

Registered No 3958038

OB10 LIMITED

**Annual report and financial statements for the year
ended 30 April 2011**



OB10 LIMITED

Annual report for the year ended 30 April 2011

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OB10 LIMITED

Directors and advisers

Directors

J Beck
S J Foryszewski
N J Habgood
A C Holmes
D Malik
H W B Sallitt
R Wooldridge
L W McKeever

Secretary and registered office

R Wooldridge
Melbourne House
46 Aldwych
London
WC2B 4LL

Independent auditors

PricewaterhouseCoopers LLP
No 1 Embankment Place
London
WC2N 6RH

Bankers

HSBC Bank Plc
69 Pall Mall
London
SW1Y 5EY

OB10 Limited

Directors' report for the year ended 30 April 2011

The directors present their report and the audited financial statements of the group and company (registered number 3958038) for the year ended 30 April 2011

Principal activity

The principal activity of the group and company in the year under review was the provision of electronic invoice delivery (e-invoicing) and other related services, trading under the name OB10. Through the global e-invoicing network, OB10 offers a simple, secure, and internationally tax-compliant solution to eliminate the cost and time of processing paper invoices.

Results and dividends

The results for the year are set out in the profit and loss account on page 8.

Total revenue for the year amounted to £15.6 million, 19% greater than the prior year. By comparison total expenses increased by 6%, to £18.3 million.

As a result of the group's turnover recognition policies, a balance of £5.6 million of deferred revenue was held on the balance sheet at the year end, representing 35% of invoiced sales during the past year.

The group's loss for the year amounted to £2,708,065 (2010: £4,215,990). The directors do not propose payment of a dividend (2010: £nil).

Business highlights

The general trading environment continued to be challenging during the year under review. Nevertheless, OB10 again successfully completed a significant number of new buyer deals during the year, including some particularly large organisations in both Europe and the United States.

Once again, e-invoicing transaction volumes across the OB10 network increased during the year – by 27% overall. The volume of PO services transactions nearly doubled during the year and the Invoice Status Check service saw a 3-fold increase in volumes.

On 14th March 2011, the company completed a rights issue through the issue of a new class of 'B' preferred shares to the value of £4m. The fundraising was fully-subscribed.

Principal risks and uncertainties

Business Risks

a) Service Continuity Risk

The activities of the group place significant reliance upon systems and technology. A significant down-time could affect service levels and result in financial penalties and loss of reputation. The group has effective and efficient back up procedures and business continuity plans in place to mitigate this risk, and these are regularly updated.

OB10 Limited

Directors' report (continued) for the year ended 30 April 2011

b) Tax Compliance Risk

The group guarantees that invoices that are processed through the OB10 network will be compliant with applicable local tax laws. These tax laws are subject to change and OB10 has increased the number of available territories for compliant invoice processing on the network each year. As such, a risk exists that invoices may not be processed in a wholly tax compliant way in a particular country. The group engages professional, external tax advisers to provide regular country level advice in order to minimise the risk of non tax compliant processing of invoices.

Financial Risks

a) Credit Risk

The group has no significant concentrations of credit risk. The group has policies in place to ensure that sales of services are made to clients with an appropriate credit history. Cash and cash equivalents are held with reputable institutions.

b) Foreign Exchange Risk

The group operates with US, Malaysian, German, Swiss, Mexican and Bulgarian subsidiary companies and makes sales in foreign currencies and is therefore exposed to foreign exchange risk arising from currency exposure. The group uses foreign currency bank accounts to reduce their exposure to foreign currency translation risk.

c) Liquidity Risk

The company is still in the growth phase of its life cycle, hence is dependent on strict management of cash raised through new rounds of financing to mitigate liquidity risk. The company manages this risk through the preparation and regular review of cash flow forecasts.

ISAE 3402 audit

OB10 completed its first SAS70 Type 2 audit in May 2009. This year the SAS70 ceased to exist and has been superseded by ISAE 3402 type 2. Like the SAS70, this is an internationally recognised auditing standard developed by the American Institute of Certified Public Accountants (AICPA). The Type 2 report provides an independent auditor's opinion regarding the effectiveness of OB10 operational controls. In turn this allows those OB10 clients who must comply with Sarbanes Oxley legislation to meet their own audit requirements with regard to the OB10 service. The report also allows the group to demonstrate to existing and potential clients its credentials as a well managed and controlled business which they can fully rely upon. A subsequent Type 2 audit, covering all relevant OB10 activities up to 30 June 2011, will be completed in August 2011.

Green credentials

OB10 is pleased that its business creates a positive environmental impact and during the year to April 2011 has saved the equivalent of 3,303 trees by replacing paper invoices with e-Invoices. In addition to the replacement of paper, energy and fuel is saved from not having to print, distribute and archive paper invoices. The saving is equivalent to 476 cubic metres of landfill space in addition to 11,656 pounds of air pollutants.

