

DAMOVO CORPORATE SERVICES LIMITED
REPORT AND FINANCIAL STATEMENTS

For the year ended 31 January 2012

Registered Number: 4134744

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DAMOVO CORPORATE SERVICES LIMITED

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DAMOVO CORPORATE SERVICES LIMITED

STATUTORY INFORMATION

Directors

Salim Alam

Helen McCusker

Secretary

Robert G Hynd

Registered Office

Leroy House

436 Essex Road

London

N1 3QP

Independent auditor

Deloitte LLP

Bankers

Royal Bank of Scotland plc

DAMOVO CORPORATE SERVICES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 January 2012

Business review and principal activities

The Company provides central support functions to the Damovo Group and generates turnover by charging other group companies for the provision of these services. The Company will continue to provide these services in the coming year.

Results and dividend

The Company's loss for the year is £5,762,000 (2011 £2,295,000). The directors do not recommend payment of a dividend (2011 £Nil).

Review of business and future developments

The Company has established in prior years a number of inter-company loans resulting in it being in a net payables position to other group companies at the year end. It is not anticipated that this position will change in the foreseeable future.

At 31 January 2012, the Company had current assets of £4,613,000 (2011 £7,914,000) and current liabilities of £57,967,000 (2011 £36,973,000). At the same date, the Company had amounts owing to other Damovo group companies of £55,350,000 (2011 £52,937,000) and amounts due from Damovo group companies (net of provision for doubtful debt) of £3,971,000 (2011 £7,050,000).

In forming our conclusion on going concern the directors have placed reliance on a letter of support provided by Damovo Group Limited.

Damovo Group Limited, the ultimate parent company of Damovo Corporate Services Limited, has confirmed in writing to the directors of the Company that it will seek to procure that its subsidiaries do not seek repayment of inter-company amounts owing by the Company such that the Company will be unable to meet its obligations to inter-company and external suppliers. Under the terms of the Refinancing Deed which implemented the group refinancing detailed below, the new ultimate parent company of the Company is Damovo Group Holdings Limited which has assumed all actual and contingent liabilities of Damovo Group Limited which includes those in relation to the letter of support.

Subsequent to the Balance Sheet date, on 18 July 2012, investors of the Damovo Group formally agreed the group refinancing and the main terms are as follows:

- **Debt for Equity Swap**

The Loan Notes plus accrued interest of €59 million as at 17 April 2012 were converted into:

- €20 million of Senior Secured Notes due 31 December 2014,
- €10 million of Convertible Notes due 31 December 2020,
- €29 million of Subordinated Notes. The Noteholders have transferred 100% of the Subordinated Notes to Damovo Group Holdings Limited ("DGHL") in return for Shares in DGHL. The Subordinated Notes will therefore become intra-group debt.

As a result, as at 18 July 2012, Noteholders now hold €20 million of Senior Secured Notes and €10 million of Convertible Notes. The Shares of Damovo Group Holdings Limited have been issued to the Noteholders (as to 90%) and to management (as to 10%).

- **Senior Secured Notes**

Interest on the Senior Secured Notes will accrue at 12% from 17 April 2012, and will be paid in cash on 31 July 2012. Thereafter, interest payment dates will fall on 31 January and 31 July in each year up to and including the final redemption date of 31 December 2014.

DAMOVO CORPORATE SERVICES LIMITED

DIRECTOR'S REPORT (continued)

- **Convertible Notes**

The Convertible Notes will accrue interest until maturity at 5% p a , which will be capitalised, so no cash pay of the coupon is required. The holders of 75% or more will have the right to "convert" all, but not some only, of the Convertible Notes at any time on or after 1 January 2019 on the same terms as the Subordinated Notes. The €29 million Subordinated Notes have been exchanged for 100,000 shares and the Convertible Notes (on the assumption there is no pre-payment) will convert at the rate of 10 Newco shares per €2,905.10 of Convertible Notes principal. Capitalised interest will be converted at the same rate, unless paid in cash (at the option of the Company).

- **Financial Covenants**

Customary financial and non-financial covenants are in place, which include a quarterly available cash balance, a quarterly last twelve months EBITDA test and a half yearly cash sweep (which will be used to prepay the Notes when the available cash is above €12 million half yearly).

- **Damovo Group Holdings Limited**

In order to put the refinancing into effect, any obligations and/or contingent liabilities that Damovo Group Limited may have in respect of its subsidiaries have been transferred to, and assumed by, the new ultimate parent of the Group, Damovo Group Holdings Limited.

