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**LANNER GROUP LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2011**

AMENDED



  
**Clement Keys**  
CHARTERED ACCOUNTANTS

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**LANNER GROUP LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

A R Aitken  
J C Barnes  
K C Briddon  
D E Jones  
J V Arrowsmith

**COMPANY SECRETARY**

J C Barnes

**COMPANY NUMBER**

03134383

**REGISTERED OFFICE**

Forward House  
17 High Steet  
Henley-in-Arden  
Warwickshire  
B95 5AA

**AUDITORS**

Clement Keys  
Chartered Accountants & Statutory Auditors  
39/40 Calthorpe Road  
Edgbaston  
Birmingham  
B15 1TS

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**LANNER GROUP LIMITED**

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## LANNER GROUP LIMITED

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### DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2011

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The directors present their report and the financial statements for the year ended 31 December 2011

#### PRINCIPAL ACTIVITIES

Lanner is an international company with headquarters in the UK part funded by our single investor, NVM Private Equity Limited. Lanner's simulation software has delivered excellent value for commercial businesses and government organisations since 1979, helping them with significant process improvement and evidenced ROI. Any business can use Lanner's proven simulation software and services to maximise their performance and optimise their use of resources. Lanner's customers include some of the largest and most successful organisations in the world and its technology is embedded within leading software vendors' products.

Further information about Lanner can be found at <http://www.lanner.com>

#### BUSINESS REVIEW

Lanner delivered an 8% increase in revenue to £3.7m and an operating profit of £400k, which represents another year of positive development and investment amid continuing difficult global economic conditions. Although 2011 was a further year of revenue growth, the operating profit fails to recognise the hard work of the Lanner team in continuing to build the fundamentals for future growth. A further investment has been made in one new senior employee to help to increase the speed of execution of our strategy to increase revenues from Embedded Sales Channels and to develop and market niche sector applications.

WITNESS® continues to provide a solid recurring revenue base through new business sales, annual support fees and training.

Our award winning simulation engine L-SIM® is successfully embedded in leading enterprise software suites including SAP AG and IBM. Revenues grew by 25% during 2011 and continue to show an encouraging high margin revenue stream with good potential for future growth.

Simulation continues to become a must have technology in the search for improvement for many businesses as is evidenced by simulation continuing to be ranked as one of the top ten most important strategic technologies for 2012 by leading analyst house Gartner. Businesses are now recognising the benefits and savings that simulation can bring while the reduction in risk and leaner, more efficient operations that simulation enables will continue to open up opportunities for Lanner.

Our strategy is to continue to build value around WITNESS® as the world's leading simulation suite, developing strong and long term relationships with our major corporate and multinational customers while driving awareness of the benefits of the usage of simulation to a wider audience and bigger potential market. The broadening of our market is being supported by further extensions of our technology through embedding components with our major partners' products and services and developing packaged niche applications to capture our vast WITNESS simulation experience in solving or supporting specific business problems or decisions. Our technology has now been developed to enable wider deployment to customers, including in the Cloud.

Our major shareholder and provider of venture capital finance, NVM Private Equity Limited (NVM), is one of the UK's leading independent private equity businesses. NVM continue to support us to exploit future growth in our simulation markets and technologies. We thank NVM for their continued support during the year.

The profitable 2011 trading performance has resulted in total assets less current liabilities growing from £116k to £210k with cash balances also growing from £79k to £227k. Following the investment made by NVM in March 2010, the balance sheet is now robust and does not include any bank borrowings. Amounts owed to NVM consist of a £2.4m loan repayable in 2015 and 2016 and £0.6m of non-equity shares with no fixed repayment date.