In November 2010 OB10 was presented with a Green Apple award for the fourth successive year, for its contribution to the environment. This internationally recognised award is organised by The Green Organisation, an independent non-profit, non-political group supported by the UK Environment Agency.

OB10 Limited

Directors' report (continued) for the year ended 30 April 2011

Other awards

In September 2010, OB10 was listed in The Sunday Times Microsoft Tech Track 100 for the fourth successive year. This listing ranks companies based on sales growth over the last three years.

In November 2010, OB10 was again part of the Deloitte Technology Fast 500 EMEA. The Deloitte Technology Fast 500 EMEA programme recognises technology companies that have achieved the fastest rates of annual revenue growth in the EMEA regions during the past five years.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of these financial statements. For these reasons they continue to adopt the going concern basis in preparing the group's financial statements.

Directors

The directors of the company during the year unless otherwise stated, were as follows:

Joan Beck	
Stefan Forszewski	
Jamie Gunn	- (resigned 18 th October 2010)
Nick Habgood	- (appointed 10th January 2011)
Alec Holmes	
Kenneth Ibbett	- (resigned 10th January 2011)
Deepak Malik	
Luke McKeever	- (appointed 12th May 2011)
David Newlands	- (resigned 25th January 2011)
Henry Sallitt	
Robin Wooldridge	

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 group and parent company 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 group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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 company will continue in business.

OB10 Limited

Directors' report (continued) for the year ended 30 April 2011

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.

In accordance with Section 418, in the case of each director in office at the date the directors' report is approved, it is confirmed that

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to reappoint them as auditors will be proposed at the next annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'K. W. Lawrie', is written over a horizontal line.

Company secretary

OB10 Limited

Independent auditors' report to the members of OB10 Limited

We have audited the group and parent company financial statements (the "financial statements") of OB10 Limited for the year ended 30 April 2011 which comprise the Consolidated profit and loss account, the Consolidated statement of total recognised gains and losses, the Consolidated and Company balance sheets, the Consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 OB10 Limited Annual Report and Financial Statements 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 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 30 April 2011 and of the group's loss and cash flows 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.

OB10 Limited

Independent auditors' report to the members of OB10 Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required 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



Nigel Reynolds (Senior statutory auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date 28 July 2011

OB10 LIMITED

Consolidated profit and loss account for the year ended 30 April 2011

	Notes	2011	2010
		£	£
Turnover	2, 14	15,561,780	13,103,640
Staff costs	3	(9,512,044)	(9,423,952)
Depreciation and amortisation	8,9	(518,202)	(648,076)
Other operating charges		(8,255,818)	(7,213,256)
Operating loss	4	(2,724,284)	(4,181,644)
Interest receivable and similar income	6	5,595	2,345
Interest payable and similar charges	5	(42,552)	(36,691)
Loss on ordinary activities before taxation	2	(2,761,241)	(4,215,990)
Tax credit on loss on ordinary activities	7	53,176	-
Loss for the financial year	18,17	(2,708,065)	(4,215,990)

The above results relate to the continuing operations of the group

There is no difference between the loss on ordinary activities before taxation and loss for the year stated above and their historical cost equivalents

OB10 LIMITED

Consolidated statement of total recognised gains and losses for the year ending 30 April 2011

	Note	2011 £	2010 £
Loss for the financial year		(2,708,065)	(4,215,990)
Exchange adjustments offset in reserves	18	3,902	138,540
Total recognised losses relating to the year		(2,704,163)	(4,077,450)

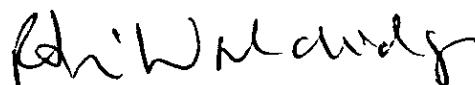
OB10 LIMITED

Consolidated balance sheet At 30 April 2011

	Notes	2011 £	2010 £
Fixed assets			
Intangible assets	8	211,188	390,824
Tangible assets	9	333,372	583,435
		544,560	974,259
Current assets			
Debtors	11	3,196,919	2,555,912
Cash at bank and in hand	21	2,787,707	1,566,942
		5,984,626	4,122,854
Creditors – Amounts falling due within one year			
Deferred income *	12	(5,593,130)	(5,365,966)
Other creditors	12	(2,318,840)	(2,393,514)
	12	(7,911,970)	(7,759,480)
Net current liabilities		(1,927,344)	(3,636,626)
Total assets less current liabilities		(1,382,784)	(2,662,367)
Creditors – Amounts falling due after one year			
	13	(41,543)	(144,938)
Net liabilities	2	(1,424,327)	(2,807,305)
Capital and reserves			
Called up share capital	15	32,951	29,874
Share premium account	17	44,694,276	40,758,833
Other reserve	17	124,337	120,435
Profit and loss reserve	17	(46,275,891)	(43,716,447)
Total shareholders' deficit	18	(1,424,327)	(2,807,305)

* Deferred income relates to amounts invoiced to customers which, under the group revenue recognition accounting policy, are recognised in the profit and loss account in future accounting periods. Deferred income therefore represents a non-cash current liability.