The Group is pleased to have reached this agreement with Noteholders, particularly against the backdrop of the general economic environment and conditions in the credit markets, as the refinancing terms involve a significant reduction in the Group's external debt. As a result, Damovo will have a sustainable and affordable capital structure going forward which will permit the Group to continue to pursue its goal of profitable growth. Thus, directors believe, that satisfactory arrangements for the adequate financing of the business of the Company, until, at least 12 months from the signing date of these accounts, have been made and that therefore these financial statements are appropriately prepared on a going concern basis.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Damovo Group, which include those of the Company, are discussed on pages 5-6 of Damovo Group Limited consolidated group financial statements which do not form part of this report.

The key risk facing the Company is the impact any deterioration in financial performance of group undertakings would have on recoverability of balances due from those group undertakings.

Key performance indicators ("KPIs")

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

Directors

The directors who held office during the year and to the date of this report are set out on page 3.

DAMOVO CORPORATE SERVICES LIMITED

DIRECTOR'S REPORT (continued)

Auditors and disclosure of information to auditors

Each of the persons who is a director at the date of approval of this annual report confirms that

- So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- The directors have taken all the steps that they ought to have taken as directors in order to be made aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting

By order of the board



Salim Alam
Director
26 October 2012

DAMOVO CORPORATE SERVICES LIMITED

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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

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.

By order of the board



Salim Alam
Director
26 October 2012

DAMOVO CORPORATE SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAMOVO CORPORATE SERVICES LIMITED

We have audited the financial statements of Damovo Corporate Services Limited for the year ended 31 January 2012 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditor

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 (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 annual 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 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 January 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

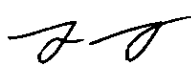
Opinion on other matter prescribed by the Companies Act 2006

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.

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.


James Boyle CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow, United Kingdom
29 October 2012

DAMOVO CORPORATE SERVICES LIMITED

INCOME STATEMENT

		Year ended 31 January 2012 £'000	Year ended 31 January 2011 £'000
	Notes		
Continuing operations			
Revenue	2	2 549	4,025
Administrative expenses		(3,273)	(3 015)
Non-recurring administrative expenses	3	(3 669)	(861)
Total administrative expenses		(6 942)	(3 876)
Operating (loss) / profit	4	(4,393)	149
Finance costs	6	(1,696)	(2,574)
Finance income	6	145	129
Net finance costs		(1,551)	(2,445)
Loss before taxation		(5,944)	(2,296)
Taxation	9	182	1
Loss for the year	18	(5,762)	(2,295)

All the activities of the Company are classed as continuing

The accompanying notes on pages 13 to 30 form part of these financial statements

DAMOVO CORPORATE SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 January 2012 £'000	Year ended 31 January 2011 £'000
Loss for the year before taxation	(5 944)	(2 296)
Taxation	182	1
Total comprehensive loss for the year	(5,762)	(2,295)

STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary shares £'000	Retained loss £'000	Total equity £'000
At 31 January 2010		-	(45,807)	(45,807)
Loss recognised in the income statement	18	-	(2,295)	(2 295)
Total comprehensive loss for the year		-	(2,295)	(2,295)
Issue of shares	17	687	-	687
At 31 January 2011		687	(48,102)	(47,415)
Loss recognised in the income statement	18	-	(5 762)	(5,762)
Total comprehensive loss for the year		-	(5,762)	(5,762)
At 31 January 2012		687	(53,864)	(53,177)


The accompanying notes on pages 13 to 30 form part of these financial statements

DAMOVO CORPORATE SERVICES LIMITED

BALANCE SHEET

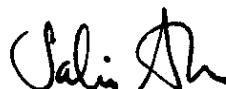
		As at 31 January 2012 £'000	As at 31 January 2011 £'000
	Notes		
Assets			
Non-current assets			
Intangible assets	11	85	99
Property, plant and equipment	10	87	111
Investments in subsidiary undertakings	22	5	5
Trade receivables and other debtors	13	-	32
		177	247
Current assets			
Trade receivables and other debtors	13	4,187	7 309
Cash and cash equivalents		426	605
		4,613	7,914
Total assets		4,790	8,161
Equity			
Share capital	17	687	687
Retained earnings	18	(53 864)	(48 102)
		(53,177)	(47,415)
Current liabilities			
Trade payables and other creditors	14	57,967	36,670
Provisions	16	-	303
		57,967	36,973
Non-current liabilities			
Trade payables and other creditors	14	-	18,603
		-	18,603
Total liabilities		57,967	55,576
Total equity and liabilities		4,790	8,161

The financial statements of Damovo Corporate Services Ltd , registered number 4134744, were approved by the Board of Directors on 26 October 2012 and were signed on its behalf by



