Guildford
Surrey GU2 7AH

Directors' report

The Directors present their report and financial statements for the year ended 31 March 2012

Results and review of the business

The loss after taxation for the year amounted to £4,071,786 (2011 – loss of £3,933,852) No dividend was paid during the year (2011 – £nil). The Directors do not propose a final dividend (2011 – £nil)

Principal activity and review of the business

The company provides a range of services and marketing advice to fellow group undertakings within the Acal plc group and this is expected to continue for the foreseeable future The results and key performance indicators are summarised below

	2012	*2011*
	£	*£*
Turnover	10,440,455	6,769,453
Loss before tax	(3,423,814)	(4,945,081)
Tax	(647,972)	1,011,229
Loss after tax	(4,071,786)	(3,933,852)

Principal risks and uncertainties

The company's principal risk is the carrying value of its major fixed asset, the ERP computer system, which is a group asset and used by a number of group companies As such it is reliant on these other group companies' performance The company does not have any financial instruments apart from cash, debtors and creditors Liquidity and cash flow risk are addressed by means of available group support and bank facilities, in addition to budgeting and monitoring activity Credit and price risk are not held to be significant for the company

Future developments

The directors do not foresee any changes to the future activities of the company

Going concern

The company's business activities together with the factors likely to affect future developments, performance and position are set out above

The company is in a net liability position, and is supported by Acal plc, its parent company The Acal plc group has considerable financial resources, well established distribution contracts with a number of suppliers and a broad and stable customer base As a consequence, the directors believe that the group is well positioned to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Directors' report

Directors

The Directors who served during the year were as follows

N J Jefferies

S M Gibbins

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

In accordance with section 485 of Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company

By order of the Board

G P Shillinglaw

Secretary

08 NOV 2012

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of ACAL Management Services Limited

We have audited the financial statements of ACAL Management Services Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 16 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

to the members of ACAL Management Services Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Andy Glover (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

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Profit and loss account

for the year ended 31 March 2012

	Notes	*2012* £	*2011* £
Turnover	2	10,440,455	6,769,453
Administrative expenses		(13,428,037)	(11,416,811)
Operating loss	3	(2,987,582)	(4,647,358)
Interest receivable and similar income	6	161,730	11,430
Interest payable and similar charges	7	(597,962)	(309,153)
Loss on ordinary activities before taxation		(3,423,814)	(4,945,081)
Tax on loss on ordinary activities	8	(647,972)	1,011,229
Loss for the financial year	13	(4,071,786)	(3,933,852)

All results for the year and prior year are attributable to continuing operations

Statement of total recognised gains and losses

for the year ended 31 March 2012

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £4,071,786 in the year ended 31 March 2012 (2011 – loss of £3,933,852)

Balance sheet

at 31 March 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	9	950,126	1,552,200
Current assets			
Debtors	10	4,073,291	8,931,767
Cash at bank and in hand		3,661,884	3,950,571
		7,735,175	12,882,338
Creditors amounts falling due within one year	11	(22,473,614)	(24,151,065)
Net current liabilities		(14,738,439)	(11,268,727)
Total assets less current liabilities		(13,788,313)	(9,716,527)
Capital and reserves			
Called up share capital	12	2	2
Share scheme reserve	13	217,835	217,835
Profit and loss account	13	(14,006,150)	(9,934,364)
Shareholders' funds	13	(13,788,313)	(9,716,527)

The financial statements were authorised for issue by the board and signed on its behalf by

S M Gibbins
Director

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Notes to the financial statements

at 31 March 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards The particular accounting policies adopted are described below and have been applied consistently throughout the current and prior year

Going concern

The company is in a net liability position, and is supported by Acal plc, its parent company The Acal plc group has considerable financial resources, well established distribution contracts with a number of suppliers and a broad and stable customer base As a consequence, the directors believe that the group is well positioned to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Statement of cash flows

The company is exempt from the requirements of FRS 1 to present a statement of cash flows as the parent's group financial statements that include the results of the company are publicly available

Tangible fixed assets

All tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses Such costs include costs directly attributable to making the asset capable of operating as intended