The financial statements on pages 8 to 28 were approved by the board of directors on 26th July 2011 and were signed on its behalf by



Director

OB10 LIMITED

Company balance sheet At 30 April 2011

	Notes	2011		2010	
		£	£	£	£
Fixed assets					
Intangible assets	8	211,188		390,824	
Tangible assets	9	31,792		58,776	
Investments	10	10,222,137		10,170,842	
		10,465,117		10,620,442	
Current assets					
Debtors	11	4,561,713		2,543,865	
Cash at bank and in hand		2,115,746		1,026,600	
		6,677,459		3,570,465	
Creditors – Amounts falling due within one year					
Deferred income *	12	(4,003,166)		(3,292,423)	
Other creditors	12	(1,853,240)		(1,861,130)	
	12	(5,856,406)		(5,153,553)	
Net current liabilities		821,053		(1,583,088)	
Total assets less current liabilities		11,286,170		9,037,354	
Net assets		11,286,170		9,037,354	
Capital and reserves					
Called up share capital	15	32,951		29,874	
Share premium account	17	44,694,276		40,758,833	
Other reserves	17	399,457		350,012	
Profit and loss reserve	17	(33,840,514)		(32,101,365)	
Total shareholders' funds		11,286,170		9,037,354	

* Deferred income relates to amounts invoiced to customers which, under the group revenue recognition accounting policy, are recognised in the profit and loss account in future accounting periods. Deferred income therefore represents a non-cash current liability.

The financial statements on pages 8 to 28 were approved by the board of directors on 26th July 2011 and were signed on its behalf by



Director

OB10 LIMITED

Consolidated cash flow statement for the year ended 30 April 2011

	Notes	2011 £	£	2010 £	£
Net cash outflow from operating activities	19		(2,549,908)		(1,771,391)
Returns on investment and servicing of finance					
Interest received	6	5,595		2,345	
Interest paid	5	(19,206)		(2,111)	
Interest element of finance lease payments	5	(23,346)		(34,580)	
Net cash (outflow) from returns on investment and servicing of finance			(36,957)		(34,346)
Taxation	7		53,176		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets	9	(114,157)		(168,325)	
Net cash outflow from capital expenditure and financial investment			(114,157)		(168,325)
Net cash outflow before financing			(2,647,846)		(1,974,062)
Financing					
Issue of preferred share capital	18	4,000,000		3,000,000	
Cost of issue of preferred share capital	18	(61,480)		(29,818)	
Capital element of finance lease payments		(85,293)		(71,912)	
Net cash inflow from financing			3,853,227		2,898,270
Increase in net cash			1,205,381		924,208

OB10 LIMITED

Notes to the financial statements for the year ended 30 April 2011

1 Principal accounting policies

The financial statements have been prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below. These policies have been applied consistently.

Basis of accounting

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 April 2011. Uniform accounting policies have been applied across the group.

Profits or losses on intra-group transactions are eliminated in full.

Basis of preparation – going concern

The financial statements have been prepared on the going concern basis on the assumption that the group and company continue in operational existence for the foreseeable future. The group made a loss of £2,708,065 year ended 30 April 2011 (2010: loss of £4,215,990).

The cash flow projections are the sole responsibility of the directors based upon their present plans, expectations and intentions. In this context, the directors have prepared and considered cash flow projections for the group and company for a period extending one year from the date of approval of these financial statements. Based on these cash flows the directors are satisfied that the group and company are able to meet their liabilities as and when they fall due for the foreseeable future and for a minimum period of twelve months from the date of these financial statements.

As a result of the above the directors consider it appropriate for the accounts to be prepared on the going concern basis.

Turnover

Turnover is the total amount receivable by the group for goods and services provided, less VAT and trade discounts. E-invoicing turnover is generated from three principal categories of customer, integrated suppliers (who transmit invoices via OB10 through a file export), buyers (recipients of OB10 invoices) and web form (who transmit invoices to OB10 through a web input sheet). Turnover is recognised as follows:

- transaction fees – these are taken to turnover in the period in which the customer transacts via the 'OB10' service and,
- initial fees and annual subscriptions – these are taken to turnover and matched evenly over the period to which they relate.