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## **LANNER GROUP LIMITED**

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### **DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2011**

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The successful transition of the company over the last six years coupled with the potential for future growth has been recognised by NVM, which is great testament to our vision for Lanner as we pursue growth and development within a variety of markets

The principal risks and uncertainties facing the business arise primarily from exposure to adverse global economic or foreign exchange rate movements and the retention of key personnel

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business

#### **GOING CONCERN**

The financial statements have been prepared on a going concern basis which the directors consider appropriate. More details are given on the basis of preparation within note 1

#### **EMPLOYEES**

It is Company policy to give full and fair consideration to applications for employment made by disabled persons, having regard to the particular abilities and aptitudes of each applicant and to the requirements of vacancies available. Employees who become disabled in service are retained where possible either in their own or more suitable posts

The directors recognise the benefits which accrue from keeping employees informed on the progress of the Group and its performance

#### **DIRECTORS**

The directors who served during the year were

A R Aitken  
J C Barnes  
K C Briddon  
D E Jones  
J V Arrowsmith

#### **QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

The company has insurance provisions in place to provide indemnity cover for directors and officers of the company

#### **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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

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## LANNER GROUP LIMITED

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### DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2011

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- select suitable accounting policies and then apply them consistently,
- make judgments 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information

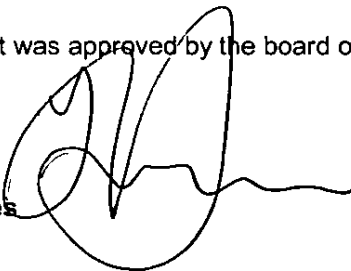
#### AUDITORS

The auditors, Clement Keys, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 4 May 2012 and signed on its behalf

**J C Barnes**  
Director



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## **LANNER GROUP LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LANNER GROUP LIMITED**

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We have audited the financial statements of Lanner Group Limited for the year ended 31 December 2011, set out on pages 6 to 23. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 Auditors' 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, 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 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 group's and the parent 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.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standards - Provisions Available for Small Entities, in the following circumstances:

- In common with many other businesses of this size and nature, the group uses our firm to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.
- In common with many other businesses of this size and nature, the group uses our firm to provide tax advice and to represent it, as necessary, at tax tribunals.

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, 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.

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LANNER GROUP LIMITED

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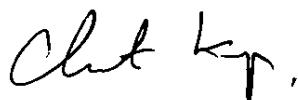
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LANNER GROUP LIMITED

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**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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' report



Joseph Bates FCA (Senior statutory auditor)  
for and on behalf of

**Clement Keys**  
Chartered Accountants  
Statutory Auditors  
39/40 Calthorpe Road  
Edgbaston  
Birmingham  
B15 1TS

4 May 2012



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LANNER GROUP LIMITED

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CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 31 DECEMBER 2011

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	Note	2011 £000	2010 £000
<b>TURNOVER</b>	1,2	3,703	3,421
Cost of sales		<u>(2,855)</u>	<u>(2,527)</u>
<b>GROSS PROFIT</b>		848	894
Administrative expenses		(460)	(667)
Other operating income	3	<u>12</u>	<u>43</u>
<b>OPERATING PROFIT</b>	4	400	270
<b>EXCEPTIONAL ITEMS</b>			
Other exceptional items	5	<u>(50)</u>	<u>(793)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		350	(523)
Interest payable and similar charges	9	<u>(291)</u>	<u>(253)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		59	(776)
Tax on profit/(loss) on ordinary activities	10	<u>(12)</u>	<u>(19)</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<u><u>47</u></u>	<u><u>(795)</u></u>

The notes on pages 10 to 23 form part of these financial statements

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**LANNER GROUP LIMITED**

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE PERIOD ENDED 31 DECEMBER 2011**

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	Note	2011 £000	2010 £000
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<b>47</b>	<b>(795)</b>
Other movements in profit and loss reserve	18	-	(2)
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>		<b>47</b>	<b>(797)</b>

The notes on pages 10 to 23 form part of these financial statements

**LANNER GROUP LIMITED**  
**REGISTERED NUMBER: 03134383**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2011**

	Note	£000	2011 £000	2010 £000
<b>FIXED ASSETS</b>				
Tangible assets	12		40	49
<b>CURRENT ASSETS</b>				
Debtors	14	943		845
Cash at bank and in hand		227		206
		<u>1,170</u>		<u>1,051</u>
<b>CREDITORS</b> amounts falling due within one year	15	(1,000)		(984)
<b>NET CURRENT ASSETS</b>			<u>170</u>	<u>67</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>210</u>	<u>116</u>
<b>CREDITORS</b> amounts falling due after more than one year	16		5,785	5,738
<b>CAPITAL AND RESERVES</b>				
Called up share capital	17	50		50
Share premium account	18	574		574
Profit and loss account	18	(6,199)		(6,246)
			<u>(5,575)</u>	<u>(5,622)</u>
			<u>210</u>	<u>116</u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 May 2012