Depreciation is provided on all tangible fixed assets from their time of first use, at rates calculated to write off the cost less estimated residual value of each asset, evenly over its expected useful life, as follows

Computer software and equipment	–	10-33% per annum
Motor vehicles	–	25% per annum
Leasehold land improvements	–	straight line over remaining lease period

The carrying values of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Turnover

Turnover represents the invoiced value of services provided, excluding VAT

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the financial statements

at 31 March 2012

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included un the profit and loss account

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the lease period Rentals payable under operating leases are charged to the profit and loss accounts as incurred

Pensions

The company makes payments to the Acal Group's defined contribution pension scheme, the assets of which are held separately in independently administered funds The amount charged to the profit and loss account represents employer contributions payable in respect of the accounting year

2. Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of services companies within the Acal Plc group during the year Turnover is attributed to the principal continuing activity described in the Directors' report

An analysis of turnover by geographical market is given below

	2012	*2011*
	£	£
Western Europe (excluding United Kingdom)	3,397,000	3,765,453
United Kingdom	7,043,455	3,004,000
	10,440,455	6,769,453

Notes to the financial statements

at 31 March 2012

3. Operating loss

This is stated after charging/(crediting)

	2012	*2011*
	£	*£*
Depreciation of tangible fixed assets (note 9)	501,314	460,422
Impairment of tangible fixed assets (note 9)	540,515	–
Foreign exchange losses/(gains)	197,242	(310,724)
Operating lease rentals – land and buildings	121,662	202,192

Auditors' remuneration was borne by a fellow group company in both years

4. Directors' remuneration

	2012	*2011*
	£	*£*
Aggregate emoluments in respect of qualifying services	565,323	851,256
Aggregate contribution to money purchase pension schemes	33,825	28,487
	599,148	879,743
	No	*No*
Retirement benefits accruing to the following number of directors under a defined contribution pension scheme	2	2

The remuneration of the highest paid director who held office at 31 March 2012 (excluding pension contributions and notional gains on share options) was £336,906 (2011 – £570,501) Pension contributions to the defined contribution scheme of £20,825 (2011 – £19,600) were made by the company on behalf of the highest paid director who held office at 31 March 2012

The directors also provide services to other group undertakings It is not possible to identify the proportion of this remuneration that relates to services to the other group undertakings

Notes to the financial statements

at 31 March 2012

5. Staff costs

	2012	2011
	£	£
Employment costs for all employees (including directors) were		
Salaries, bonuses and other payments	2,288,161	1,858,812
Social security costs	293,098	222,443
Pension contributions	141,953	108,987
	2,723,212	2,190,242

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

	No	No
Administrative staff	23	18

6. Interest receivable and similar income

	2012	2011
	£	£
Interest on short term deposits	2,530	11,430
Interest on loans to other group undertakings	159,200	–
	161,730	11,430

7. Interest payable and similar charges

	2012	2011
	£	£
Interest on bank loans and overdrafts	53,556	24,376
Interest on loans from other group undertakings	544,406	284,777
	597,962	309,153

Notes to the financial statements

at 31 March 2012

8. Tax

(a) Tax on loss on ordinary activities

The tax (charge)/credit is made up as follows

	2012 £	2011 £
Current taxation		
UK corporation tax on the loss for the year	666,365	767,173
Adjustments in respect of previous periods	(1,502,677)	(54,851)
Total current tax (note 8(b))	(836,312)	712,322
Deferred taxation		
Timing differences, origination and reversal	179,214	204,992
Adjustments to deferred tax assets arising in previous periods	9,126	93,915
Total deferred tax	188,340	298,907
Tax on loss on ordinary activities	(647,972)	1,011,229

(b) Factors affecting tax loss for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26 % (2011 – 28%) The differences are explained below

	2012 £	2011 £
Loss on ordinary activities before tax	(3,423,814)	(4,945,081)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 % (2011 – 28%)	890,191	1,384,623
Effects of		
Capital allowances in arrears of depreciation	(200,426)	(128,918)
Movement in respect of short term timing differences	–	(78,567)
Adjustments in respect of prior years	(1,502,677)	(54,851)
Expenses not deductible for tax purposes	(23,400)	(113,095)
Losses carried forward	–	(296,870)
Current tax for the year (note 8(a))	(836,312)	712,322