Income pertaining to OB10's new products is generally taken to turnover over the contract period, except for certain 'pay as you go' contracts, and web form contracts, which are taken to turnover based upon transactions processed.

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Fixed assets

Tangible fixed assets are stated at historic cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of the fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are

Intangible assets	depreciated over 5 years (the useful economic life of the OB10 Platform)
Leasehold improvements	depreciated over the term of lease
Fixtures and fittings	25% on cost – straight line basis
Software and computer equipment	20%-50% on cost – straight line basis

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the balance sheet date. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Research and development

Research and development costs relate to outsourced staff costs incurred in developing the 'OB10' software platform. These are capitalised and written off to the profit and loss account over the useful economic life of the software. All other research and development costs are expensed as incurred.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken to the profit and loss account in arriving at the operating result with the exception of the re-translation of the US subsidiary loan which is regarded as long term and exchange differences arising are taken to reserves.

The group financial statements comprise the financial statements of OB10 Limited and its subsidiaries made up to 30 April 2011. Foreign subsidiaries are translated into the Group balance sheet at the closing rate and the group profit and loss at the closing rate each month end. The difference is transferred to reserves.

Pensions

The group operates a defined contribution pension scheme. Assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

OB10 LIMITED

Lease costs

The costs associated with operating leases are taken to the profit and loss account on an accruals basis over the period of the lease. Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments. The costs associated with finance leases are taken to the profit and loss account using the sum of digits method in accordance with SSAP 21.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Share based payments

The group operates one equity-settled, share-based compensation plan, The 2005 Open Business Exchange Share Incentive Plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted calculated using an appropriate option pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest.

Related party transactions

The group has taken advantage of the exemption not to disclose intergroup transactions with related parties under Financial Reporting Standard 8 – Related Party Transactions.

2 Segmental reporting

Destination	Turnover		Profit/(loss) before tax		Net assets / (liabilities)	
	2011	2010	2011	2010	2011	2010
	£	£	£	£	£	£
Geographical analysis						
Europe	9,527,654	7,448,378	(1,921,497)	(2,625,340)	11,373,378	9,144,247
Americas	5,670,051	5,354,586	(992,243)	(1,705,040)	(12,817,251)	(11,813,667)
Asia Pacific	364,075	300,676	152,499	114,390	19,546	(137,885)
	15,561,780	13,103,640	(2,761,241)	(4,215,990)	(1,424,327)	(2,807,305)

OB10 LIMITED

3 Employee information and directors' emoluments

Employee costs

	2011	2010
	£	£
Wages and salaries	8,287,023	8,179,647
Social security costs	552,500	612,928
Other pensions costs	523,900	476,206
Charge for employee share schemes (note 16)	148,621	155,171
	<u>9,512,044</u>	<u>9,423,952</u>

Employee information

The average monthly number of employees (including executive directors) during the year was as follows

	2011	2010
Client Services and Sales	162	147
Directors	4	4
Finance and Administration	24	27
	<u>190</u>	<u>178</u>

By Region

	2011	2010
Europe	70	73
Americas	38	40
Asia Pacific	82	65
	<u>190</u>	<u>178</u>

Directors' emoluments

	2011	2010
	£	£
Aggregate emoluments	536,567	581,680
Defined contribution pension	67,566	58,655
Sums paid to third parties for directors' services	6,000	6,000
Compensation for loss of office	<u>25,000</u>	<u>-</u>

The number of directors accruing benefits under money purchase pension schemes in the year was 4 (2010 4)

A director who left office during the year was allowed to retain 658,320 approved and unapproved options over shares in the company

OB10 LIMITED

Highest paid director

	2011	2010
	£	£
Aggregate emoluments	178,927	187,225
Defined contribution pension	<u>7,574</u>	<u>8,000</u>

4 Operating loss

The operating loss is stated after charging	2011	2010
	£	£
Depreciation – tangible owned fixed assets	217,130	263,369
– tangible leased fixed assets	121,436	119,071
Amortisation – intangible fixed assets	179,636	265,636
Auditors' remuneration		
- audit of the company financial statements	43,000	39,600
- audit of the financial statements of associates of the company pursuant to legislation	10,000	8,000
- services relating to taxation	6,750	8,600
- other services	35,935	42,589
Payments made under operating leases land and buildings	<u>308,513</u>	<u>269,339</u>

5 Interest payable and similar charges

	2011	2010
	£	£
Bank interest	8,638	2,111
Other interest	10,568	-
Interest element of finance lease payments	<u>23,346</u>	<u>34,580</u>
	<u>42,552</u>	<u>36,691</u>