Helen McCusker

Director



Salim Alam

Director

The accompanying notes on pages 13 to 30 form part of these financial statements

DAMOVO CORPORATE SERVICES LIMITED

CASH FLOW STATEMENT

		Year ended 31 January 2012 £'000	Year ended 31 January 2011 £'000
	Notes		
Cash flows from operating activities			
Cash used in operations	20	(183)	(1 170)
Interest paid		-	(132)
Interest received		7	-
Net cash used in operating activities		(176)	(1,302)
Cash flows from investing activities			
Purchase of property plant and equipment and Intangible assets	10 11	(3)	(114)
Net cash used in investing activities		(3)	(114)
Cash flows from financing activities			
Proceeds from share capital increase	17	-	687
Net cash generated from financing activities		-	687
Decrease in cash and cash equivalents		(179)	(729)
Movement in cash and cash equivalents			
Opening cash and cash equivalents		605	1 334
Net decrease in cash and cash equivalents		(179)	(729)
Cash and cash equivalents at end of year		426	605

The accompanying notes on pages 13 to 30 form part of these financial statements

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are applied consistently and are set out below

Basis of accounting

The financial statements of Damovo Corporate Services Limited, a limited liability company domiciled in the United Kingdom, have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union (EU). The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments in accordance with IAS 39 (Financial Instruments Recognition and Measurement) as explained below

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Going concern and financing arrangements

At 31 January 2012, the Company had current assets of £4,613,000 (2011: £7,914,000) and current liabilities of £57,967,000 (2011: £36,973,000). At the same date, the Company had amounts owing to other Damovo group companies of £55,350,000 (2011: £52,937,000) and amounts due from Damovo group companies (net of provision for doubtful debt) of £3,971,000 (2011: £7,050,000).

In forming our conclusion on going concern the directors have placed reliance on a letter of support provided by Damovo Group Limited. Under the terms of the Refinancing Deed which implemented the group refinancing detailed within the Director's Report, the new ultimate parent company of the Company is Damovo Group Holdings Limited which has assumed all actual and contingent liabilities of Damovo Group Limited which includes those in relation to the letter of support mentioned here.

Damovo Group Limited, the ultimate parent company of Damovo Corporate Services Limited, has confirmed in writing to the directors of the Company that it will seek to procure that its subsidiaries do not seek repayment of inter-company amounts owing by the Company such that the Company will be unable to meet its obligations to inter-company and external suppliers.

Although the directors are confident that Damovo Group Limited will be able to provide the necessary support, in the event that this is not forthcoming, then a number of options exist to the directors, such as negotiations with external suppliers, renegotiations with inter-company counter parties or the raising of additional finance.

On this basis the directors have concluded that the adoption of the going concern basis remains appropriate.

Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements:

Standards affecting the financial statements

Amendment to IFRS 7 Financial Instruments: Disclosures The amendment clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated financial assets. The impact of this amendment has been to reduce the level of disclosure provided on collateral that the entity holds as security on financial assets that are past due or impaired.

Standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but, with the exception of the improvements to IFRS 1, may impact the accounting for future transactions and arrangements.

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies (continued)

Standards not affecting the reported results nor the financial position (continued)

IAS 24 (2009) Related Party Disclosures The revised Standard has a new, clearer definition of a related party, with inconsistencies under the previous definition having been removed

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement The amendments now enable recognition of an asset in the form of prepaid minimum funding contributions

Aside from those items already identified above, the amendments made to standards under the 2010 improvements to IFRSs have had no impact on the Company

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

IFRS 1 (amended) Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

IFRS 7 (amended) Offsetting financial assets and financial liabilities

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

IAS 1 (amended) Presentation of Items of Other Comprehensive Income

IAS 12 (amended) Deferred Tax Recovery of Underlying Assets

IAS 19 (revised) Employee Benefits

IAS 27 (revised) Separate Financial Statements

IAS 28 (revised) Investments in Associates and Joint Ventures

IAS 32 (amended) Offsetting financial assets and financial liabilities

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods, except as follows

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments,
- IFRS 13 will impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures, and
- IAS 19 (revised) will impact the measurement of the various components representing movements in the defined benefit pension obligation and associated disclosures, but not the group's total obligation. It is likely that following the replacement of expected returns on plan assets with a net finance cost in the income statement, the profit for the period will be reduced and accordingly other comprehensive income increased

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed

Foreign currency translation

British Pounds Sterling (GBP) is the presentation currency of the Company's financial statements. GBP is used by the Company for conducting the majority of its business, and also for reporting its results

Where the Company carries out transactions in a different currency to its local one, the foreign currency amounts are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, such as trade receivables, trade payables and foreign currency bank accounts, are retranslated at the rate of exchange ruling at the end of the reporting period. All differences arising on translating these amounts are taken to the statement of comprehensive income in the period in which they occur

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation

Depreciation is charged on a straight-line basis over the estimated useful life of the assets based on the following rates

IT infrastructure and equipment	20%
Fixtures and fittings	20%

The book values of these assets are reviewed for impairment whenever changes in circumstances indicate those values may not be recoverable. If the book values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount is the greater of the estimated net sales price and the value in use. Value in use is calculated by discounting the estimated future cash flows arising from the asset's use to their present value.