  
**J C Barnes**  
 Director

The notes on pages 10 to 23 form part of these financial statements

**LANNER GROUP LIMITED**  
**REGISTERED NUMBER: 03134383**

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2011**

	Note	£000	2011 £000	£000	2010 £000
<b>FIXED ASSETS</b>					
Tangible assets	12		36		47
Investments	13		518		627
			<u>554</u>		<u>674</u>
<b>CURRENT ASSETS</b>					
Debtors	14	622		594	
Cash at bank and in hand		159		196	
		<u>781</u>		<u>790</u>	
<b>CREDITORS:</b> amounts falling due within one year	15	(608)		(683)	
<b>NET CURRENT ASSETS</b>			<u>173</u>		<u>107</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>727</u>		<u>781</u>
<b>CREDITORS:</b> amounts falling due after more than one year					
	16		5,909		5,822
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17	50		50	
Share premium account	18	574		574	
Profit and loss account	18	(5,806)		(5,665)	
			<u>(5,182)</u>		<u>(5,041)</u>
			<u>727</u>		<u>781</u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 May 2012

  
**J C Barnes**  
 Director

The notes on pages 10 to 23 form part of these financial statements

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## LANNER GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

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#### 1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements

##### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

##### 1.2 Going concern

The financial statements have been prepared on a going concern basis, which the directors consider to be appropriate on the basis of support from their institutional investors

##### 1.3 Cash flow

The financial statements do not include a consolidated cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective April 2008)

##### 1.4 Basis of consolidation

The financial statements consolidate the accounts of Lanner Group Limited and all of its subsidiary undertakings ('subsidiaries')

The company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own profit and loss account

##### 1.5 Turnover

Turnover represents the amounts (excluding sales tax and value added taxes) derived from the provision of goods and services to customers. Maintenance invoiced in advance for fixed periods is taken to income in equal monthly instalments over the period of the service contract

##### 1.6 Goodwill

In accordance with Financial Reporting Standard No 10, goodwill, representing the excess of the fair value of consideration over the fair value of net assets acquired which has previously been written off to reserves will remain eliminated. On a subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the amount of any related goodwill not written off through the profit and loss account, including any previously taken direct to reserves

##### 1.7 Intangible fixed assets and amortisation

Intellectual property rights are capitalised and amortised by equal annual instalments over their estimated useful economic lives

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## LANNER GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

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#### 1 ACCOUNTING POLICIES (continued)

##### 1.8 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Short Term Leasehold Property	-	over the period of the lease
Office equipment	-	over a 6 to 10 year period
Computer equipment	-	over a 3 year period

##### 1.9 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

Investments held as fixed assets are shown at cost less provision for impairment.

##### 1.10 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

##### 1.11 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

##### 1.12 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the consolidated profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains or losses arising on these translations are included in the profit and loss account.

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## LANNER GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

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#### **1 ACCOUNTING POLICIES (continued)**

##### **1.13 Development expenditure**

Research and development expenditure is written off in the year in which it is incurred

##### **1.14 Government grants**

Government grants are credited to the consolidated profit and loss account as the related expenditure is incurred

##### **1.15 Pensions**

The Group contributes to individual personal pension schemes on behalf of the employees. Contributions made to the schemes are charged to the profit and loss account in the year to which they relate.

##### **1.16 Investments held in own shares held by employee trusts**

As required by UITF 38 "Accounting for ESOP Trusts" the group's accounting policy in respect of investments in own shares held by employee benefit trusts are reported as a deduction from shareholders' funds.

##### **1.17 Share capital**

In accordance with FRS25 preference and ordinary share capital are classified as liabilities if they are redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Cumulative dividends on such share capital are classified as liabilities and are recognised in the income statement as an interest expense. Where insufficient retained reserves exist the relevant dividends are included within non-equity interests.

#### **2 TURNOVER**

52.7% of the company's turnover (2010 - 43.3%) is attributable to geographical markets outside the United Kingdom.