6 Interest receivable and similar income

	2011	2010
	£	£
Bank interest	5,595	2,345
	<u>5,595</u>	<u>2,345</u>

OB10 LIMITED

7 Tax credit on the loss for the year

	2011	2010
	£	£
Current tax		
Current UK Corporation tax at 28% (2010 28%)	-	-
Adjustment in respect of prior years		
- R&D tax credit received in the year	<u>53,176</u>	<u>-</u>
	53,176	-
Deferred tax	-	-
Tax credit on loss on ordinary activities	<u>53,176</u>	<u>-</u>

Tax assessed for the period is different to the standard rate of corporation tax in the UK (28%) The differences are explained below

	2011	2010
	£	£
Loss on ordinary activities before tax	(2,761,241)	(4,215,990)
Loss on ordinary activities before tax multiplied by the standard rate in the UK 28% (2010 28%)	(773,147)	(1,180,477)
Effects of		
Expenses not deductible for tax purposes	6,160	5,600
Enhanced relief for R&D	(28,000)	(28,000)
Depreciation in excess of capital allowances and other timing differences	93,613	84,338
Losses carried forward	701,374	1,118,539
Adjustment in respect of prior years	53,176	-
Current tax credit for the period	53,176	-

The future tax charge will be principally affected by the utilisation of the accumulated losses

Deferred tax

The deferred tax asset relating to the losses in the current year and losses brought forward remains unprovided due to the uncertainty surrounding the timing of their utilisation

The unprovided deferred tax asset, which has been calculated at a rate of 26% (2010 28%) is as follows

	2011	2010
	£	£
Depreciation in excess of capital allowances	76,846	30,757
Carried forward trading losses	10,765,337	10,892,025
Shared based payments	297,503	278,774
	<u>11,139,686</u>	<u>11,201,556</u>

OB10 LIMITED

8 Intangible fixed assets

Group	OB10 platform development costs
	£
Cost	
At 1 May 2010	968,576
Additions	-
At 30 April 2011	968,576
Amortisation	
At 1 May 2010	577,752
Charge for year	179,636
At 30 April 2011	757,388
Net book value	
At 30 April 2011	211,188
At 30 April 2010	390,824
Company	OB10 platform development costs
	£
Cost	
At 1 May 2010	909,282
Additions	-
At 30 April 2011	909,282
Amortisation	
At 1 May 2010	518,458
Charge for year	179,636
At 30 April 2011	698,094
Net book value	
At 30 April 2011	211,188
At 30 April 2010	390,824

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9 Tangible fixed assets

Group	Leasehold improvements £	Fixtures and fittings	Software and computer equipment £	Total £
Cost				
At 1 May 2010	360,916	375,873	1,408,600	2,145,389
Additions	3,464	12,277	98,416	114,157
Disposals	-	(379)	(8,857)	(9,236)
Exchange adjustments	(6,039)	(9,881)	(65,586)	(81,506)
At 30 April 2011	<u>358,341</u>	<u>377,890</u>	<u>1,432,573</u>	<u>2,168,804</u>
Depreciation				
At 1 May 2010	304,888	286,865	970,201	1,561,954
Charge for year	43,450	39,860	255,256	338,566
Disposals	-	(378)	(7,902)	(8,280)
Exchange adjustments	(4,922)	(7,322)	(44,564)	(56,808)
At 30 April 2011	<u>343,416</u>	<u>319,025</u>	<u>1,172,991</u>	<u>1,835,432</u>
Net book value				
At 30 April 2011	<u>14,925</u>	<u>58,865</u>	<u>259,582</u>	<u>333,372</u>
At 30 April 2010	<u>56,028</u>	<u>89,008</u>	<u>438,399</u>	<u>583,435</u>

Included in software and computer equipment are assets held under finance leases with a net book value of £162,010 (2010 £301,159) and accumulated depreciation of £410,687 (2010 £289,251)

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Tangible fixed assets (continued)

Company	Leasehold improvement	Fixtures and fittings	Software and Computer equipment	Total
	£	£	£	£
Cost				
At 1 May 2010	213,628	170,433	478,250	862,311
Additions	-	258	23,357	23,615
Disposals	-	-	(1,020)	(1,020)
At 30 April 2011	213,628	170,691	500,587	884,906
Depreciation				
At 1 May 2010	213,622	162,021	427,892	803,535
Charge for year	-	5,251	45,262	50,513
Disposals	-	-	(934)	(934)
At 30 April 2011	213,622	167,272	472,220	853,114
Net book value				
At 30 April 2011	6	3,419	28,367	31,792
At 30 April 2010	6	8,412	50,358	58,776