Intangible assets

Intangible assets comprise software licences and trademarks and are stated at cost less amortisation. Amortisation is calculated on a straight-line basis over the shorter of the estimated useful life of the assets, or the length of the licences based on the following rates

Software licences	20 - 33%
Trademarks	5%

The book values of these assets are reviewed for impairment whenever changes in circumstances indicate those values may not be recoverable.

Revenue recognition

Revenue is the recharging of central support function costs to Damovo Group companies. These recharges include a profit element and depending upon the nature of the recharge, revenue is taken to the income statement when invoiced or in equal monthly instalments over the period for which the recharge relates.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and short-term deposits with an original maturity of three months or less.

Investments

Investments in subsidiary undertakings are recorded at cost less any provision for impairment.

Employee Benefits

Pensions and other post-employment benefits

The Company operates a defined contribution pension scheme for the benefit of all employees. The costs relating to this scheme are charged to the Income Statement account as they fall due. The Company provides no other post-retirement benefits to its employees.

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Non-recurring items

Items are classified as non-recurring income or expenses where they are considered by the Company to be material and are different from events or transactions which fall within the ordinary activities of the Company and which individually, or if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to be properly understood. Details of the non-recurring items are provided in note 3.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the Income Statement on a straight line basis over the term of the relevant lease.

The Company as a Lessee

Assets held under finance leases are recorded as assets of the Company at the date of acquisition at their fair value, or if lower, at the present value of the minimum lease payments. The corresponding liability is included in the Balance Sheet as a finance lease obligation. Finance costs are charged to the Income Statement over the term of the relevant lease, so as to achieve a constant rate on the finance balance outstanding.

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies (continued)

Financial risk management

A discussion of the Company's financial risk management objectives and policies and the exposure of the Group to liquidity, market and credit risk is included within note 12 to the financial statements

Derivative Financial Instruments

International Accounting Standard 39 (IAS 39) sets out requirements for the recognition and measurement of financial instruments, including derivatives and monetary assets and liabilities

Borrowings

Borrowings are recognised as the proceeds are received, net of transaction costs incurred

Debt issuance costs

Costs incurred in the issuance of debt instruments are capitalised and amortised over the maturity period of the debt to which the costs relate

Critical Accounting Judgements

In the application of the Company's accounting policies, which are described in this note, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Group Undertakings

The Company has fully provided for inter-company amounts receivable from Damovo Czech in the year to 31 January 2012 and in the year to 31 January 2011. It is assumed that all other amounts owed by and to group undertakings will be received and paid and therefore no provision has been made for these other amounts.

2 Revenue

The Company's revenue and operating loss relate entirely to its principal activities in the United Kingdom.

3 Non-recurring items

Items are classified as non-recurring when they are considered by the Company to be material and are different from events or transactions which fall within ordinary activities of the Company and which individually, or if of similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to be properly understood.

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Non-recurring items (continued)

Non-recurring items are made up of and have been charged / (credited) to the Income Statement as follows

	2012	2011
	£'000	£'000
Professional fees associated with 2007 restructuring of the Group	1,339	(72)
Write-down of investment in Damovo UK Finance II Ltd	2 188	-
Provision against inter-company receivable from Damovo Czech	61	869
Professional fees and taxes related to former group companies now in administration	-	-
Amortisation of re-financing expenses	81	64
Non-recurring items included in operating loss	3,669	861

4 Operating (profit) / loss

Operating (profit) / loss is stated after the following charges which require to be disclosed

		2012	2011
	Notes	£'000	£'000
Depreciation on assets			
- owned by the Company	10	27	18
Amortisation of intangible assets	11	14	13
Operating lease rentals payable			
- property		25	25
Currency translation losses	6	122	9

5 Auditor remuneration

	2012	2011
	£'000	£'000
Fees payable to the company's auditor for the audit of company financial statements	5	5
Fees payable to the company's auditor for other services		
- Non-audit services - taxation	74	-
	79	5

6 Finance costs and income

	2012	2011
	£'000	£'000
Bank charges	(8)	(13)
Group undertakings interest	(3,114)	(3 008)
Currency translation gains	1 426	447
Finance costs	(1,696)	(2,574)
Interest income from other group undertakings	145	129
Finance income	145	129

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. Finance costs and income (continued)

Currency translation gains / (losses)

	2012	2011
	£'000	£'000
Currency translation gains / (losses) included in		
-Operating (loss) / profit	(122)	(9)
-Finance costs	1 426	447
Total currency translation gains	1,304	438

Currency translation gains and losses relate to the translation of the transactions and balances that are not denominated in the Company's functional currency, the British Pound. The gain of £1,304,000 in the year ended 31 January 2012 (2011: £438,000) is primarily due to the appreciation of British Pound against the Euro.