Notes to the financial statements

at 31 March 2012

(c) Deferred tax

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is recognised at 24% (2011 – 26%) in the financial statements as follows

	2012	*2011*
	£	£
Deferred tax		
Decelerated capital allowances	(76,271)	111,521
Other timing differences	(139,571)	(139,023)
Deferred tax asset	(215,842)	(27,502)
At 1 March	(27,502)	271,405
Credited to the profit and loss account (note 8(a))	(188,340)	(298,907)
At 1 April	(215,842)	(27,502)

(d) Factors affecting future tax charges

The Finance Act 2011 included legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012

On 21 March 2012, the Chancellor announced that the main rate of corporation tax will in fact reduce from 26% to 24% from 1 April 2012 As this change was substantially enacted before the balance sheet date, deferred tax has been recognised at 24% Further reductions to 23% (effective 1 April 2013) and 22% (effective 1 April 2014) have been announced by the Chancellor and are expected to be enacted in the Finance Act 2012 and the Finance Act 2013 respectively

The overall effect of the further changes from 24% to 22%, if these applied to the deferred tax at 31 March 2012, would be to reduce the deferred tax asset by £15,150

Notes to the financial statements

at 31 March 2012

9. Tangible fixed assets

	Leasehold improvements	*Motor vehicles*	*Computer software and equipment*	*Total*
Cost				
At 1 April 2011	–	59,316	6,688,800	6,748,116
Additions	222,048	–	217,707	439,755
At 31 March 2012	222,048	59,316	6,906,507	7,187,871
Depreciation				
At 1 April 2011	–	43,235	5,152,681	5,195,916
Impairment	–	–	540,515	540,515
Charge for the year	13,702	10,157	477,455	501,314
At 31 March 2012	13,702	53,392	6,170,651	6,237,745
Net book value				
At 31 March 2012	208,346	5,924	735,856	950,126
At 1 April 2011	–	16,081	1,536,119	1,552,200

10. Debtors

	2012 £	*2011* £
Amounts due from group undertakings	2,476,857	6,902,143
Other debtors	426,201	2,719
Corporation tax	666,365	1,843,908
Prepayments	288,026	155,495
Deferred tax (note 8(c))	215,842	27,502
	4,073,291	8,931,767

Notes to the financial statements

at 31 March 2012

11. Creditors: amounts falling due within one year

	2012 £	*2011* £
Bank overdrafts	4,607,428	5,399,759
Amounts due to group undertakings	16,146,831	16,033,029
Trade creditors	498,571	526,175
Other taxation and social security	109,501	99,196
Other creditors	13,412	236,310
Accruals and deferred income	1,097,871	1,856,596
	22,473,614	24,151,065

12. Issued share capital

		2012		*2011*
Allotted, called up and fully paid	*No*	*£*	*No*	*£*
Ordinary shares of £1 each	2	2	2	2

13. Reconciliation of shareholders' funds and movements on reserves

	Share capital £	*Share scheme reserve* £	*Profit and loss account* £	*Total share-holders' funds* £
At 1 April 2010	2	217,835	(6,000,512)	(5,782,675)
Loss for the year	–	–	(3,933,852)	(3,933,852)
At 1 April 2011	2	217,835	(9,934,364)	(9,716,527)
Loss for the year	–	–	(4,071,786)	(4,071,786)
At 31 March 2012	2	217,835	(14,006,150)	(13,788,313)

14. Other financial commitments

At 31 March 2012, the company had annual commitments under non cancellable operating leases as set out below

	Land and buildings 2012 £	*Land and buildings 2011* £
Due after more than five years	135,180	135,180

Notes to the financial statements

at 31 March 2012

15. Related party transactions

The company has taken advantage of the exemption available under FRS 8 from disclosing related party transactions with entities that are part of the group

16. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party is Acal plc, a company incorporated in England and Wales

The smallest and largest group for which group financial statements are prepared which include the company is that headed by Acal plc Copies of the group financial statements of Acal plc can be obtained from 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey GU2 7AH