10 Investments

Company	Shares in group undertakings	Loans to group undertakings	Total
	£	£	£
Cost and net book value at 1 May 2010	413,276	9,757,566	10,170,842
Investment in OB10 EOOD	1,850	-	1,850
Share based payments to OB10 (US, Malaysia and Germany) employees	49,445	-	49,445
Cost and net book value at 30 April 2011	464,571	9,757,566	10,222,137

The directors believe that the carrying value of the investments is supported by the underlying net assets and future trading prospects of the company's subsidiary undertakings

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The company's investments at the balance sheet date comprise the 100% holding in the following subsidiaries

Subsidiary name	Country of incorporation	Class of shares
OB10 Inc	USA	Ord \$1
OB10 Sdn Bhd	Malaysia	Ord 1MYR
OB10 GmbH	Germany	Ord 1 Euro
OB10 (Schweiz) GmbH	Switzerland	Ord 1 CHF
OB10 S A P I	Mexico	Ord 1 MX\$
OB10 EOOD	Bulgaria	Ord 400 BGN

The principal activity of these subsidiaries is consistent with that of the group. All companies have a 30 April year end and have been included in the consolidated results of the group.

11 Debtors: amounts due within one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade debtors	2,134,530	1,551,843	1,424,908	1,086,973
Amounts owed by group undertakings	-	-	2,211,414	826,966
Other debtors	141,306	191,679	72,110	63,427
Accrued income (note 14)	183,578	-	336,644	-
Prepayments	737,505	812,390	516,637	566,499
	<u>3,196,919</u>	<u>2,555,912</u>	<u>4,561,713</u>	<u>2,543,865</u>

The intercompany balance is interest free and is repayable on demand.

12 Creditors: amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Obligations under finance leases	91,549	87,619	-	-
Trade creditors	913,834	1,050,206	792,705	859,592
Social security and other taxes	210,874	190,748	206,228	193,497
Deferred income (note 14)	5,593,130	5,365,966	4,003,166	3,292,423
Other creditors	263,587	121,000	204,438	121,000
Accruals	838,996	943,941	649,869	687,041
	<u>7,911,970</u>	<u>7,759,480</u>	<u>5,856,406</u>	<u>5,153,553</u>
Deferred income	5,593,130	5,365,966	4,003,166	3,292,423
Other creditors	2,318,840	2,393,514	1,853,240	1,861,130
	<u>7,911,970</u>	<u>7,759,480</u>	<u>5,856,406</u>	<u>5,153,553</u>

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In the event of a winding up, sale or flotation of the company a liability of £652,370 will crystallise. The liability relates to the cumulative, unpaid preference dividends on the former series D 9% preference shares which accrued between 11 June 2004 and 12 September 2005, the date of the restructuring (see note 15). This amount has been treated as a contingent liability and has not been recognised in these financial statements.

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Obligations under finance leases	41,543	144,938	-	-
	<u>41,543</u>	<u>144,938</u>	<u>-</u>	<u>-</u>

Total obligations under finance leases are payable as follows

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
In less than one year	91,549	87,619	-	-
Between one and two years	41,543	99,761	-	-
Between two and five years	-	45,177	-	-
	<u>133,092</u>	<u>232,557</u>	<u>-</u>	<u>-</u>

14 Deferred income

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Balance at 1 May	5,365,966	4,879,924	3,292,423	2,470,823
Invoiced during the year	15,822,187	13,669,251	9,407,848	8,057,211
Released to turnover	(15,561,780)	(13,103,640)	(8,987,229)	(7,237,740)
Exchange adjustments	(216,821)	(79,569)	(46,520)	2,129
Net deferred income at 30 April	<u>5,409,552</u>	<u>5,365,966</u>	<u>3,666,522</u>	<u>3,292,423</u>
Accrued income (note 11)	183,578	-	336,644	-
Deferred income at 30 April	<u>5,593,130</u>	<u>5,365,966</u>	<u>4,003,166</u>	<u>3,292,423</u>

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15 Called up share capital

	2011	2010
	£	£
Allotted, called up and fully paid		
10,445,204 ordinary shares of 0 1p each (2010 10,445,204)	10,445	10,445
19,428,755 preferred shares of 0 1p each (2010 19,428,755)	19,429	19,429
3,076,922 'B' preferred shares of 0 1p each (2010 nil)	3,077	-
	32,951	29,874

On a realisation event the proceeds are distributed first to the 'B' preferred shareholders, receiving an amount equal to twice the issue price of their shares, then to the other preferred shareholders, receiving an amount equal to the issue price of their shares, and then to the former series D preferred shareholders (see note 12), and the balance being shared pro-rata across both ordinary and preferred shareholders

On 14th March 2011 the company completed a rights issue of preference shares to the value of £4,000,000. The total issued share capital was 3,076,922 'B' Preference shares of 0 1p each. The subscription price was £1 30. Expenses of £61,480 were incurred and debited to the share premium account.