7 Staff costs

		2012	2011
	Note	£'000	£'000
Wages and salaries		1,245	1,218
Social security costs		151	140
Pension costs – defined contribution plans	15	26	32
		1,422	1,390

The average number of employees in the year was 13 (2011: 13).

The total remuneration of the key management during the year was £813,000 (2011: £803,000) including contributions to defined contribution pension plans of £6,000 (2011: £4,000). Emoluments received by key management were for services to all group companies. Key management is defined as the Board of Directors and Chief Executive Officer.

8 Directors' and key management remuneration

	2012	2011
	£'000	£'000
Aggregate emoluments		
Aggregate emoluments (including benefits in kind)	807	799
Company pension contributions to money purchase scheme	6	4
	813	803
Highest paid director		
Aggregate emoluments (including benefits in kind)	240	230
Company pension contributions to money purchase scheme	-	-
	240	230

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 Taxation

	2012	2011
	£'000	£'000
Amount receivable from a group subsidiary in respect of group relief	182	1
Total Tax	182	1

Reconciliation of income taxes

The tax charge on the Company's loss before tax has been based on the average UK tax rate of 26.33% (2011 28%). The rate of corporation tax in the UK reduced to 24% from 26% from 1 April 2012.

A reconciliation of the effective tax rate for the current year tax charge is set out as below:

	2012	2011
	£'000	£'000
Loss before tax	(5,944)	(2,296)
Tax calculated at 26.33% (2011 28%)	1,565	643
(Expenses)/income not deductible for tax purposes	(1,496)	(915)
Deferred tax not recognised	(69)	249
Adjustments in respect of previous periods	182	24
Tax credit	182	1

Deferred tax assets

The Company has an unrecognised deferred tax asset as noted below. It is not probable that taxable profits will be generated in the foreseeable future, against which deductible temporary differences and tax losses carried forward can be utilised.

	2012	2011
	£'000	£'000
Depreciation in excess of capital allowances	4,938	5,259
Short term timing differences	133	138
Tax losses carried forward	2,786	2,831
Deferred tax asset not recognised	7,857	8,228

The deferred tax asset of the Company has been calculated at 25% (2011 26%).

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 Property, plant and equipment

	IT infrastructure & equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost			
As at 31 January 2011	12 730	379	13 109
Additions in the year	3	-	3
As at 31 January 2012	12,733	379	13,112
Accumulated depreciation			
As at 31 January 2011	12,619	379	12,998
Depreciation charge for the year	27	-	27
As at 31 January 2012	12,646	379	13,025
Net book value			
As at 31 January 2011	111	-	111
As at 31 January 2012	87	-	87

11 Intangible assets

	Software licences £'000	Other intangibles £'000	Total £'000
Cost			
As at 31 January 2011	56	141	197
Additions in the year	-	-	-
Disposals	-	-	-
As at 31 January 2012	56	141	197
Amortisation			
As at 31 January 2011	33	65	98
Amortisation for the year	7	7	14
Disposals	-	-	-
As at 31 January 2012	40	72	112
Net book value			
As at 31 January 2011	23	76	99
As at 31 January 2012	16	69	85

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 Financial risk management

Financial liabilities

Financial liabilities as defined by International Accounting Standard 39 (IAS 39) comprise trade payables and certain other creditors. The combined carrying value as at 31 January 2012 is £57,917,000 (2011 £55,227,000).

Of these a total of £30,246,000 (2011 £30,173,000) is interest bearing and has an interest rate profile as follows:

	Fixed	Floating	Total
As at 31 January 2012	£'000	£'000	£'000
Intercompany loans	17,149	13,097	30,246
	17,149	13,097	30,246

	Fixed	Floating	Total
As at 31 January 2011	£'000	£'000	£'000
Intercompany loans	16,659	13,514	30,173
	16,659	13,514	30,173

The floating rate liabilities of £12,910,000 (2011 £13,325,000) reprice every six months and £187,000 (2011 £189,000) every three months.

The carrying amounts of trade payables, accruals and other liabilities approximate their fair value due to the short maturity of these balances.

Financial assets

Financial assets as defined by IAS 39 comprise cash, trade receivables and certain other debtors. The combined carrying value as at 31 January 2012 is £4,398,000 (2011 £7,659,000). Of this total, cash of £426,000 (2011 £605,000) earns interest at the bank variable rate.

Derivative financial instruments

IAS 39 sets out requirements for the recognition and measurement of financial instruments, including derivatives and monetary assets and liabilities. The Company, from time to time, will enter into derivative financial instruments to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each Balance Sheet date.

The resulting gain or loss is recognised in the Income Statement immediately. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk (currency risk, cash flow interest rate risk), credit risk and liquidity risk. The overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Company. The Company does not undertake any speculative treasury activities.