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**LANNER GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2011**

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**3 OTHER OPERATING INCOME**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Government grants receivable	<b>12</b>	<b>43</b>

**4. OPERATING PROFIT**

The operating profit is stated after charging

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Amortisation - intangible fixed assets	-	180
Depreciation of tangible fixed assets		
- owned by the group	<b>36</b>	<b>13</b>
- held under finance leases	-	-
Development expenditure	<b>486</b>	<b>408</b>
Auditors' remuneration	<b>8</b>	<b>8</b>
Auditors' remuneration - other services	<b>2</b>	<b>2</b>
Rentals under operating leases		
Land and buildings	<b>75</b>	<b>75</b>
Plant and machinery	-	9

**5. EXCEPTIONAL COSTS**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Legal and professional fees relating to share restructure and new finance	-	482
Remuneration costs relative to restructure	-	311
Employment related costs	<b>27</b>	-
Office relocation costs	<b>23</b>	-
	<b>50</b>	<b>793</b>



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**LANNER GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2011**

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**6 STAFF COSTS**

Staff costs, including directors' remuneration, were as follows

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Group:</b>		
Wages and salaries	<b>1,873</b>	<b>1,966</b>
Social security costs	<b>249</b>	<b>220</b>
Other pension costs	<b>325</b>	<b>283</b>
	<u><b>2,447</b></u>	<u><b>2,469</b></u>

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows

	<b>2011</b>	<b>2010</b>
Sales and customer service	<b>24</b>	<b>22</b>
Administration and management	<b>8</b>	<b>8</b>
Research and development	<b>7</b>	<b>7</b>
	<u><b>39</b></u>	<u><b>37</b></u>

**7 DIRECTORS' REMUNERATION**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Directors emoluments:</b>		
Salaries and fees	<b>294</b>	<b>359</b>
Pension contributions	<b>96</b>	<b>140</b>
	<u><b>390</b></u>	<u><b>499</b></u>

Retirement benefits are accruing under pension schemes in respect of 3 (2010 3) directors

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**LANNER GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2011**

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**8 SHARE BASED INCENTIVES**

On 14 March 1997, the Company and the trustee established the Lanner Group Employees' Share Participation Plan and The Lanner Group 1997 United States Share Option Plan ("the Share Option Plans") There are no options in existence as at the balance sheet date

In accordance with rule 8.1 of the Lanner Group Employees' Share Participation Plan an alteration was made on 17 October 2002 so as to permit the grant of options in the form of Enterprise Management Incentive ("EMI") options

Under the EMI Option Plan the following options have been granted

	At 1 January 2011	Granted	Cancelled	At 31 December 2011	<i>Exercise price</i>
<b>Date of grant</b>					
<b>1p 'G' ordinary shares</b>					
27 July 2010	165,000	-	-	165,000	1p
2 November 2010	25,000	-	(25,000)	-	1p
16 May 2011	-	40,000	-	40,000	1p
<b>Total</b>	<u>190,000</u>	<u>40,000</u>	<u>(25,000)</u>	<u>205,000</u>	

Under the FRSE the group is exempt from applying the full requirements of FRS 20 - Share-based Payments

**9 INTEREST PAYABLE**

	2011 £000	2010 £000
On bank loans and overdrafts	244	281
Dividends on shares classed as debt (see analysis below)	47	(28)
	<u>291</u>	<u>253</u>

**Dividends on shares classed as debt**

	2011 £000	2010 £000
Dividends arising during year	47	37
Unpaid dividends subsequently cancelled	-	(65)
	<u>47</u>	<u>(28)</u>

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**LANNER GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2011**

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**10 TAXATION**

	<b>2011 £000</b>	<b>2010 £000</b>
<b>Analysis of tax charge in the year</b>		
Foreign tax on income for the year	12	-
Foreign tax adjustments in respect of prior periods	-	19
	<u>12</u>	<u>19</u>
<b>Tax on profit/loss on ordinary activities</b>	<u>12</u>	<u>19</u>

**Factors affecting tax charge for the year**

Tax charges relate to Lanner Group SARL. No tax charge arises in respect of Lanner Group Limited and Lanner Inc due to the availability of tax losses brought forward.