16 Share based payments

The group operates one share option scheme, The 2005 Open Business Exchange Share Incentive Plan under which the group's equity-settled share-based payments are comprised

The options issued under The 2005 Open Business Exchange Share Incentive Plan are both EMI Inland Revenue Approved options and Unapproved options. The exercise of all options is subject to continued employment.

A reconciliation of option movements over the year to April 2011 is shown below

Date of issue	2011		2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 May	4,132,600	0.87	2,909,200	1.17
Granted	-	-	2,687,441	0.64
Forfeited/Cancelled	(184,679)	0.67	(1,464,041)	0.97
Exercised	-	-	-	-
Outstanding at 30 April	3,947,921	0.88	4,132,600	0.87
Exercisable at 30 April	3,198,772	0.98	2,617,363	1.05

No new grants were issued in the year

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Share Based Payments (continued)

Date of Issue	Options as at 30th April 2010	Options granted/ (lapsed) (cancelled)	Options exercised	Options as at 30th April 2011	Exercise price £	Period of exercise	
<u>EMI Options</u>							
Date of Grant							
01/03/2005	15,900		-	15,900	1 30	01/03/2005	01/03/2015
01/02/2006	195,959	(7,000)	-	188,959	1 00	01/02/2006	01/02/2016
01/07/2006	13,000	(1,000)	-	12,000	1 00	01/07/2006	01/07/2016
21/11/2006	7,500		-	7,500	1 30	21/11/2006	21/11/2016
13/05/2007	86,988	(3,000)	-	83,988	1 30	13/05/2007	13/05/2017
23/08/2007	67,200	(10,000)	-	57,200	1 30	23/08/2007	23/08/2017
24/08/2007	82,265	(100)	-	82,165	1 30	24/08/2007	24/08/2017
08/04/2008	3,000		-	3,000	1 30	08/04/2008	08/04/2018
05/09/2008	60,500	(12,000)	-	48,500	1 30	05/09/2008	05/09/2018
06/02/2009	2,000	(2,000)	-	-	1 30	06/02/2009	06/02/2009
12/01/2010	693,098	(58,960)	-	634,138	0 40	12/01/2010	12/01/2020
28/04/2010	200,000	(61,120)	-	138,880	0 40	28/04/2010	28/04/2020
28/04/2010	539,963		-	539,963	1 00	28/04/2010	28/04/2020
28/04/2010	79,998		-	79,998	1 30	28/04/2010	28/04/2020
Totals	2,047,371	(155,180)	-	1,892,191			

Date of Issue	Options as at 30th April 2010	Options granted/ (lapsed)/ (cancelled)	Options exercised	Options as at 30th April 2011	Exercise price £	Period of exercise	
<u>Non-EMI Options</u>							
Date of Grant							
25/10/2001	4,000		-	4,000	3 94	25/10/2001	25/10/2011
01/02/2006	488,000	9,001	-	497,001	1 00	01/02/2006	01/02/2016
01/02/2006	500		-	500	1 30	01/02/2006	01/02/2016
02/08/2006	27,500	(2,500)	-	25,000	1 30	02/08/2006	02/08/2016
04/12/2006	200,000		-	200,000	1 30	04/12/2006	04/12/2016
13/12/2006	40,000		-	40,000	1 00	13/12/2006	13/12/2016
01/04/2007	10,000		-	10,000	1 00	01/04/2007	01/04/2017
13/05/2007	46,500	(1,000)	-	45 500	1 30	13/05/2007	13/05/2017
04/06/2007	30,000		-	30,000	1 00	04/06/2007	04/06/2017
23/08/2007	95,347	(4,000)	-	91,347	1 3	23/08/2007	23/08/2017
03/09/2007	30,000		-	30,000	1 3	03/09/2007	03/09/2017
08/04/2008	33,000	(10,000)	-	23 000	1 3	08/04/2008	08/04/2018
05/09/2008	87,500	(8 000)	-	79,500	1 3	05/09/2008	05/09/2018
06/02/2009	33,500	(3,000)	-	30,500	1 3	06/02/2009	06/02/2019
12/01/2010	580,402	(10,000)	-	570,402	0 40	12/01/2010	12/01/2020
01/04/2010	250,003		-	250,003	1 00	01/04/2010	01/04/2020
28/04/2010	24,075		-	24,075	1 00	28/04/2010	28/04/2020
28/04/2010	104,902		-	104,902	1 30	28/04/2010	28/04/2020
Totals	2,085,229	(29,499)	-	2,055,730			
Total	4,132,600	(184,679)	-	3,947,921			

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Share Based Payments (continued)

The fair value of the options is estimated at the grant date using a Black-Scholes option-pricing model that uses assumptions noted in the table below