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 Financial risk management (continued)

Market risk

Foreign exchange management

The Company operates primarily in the UK however there is some foreign exchange risk mainly associated with the Euro as a result of the majority of inter-company transactions within the Damovo Group being undertaken in the Euro

The risks arising from operational activities are generally short term in nature, and the Company's policy is to manage this through matching of cash flows in the relevant currencies. Gains and losses on these activities are fully reflected in the Income Statement of the period in which they arise

Part of the Company's debt is denominated in Euros and the Company is exposed to foreign exchange translation risk on that debt. This translation also gives rise to a movement in reserves as a result of movements in the exchange rates. For every 10 per cent movement in the Euro, there is an approximate movement in equity of £4,819,000 (2011 £5,363,000)

Interest rate management

Interest rate risk management is governed by the interest rate risk on the Company's inter-company loans

The following Company's inter-company debt facilities carry variable interest terms

Interest rate	Inter-company balance £'000
3 mth EUR LIBOR +1%	187
6 mth EURIBOR + 8%	12,910
	13,097

The interest rate risk is unhedged. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. The Company simulates interest rate movements based on the impact on profit and loss of a 200 basis point shift, which would be a maximum increase or decrease of £262,000 (2011 £270,268)

Liquidity risk

The Company is financed through a mix of long and short term finance. The liabilities of the Company are primarily amounts owed to Damovo group undertakings. Full details are given in note 14. The outstanding payables owed to group undertakings are not considered to be a significant liquidity risk. The Company's liquidity risk management policy requires that sufficient cash is maintained to meet short term external funding requirements

The following table summarises the ageing of the liquidity risk

	Amounts owed to group undertakings £'000	Trade payables £'000	Accruals £'000	Social security and other taxes £'000	Total £'000
Due as at 31 January 2012					
Less than 1 month	36,319	250	2,317	50	38,936
Within 6 months	19,031	-	-	-	19,031
	55,350	250	2,317	50	57,967

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 Financial risk management (continued)

Credit risk

Credit risk arises from cash, cash equivalents, outstanding receivables and committed transactions. The Company holds minimal cash and cash equivalents, and the outstanding receivables are owed by group undertakings that are not considered to be a significant credit risk.

13 Trade receivables and other debtors

	2012	2011
	£'000	£'000
Amounts falling due after more than one year		
Deferred expenses	-	32
Amounts falling due within one year		
Amounts owed by group undertakings	7,794	10,813
Provision for bad and doubtful debts - group undertakings	(3,823)	(3,763)
Amounts owed by other Damovo Group companies - net	3,971	7,050
Trade receivables	7,736	7,953
Trade receivables - provision for bad and doubtful debts	(7,736)	(7,953)
	3,971	7,050
Prepayments and accrued income	143	146
Sales taxes	54	43
Deferred expenses	15	64
Other debtors	17,354	17,130
Other debtors - provision for bad and doubtful debts	(17,350)	(17,124)
	4,187	7,309

All amounts owed by group undertakings are repayable on demand. £1,725,000 (2011: £1,780,000) bears interest at a rate of 7.15% p.a. All other amounts owed by group undertakings of £6,069,000 (2011: £9,033,000) are non-interest bearing. Amounts owed by group undertakings include balances with Damovo Czech, which are provided for in full at £3,823,000 (2011: £3,763,000). Trade receivables and other debtors include fully provided for balances owed by former group undertakings: Enterprise Digital Architects SpA, Damovo Group S.A. and Damovo III S.A.

The carrying amounts of trade receivables and other debtors are equal to their fair values. As at 31 January 2012, trade receivables and other debtors of £28,909,000 (2011: £28,841,000) were impaired and fully provided for.

The impaired receivables are as follows:

	2012	2011
	£'000	£'000
Due as at 31 January		
Group undertakings		
Damovo Ceska Republika s r o	3,823	3,763
Former group undertakings		
Enterprise Digital Architects SpA	6,695	6,878
Damovo Group S.A.	6,094	6,290
Damovo III S.A.	11,323	11,686
	24,112	24,854
Deposit with a group supplier	134	134
Administration fees and costs paid in advance	840	90
	28,909	28,841

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 Trade receivables and other debtors (continued)

These receivables are due as follows

	2012	2011
	£'000	£'000
Due as at 31 January		
Less than 1 month	28,909	28,841
	28,909	28,841

As at 31 January 2012 accounts receivable of £2,727,000 (2011 £2,844,000) were past due, but not impaired. These relate to trading receivable amounts from current Damovo group undertakings. The ageing analysis of these receivables is as follows:

	2012	2011
	£'000	£'000
less than 3 months	112	127
3 to 6 months	165	42
Over 6 months	2,450	2,675
	2,727	2,844

The carrying amounts of receivables are denominated in the following currencies:

	2012	2011
	£'000	£'000
GBP	512	440
EUR	2,835	5,427
USD	840	1,442
	4,187	7,309

Movement on the provision for impaired trade and other receivables was due to its foreign currency exchange revaluation, the Administration fees and costs paid in advance and the Damovo Czech provision and is as follows:

	£'000
At 1 February 2011	28,841
Foreign currency revaluation	(866)
Increase in provision	934
At 31 January 2012	28,909

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the Balance Sheet date is the fair value of each class of receivables mentioned above. The Company does not hold any collateral as security.