**Factors that may affect future tax charges**

Tax losses amounting to approximately £5.1 million (2010: £4.3 million) are available to offset against certain future profits of the group.

**11. INTANGIBLE FIXED ASSETS**

	<b>Intellectual Property Rights £000</b>
<b>Group and Company</b>	
<b>Cost</b>	
At 1 January 2011	3,800
Written off	(3,800)
	<u>-</u>
At 31 December 2011	-
<b>Amortisation</b>	
At 1 January 2011	3,800
Written off	(3,800)
	<u>-</u>
At 31 December 2011	-
<b>Net book value</b>	
At 31 December 2011	<u>-</u>
At 31 December 2010	<u>-</u>

LANNER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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12 TANGIBLE FIXED ASSETS

Group	Expenditure on leasehold property £000	Office and computer equipment £000	Total £000
<b>Cost</b>			
At 1 January 2011	102	249	351
Additions	13	17	30
Disposals	(102)	(172)	(274)
At 31 December 2011	13	94	107
<b>Depreciation</b>			
At 1 January 2011	89	213	302
Charge for the year	13	23	36
On disposals	(102)	(169)	(271)
At 31 December 2011	-	67	67
<b>Net book value</b>			
At 31 December 2011	13	27	40
At 31 December 2010	13	36	49

Company	Expenditure on leasehold property £000	Office and computer equipment £000	Total £000
<b>Cost</b>			
At 1 January 2011	94	218	312
Additions	13	14	27
Disposals	(94)	(172)	(266)
At 31 December 2011	13	60	73
<b>Depreciation</b>			
At 1 January 2011	81	184	265
Charge for the year	13	22	35
On disposals	(94)	(169)	(263)
At 31 December 2011	-	37	37
<b>Net book value</b>			
At 31 December 2011	13	23	36
At 31 December 2010	13	34	47

**LANNER GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**13. FIXED ASSET INVESTMENTS**

<b>Company</b>	<b>Investments in subsidiary companies £000</b>	<b>Loans to subsidiaries £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 1 January 2011	1,861	134	1,995
Repaid	-	(109)	(109)
At 31 December 2011	<u>1,861</u>	<u>25</u>	<u>1,886</u>
<b>Impairment</b>			
At 1 January 2011 and 31 December 2011	<u>1,368</u>	<u>-</u>	<u>1,368</u>
<b>Net book value</b>			
At 31 December 2011	<u>493</u>	<u>25</u>	<u>518</u>
At 31 December 2010	<u>493</u>	<u>134</u>	<u>627</u>

Details of the subsidiaries can be found under note number 22

**14. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2011 £000</b>	<b>2010 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>
Trade debtors	848	740	543	509
Foreign tax recoverable	7	5	7	-
Other debtors and prepayments	88	100	72	85
	<u>943</u>	<u>845</u>	<u>622</u>	<u>594</u>

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**15 CREDITORS**

**Amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank borrowings and loans	-	127	-	127
Trade creditors	94	32	83	19
Foreign tax payable	6	-	-	-
Social security and other taxes	159	143	113	103
Other creditors and deferred income	741	682	412	434
	<b>1,000</b>	<b>984</b>	<b>608</b>	<b>683</b>

Bank borrowings relate to overdrawn balances on accounts held with the Royal Bank of Scotland which are not available to offset against Royal Bank of Scotland accounts with funds in hand

**16. CREDITORS:**

**Amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loan stock	2,400	2,400	2,400	2,400
Amounts owed to group undertakings	-	-	124	84
Share capital treated as debt (Note 17)	107	107	107	107
Share premium treated as debt	3,194	3,194	3,194	3,194
Other non-equity interests	84	37	84	37
	<b>5,785</b>	<b>5,738</b>	<b>5,909</b>	<b>5,822</b>

Included within the above are amounts falling due as follows

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Between two and five years</b>				
Loan stock	2,400	2,400	2,400	2,400

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**16 CREDITORS**

**Amounts falling due after more than one year (continued)**

Loans from the investment group headed by NVM Private Equity Limited amount to £2,400,000. The loan is secured by a fixed and floating debenture over all the assets of the company.