Grant Date Year	Year to 30 April 2011	Year to 30 April 2010
Expected Life of Options (years)	-	4
Range of Exercise Prices	-	0.40
Range of market values of underlying shares	-	0.40
Risk free rate	-	4.5%
Expected share price volatility	-	46%
Expected dividend yield	-	0%
Range of fair value per option	-	£0.16

The group uses historical data to estimate option exercise and employee termination within the valuation model. The risk free rates for the periods within the contractual life of the option are based on the UK base rates at the time of grant. Expected volatilities are based in implied volatilities as determined by a simple average of a sample of listed companies based in similar sectors. The weighted average remaining life of options is 2 years (2010: 2 years) and the contractual weighted average remaining life of options is 9.5 years (2010: 9 years). The compensation cost that has been charged against income in respect of share options and for continuing operations for the group was £148,621 (2010: £155,171). The charge was included in staff costs.

17 Reserves

Group	Share premium £	Other reserve (foreign exchange) £	Profit and loss account £
At 1 May 2010	40,758,833	120,435	(43,716,447)
Loss for the year	-	-	(2,708,065)
Net exchange adjustments	-	3,902	-
Issue of preference shares	3,935,443	-	-
Adjustment in respect of employee share schemes	-	-	148,621
At 30 April 2011	44,694,276	124,337	(46,275,891)

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Company	Share Premium £	Other reserves (capitalised share based payment expense) £	Profit and loss account £
At 1 May 2010	40,758,833	350,012	(32,101,365)
Loss for the year	-	-	(1,838,325)
Issue of preference shares	3,935,443	-	-
Adjustment in respect of employee share schemes	-	49,445	99,176
At 30 April 2011	44,694,276	399,457	(33,840,514)

Losses of holding company

Of the group's loss for the financial year, a loss after tax of £1,838,325 (2010 £2,650,035) is dealt with in the accounts of OB10 Limited. The directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented the profit and loss account for the company separately.

18 Reconciliation of movement in consolidated shareholders' deficit

For the year ended 30 April 2011	2011 £	2010 £
Loss for the year	(2,708,065)	(4,215,990)
Gross proceeds of issue of preferred shares	4,000,000	3,000,000
Cost of issue of preferred shares	(61,480)	(29,818)
Foreign exchange	3,902	138,540
Adjustment in respect of employee share schemes	148,621	155,171
Net change in shareholders' deficit	1,382,978	(952,097)
Shareholders' deficit at 1 May 2010	(2,807,305)	(1,855,208)
Shareholders' deficit as at 30 April 2011	(1,424,327)	(2,807,305)

19 Cash flow from operating activities

Reconciliation of operating loss to net cash outflow from operating activities

	2011 £	2010 £
Operating loss	(2,724,284)	(4,181,644)
Depreciation and amortisation	518,202	648,076
(Increase)/decrease in debtors	(641,007)	296,824
Increase in creditors	148,560	1,310,182
Share based payments	148,621	155,171
Net cash outflow from operating activities	(2,549,908)	(1,771,391)

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20 Reconciliation of movements in net funds

	2011	2010
	£	£
Increase in net cash for the year	1,205,381	924,208
Cash out flow from lease financing	85,293	71,912
Changes in net funds resulting from cash flows	1,290,674	996,120
Exchange adjustments	29,556	17,891
Movement in net funds in the year	1,320,230	1,014,011
Net funds at 1 May 2010	1,334,385	320,374
Net funds at 30 April 2011	2,654,615	1,334,385

21 Analysis of net funds

	1 May 2010	Cashflow	Other non cash changes	Exchange movements	30 April 2011
	£	£	£	£	£
Cash in hand and at bank	1,566,942	1,205,381	-	15,384	2,787,707
Finance leases (due within one year)	(87,619)	85,293	(91,549)	2,326	(91,549)
Finance leases (due after one year)	(144,938)	-	91,549	11,846	(41,543)
Net funds	1,334,385	1,290,674	-	29,556	2,654,615

22 Operating lease commitments

At 30 April 2011 the company was committed to the following annual payments under non-cancellable operating leases on land and buildings which expire

	2011	2010
	£	£
Within one year	101,179	78,204
Two to five years	268,358	221,811
More than five years	-	-
	<u>369,537</u>	<u>300,015</u>

23 Related party transactions

On 30th November 2010 David Newlands, who was a Director during the year, granted the company a working capital facility of £500,000 which was partially drawn down by the company on that date. Interest on the loan was paid at a rate of 10%. The balance owed by the company to David Newlands at the year end in respect of this facility was £nil (2010 £nil)

24 Ultimate controlling party

The Group does not have one individual controlling party