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14 Trade payables and other creditors

Current

	2012	2011
	£'000	£'000
Trade payables	250	307
Amounts owed to group undertakings	55 350	34 334
Accruals	2 317	1 984
Social security and other taxes	50	45
	57,967	36,670

Non-current

	2012	2011
	£'000	£'000
Amounts owed to group undertakings	-	18 603
	-	18,603

£36,319,000 (2011 £34,334,000) of the amounts owed to group undertakings are repayable on demand, £19,031,000 (2011 Nil) is repayable within 1 year and £Nil (2011 £18,603,000) is repayable within 2 years

£6,533,000 bears interest at a rate 7.5% p.a. (2011 £6,617,000), £10,616,000 bears interest at a rate 11.125% p.a. (2011 £10,042,000), £12,910,000 (2011 £13,325,000) at a rate of 6 month EURIBOR + 8% p.a., £187,000 (2011 £189,000) at a rate of BBA 3 month EURLIBOR + 1% margin p.a. All other amounts owed to group undertakings are non-interest bearing

15 Employee benefits

Defined contribution plan

The Group operates defined contribution pension plans for eligible employees. Contributions are paid by the member and/or the employer at fixed rates. The benefits secured at retirement or death reflect each employee's accumulated fund and the cost of purchasing benefits at that time.

The charge for the year represents the employer's contribution at the Balance Sheet date. The charge to the Income Statement for defined contribution plans was £26,000 (2011 £32,000).

16 Provisions

Likely future legal and professional fees of £Nil (2011 £303,000) associated with the 2007 reorganisation of the Group have been fully provided.

17 Ordinary shares

	2012	2011
	£	£
Authorised		
686 973 Ordinary shares of £1	686 973	686 973
Allotted, called up and fully paid		
686 973 Ordinary shares of £1	686 973	686 973

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 Reserves

The reserves of the Company are shown below and reflect the transactions shown in the Income Statement and Statement of Changes in Equity

	Retained earnings
	£'000
As at 31 January 2010	(45,807)
Loss for the year	(2,295)
As at 31 January 2011	(48,102)
Loss for the year	(5,762)
As at 31 January 2012	(53,864)

19 Commitments and contingencies

Financial commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2012	2011
	£ 000	£'000
Within 1 year	14	25
Between 2 and 5 years	-	4
	14	29

Subsequent to the balance sheet date, the Company's sub-lease agreement was extended, as detailed in note 24 'Post balance sheet events'

The Company is a joint guarantor, together with fellow Damovo Group undertakings, of the €358M senior secured fixed and floating rate notes issued on 22 April 2005 by its previously associated company Damovo III S A. The Company has pledged the shares of its directly held subsidiaries as security for its guarantee obligations. 99.2% of the €358M notes are now held by Damovo Holdings S a r l, a subsidiary of the Company's ultimate parent undertaking, Damovo Group Limited.

The Company is a joint guarantor, together with fellow Damovo Group undertakings, of the €50M Loan Notes issued in January 2007 by previously affiliated Damovo III S A. During July 2012, the €50M Loan Notes were subsequently re-financed and for more details please refer to note 24 'Post balance sheet events'.

Except for the guarantees noted above, there are no contingent liabilities at 31 January 2012.

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

20 Cash generated from operations

	Notes	2012 £'000	2011 £'000
Continuing operations			
Loss before tax		(5 944)	(2,295)
Adjustments for:			
- Depreciation and amortisation	4	41	31
- Currency translation gain	4, 6	(1 304)	(438)
- Interest income	6	(137)	(129)
- Interest expense	6	3 112	3 008
Operating cash flows before movement in working capital		(4,232)	177
- Decrease in trade receivables and other debtors		3 240	284
- (Decrease) / increase in trade payables and other creditors		1,112	(633)
- (Decrease) in provisions		(303)	(998)
Cash used in operations		(183)	(1,170)

21. Related party transactions

	2012 £'000	2011 £'000
Damovo group companies		
Sales of services to fellow group companies during the period	2 549	4,025
Purchases of services from fellow group companies during the period	(395)	(595)
Amounts receivable from other group undertakings	3,971	7 050
Amounts payable to other group undertakings	(55,350)	(52 937)

The Company charges other Damovo group companies for providing central management services