The repayment term in respect of the loan stock is as follows:

- 12 March 2015 £600,000
- 9 September 2015 £600,000
- 9 March 2016 £600,000
- 9 September 2016 £600,000

Interest at a rate of 8% per annum accrues on the loan stock.

**17. SHARE CAPITAL**

	2011 £000	2010 £000
<b>Shares classified as capital</b>		
<b>Allotted, called up and fully paid</b>		
2,400,000 'D' ordinary shares of £0.01 each	24 00	24 00
2,100,000 'F' ordinary shares of £0.01 each	21 00	21 00
500,000 'G' ordinary shares of £0.01 each	5 00	5 00
	<u>50</u>	<u>50</u>
<b>Shares classified as debt</b>		
<b>Allotted, called up and fully paid</b>		
10,168,458 Deferred shares of £0.01 each	101 68	101 68
57,600,000 'E' ordinary shares of £0.0001 each	5 76	5 76
	<u>107</u>	<u>107</u>

The 'E' shares bear interest at a rate of 8% per annum based upon the issue price and accruing from the 11 March 2010 on a daily basis and compounding on each anniversary. There is no fixed date for redemption of the 'E' shares.

The deferred shares and 'E' ordinary shares have no voting rights.

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18 RESERVES

	Share premium account £000	Profit and loss account £000
<b>Group</b>		
At 1 January 2011	574	(6,246)
Profit for the year	-	47
	<hr/>	<hr/>
At 31 December 2011	574	(6,199)
	<hr/>	<hr/>

	Share premium account £000	Profit and loss account £000
<b>Company</b>		
At 1 January 2011	574	(5,665)
Loss for the year	-	(141)
	<hr/>	<hr/>
At 31 December 2011	574	(5,806)
	<hr/>	<hr/>

The Group's result for the financial year amounted to £47,000 profit (2010 £795,000 loss)

The Company's loss for the financial year amounted to £141,000 (2010 £646,000 loss) This loss is after a £nil gain (2010 £216,000 gain) in respect of provisions against amounts due from group companies and impairments against the carrying value of the investment in subsidiary undertakings

In 2010 the Group incurred exceptional costs of £793,000 in respect of a share restructure and refinancing exercise that was completed in March 2010



**LANNER GROUP LIMITED**

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**19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>Group</u>		<u>Company</u>	
	<u>Equity £000</u>	<u>Non-equity £000</u>	<u>Equity £000</u>	<u>Non-equity £000</u>
Equity interests	(6,196)	-	(5,615)	-
Non-equity preference shares	-	107	-	107
Share premium account	574	3,194	574	3,194
Other non equity interests	-	37	-	37
At beginning of period	(5,622)	3,338	(5,041)	3,338
Total recognised gains and losses for the financial year	47	-	(141)	-
Increase in 'E' ordinary share value	-	47	-	47
	<u>(5,575)</u>	<u>3,385</u>	<u>(5,182)</u>	<u>3,385</u>

In accordance with FRS25 non-equity interests are disclosed within non-current liabilities

**20. PENSION COMMITMENTS**

Contributions totalling £23,000 (2010 £20,000) were payable at the balance sheet date and are included within creditors

**21. OPERATING LEASE COMMITMENTS**

At 31 December 2011 the Group had annual commitments under non-cancellable operating leases as follows

	<u>Land and buildings</u>		<u>Other</u>	
<b>Group</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Expiry date</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	11	-	-	-
Between 2 and 5 years	125	85	-	-
	<u>136</u>	<u>85</u>	<u>-</u>	<u>-</u>

At 31 December 2011 the Company had annual commitments under non-cancellable operating leases as follows

	<u>Land and buildings</u>		<u>Other</u>	
<b>Company</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Expiry date</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Between 2 and 5 years	110	48	-	-
	<u>110</u>	<u>48</u>	<u>-</u>	<u>-</u>

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22. SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
Lanner Inc	USA	100%	Sale of Lanner software and associated professional services
Lanner Group SARL	France	100%	Sale of Lanner software and associated professional services
Lanner Employees Trustees Ltd	England	100%	Trustee to Lanner ESOP Trust
All shareholdings are of ordinary shares			