Interest income and expense from related party transactions is disclosed at note 6, 'Finance costs and income'

The Company purchases services from other Damovo group companies in relation to running the central head office function

Directors' and key management remuneration

The remuneration of the directors' and key management is set out at the note 8 'Directors' and key management remuneration'

22 Investments in subsidiary undertakings

	Country of incorporation	% owned	31 January 2012 Carrying value £'000	31 January 2011 Carrying value £'000
Damovo Mexico SA de CV	Mexico	0.25%	5	5
Damovo UK Finance II Ltd	UK	100%	-	-
Total			5	5

The Company investment in Damovo UK Finance II Ltd is 2,188,057 ordinary shares of £1 each. During the year, the Company capitalised an intercompany receivable loan of EUR 2,533,000 which was receivable from Damovo UK Finance II Limited. The effect of this capitalisation was to increase the Company's shareholding in Damovo UK Finance II Limited however this investment was subsequently impaired to a carrying value of £Nil. The charge to the Income Statement for this impairment is detailed at note 3, 'Non-recurring items'.

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22 Investments in subsidiary undertakings (continued)

The principal activity of Damovo UK Finance II Ltd is to lend finance to, and borrow finance from, other Damovo group companies

The principal activity of Damovo Mexico SA de CV is installation and servicing of information technology and telecommunication systems

23 Ultimate parent undertaking

The ultimate parent undertaking at 31 January 2012 and the largest group of which the Company is a member, was Damovo Group Limited, a Cayman Islands based company. Consolidated financial statements of the Group for the period ended 31 January 2012 are available to the public and may be obtained from the registered office of Damovo Group Limited, 87 Mary Street, George Town, Grand Cayman, KY 1-9002, Cayman Islands

24 Post balance sheet events

Subsequent to the Balance Sheet date, on 18 July 2012, Investors of the Damovo Group formally agreed the group refinancing and the main terms are as follows

- **Debt for Equity Swap**

The Loan Notes plus accrued interest of €59 million as at 17 April 2012 were converted into

- €20 million of Senior Secured Notes due 31 December 2014,
- €10 million of Convertible Notes due 31 December 2020,
- €29 million of Subordinated Notes. The Noteholders have transferred 100% of the Subordinated Notes to a Newco in return for Shares in Newco. The Subordinated Notes will therefore become intra-group debt. The name of this Newco is Damovo Group Holdings Limited ("DGHL")

As a result, as at 18 July 2012, Noteholders now hold €20 million of Senior Secured Notes and €10 million of Convertible Notes. The Shares of Damovo Group Holdings Limited have been issued to the Noteholders (as to 90%) and to management (as to 10%)

- **Senior Secured Notes**

Interest on the Senior Secured Notes will accrue at 12% from 17 April 2012, and will be paid in cash on 31 July 2012. Thereafter, interest payment dates will fall on 31 January and 31 July in each year up to and including the final redemption date of 31 December 2014

- **Convertible Notes**

The Convertible Notes will accrue interest until maturity at 5% p.a., which will be capitalised, so no cash pay of the coupon is required. The holders of 75% or more will have the right to "convert" all, but not some only, of the Convertible Notes at any time on or after 1 January 2019 on the same terms as the Subordinated Notes. The €29 million Subordinated Notes have been exchanged for 100,000 shares and the Convertible Notes (on the assumption there is no pre-payment) will convert at the rate of 10 Newco shares per €2,905.10 of Convertible Notes. principal Capitalised interest will be converted at the same rate, unless paid in cash (at the option of the Company)

- **Financial Covenants**

Customary financial and non-financial covenants are in place, which include a quarterly available cash balance, a quarterly last twelve months EBITDA test and a half yearly cash sweep (which will be used to prepay the Notes when the available cash is above €12 million half yearly)

- **Damovo Group Holdings Limited**

In order to put the refinancing into effect, any obligations and/or contingent liabilities that Damovo Group Limited may have in respect of its subsidiaries have been transferred to, and assumed by, the new ultimate parent of the Group, Damovo Group Holdings Limited

DAMOVO CORPORATE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

24 Post balance sheet events (continued)

The Group is pleased to have reached this agreement with Note Holders, particularly against the backdrop of the general economic environment and conditions in the credit markets, as the refinancing terms involve a significant reduction in the Group's external debt. As a result, Damovo will have a sustainable and affordable capital structure going forward which will permit the Group to continue to pursue its goal of profitable growth. To the best of their knowledge and belief, the board of managers of the Company, based on their trading and cash flow forecasts, anticipate that the Group will generate sufficient cash resources in order to be able to fulfil its obligations towards the Noteholders as and when they fall due.

Financial commitments

On 15 August 2012, the Company's sub-lease agreement was extended until 30 June 2014. All other terms of the sub-lease agreement remain unchanged.