Securetrading Group Limited

Directors' report and financial statements

Registered number 4586150

31 December 2011

Contents

Directors' report

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

Principal activity and review of the business

The principal activity of the Group is the development and operation of value-added payment services for companies which trade over the internet During the year the company has provided its services to an increasing number of diverse clients across all market sectors, and in particular has developed unique solutions for payment processing, transaction management and financial control in high-risk market sectors These services include risk management, fraud detection and prevention as well as cash management and reconciliation services provided in association with a leading firm of accountants

Most of the Group's systems and services are proprietary and are developed and operated by Securetrading Limited, which also runs the Group's data centres Securetrading Limited is engaged in a continuous research and development programme to enhance the core operational platform, which is owned by Securetrading Group Limited Further significant developments are planned for the coming year

Description of principal risks and uncertainties

The turnover of the group consists of income from the provision of electronic payment services Sales are dependent on the group being able to continually offer its customers cost-effective, versatile and reliable products and complying with ever changing demands of the environment in which it operates, including changes in global government and regulatory policies around the world

The group as it adapts to global changes in its markets, needs to ensure that it can maintain strong internal controls and procedures

The group's principal financial instruments comprise cash in liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the group's operations

The main risk arising from the group's financial instruments is liquidity risk The group finances its operations through a mixture of share capital, funds from its parent company, retained profits and income from sales Liquidity risk is managed by maintaining a balance between continuity of funding and flexibility through the use of short-term deposits when surplus funds are available

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to purchasing authorities and the regular monitoring of amounts outstanding for both time and credit limits

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due

Foreign currency risk is the risk that the group will sustain losses through adverse movements in currency exchange rates The group's business is impacted through its exposure to some of its fee income being in US dollars and Euros

Results and dividends

The consolidated profit and loss account for the year is set out on page 6 The directors do not recommend payment of a dividend

Directors' report *(continued)*

	2011	2010
	£	£
Donations		
During the year the group made the following payments		
Political donations to EU parties and organisations	-	30,000
Charitable donations	740	1,925

In 2010, the recipients and amounts of the political donations made by the company are as follows

Labour Party - £30,000

Directors

The following directors have held office since 1 January 2011 unless otherwise stated

J A Paulsen
R J Robinson (resigned 14 September 2011)
D I Holden (appointed 14 September 2011)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

J A Paulsen
Director

Sundridge Park Manor
Willoughby Lane
Bromley
Kent
BR1 3FZ

23 May 2012

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group 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, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

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

KPMG

1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Independent auditor's report to the members of Securetrading Group Limited

We have audıted the group and parent company financıal statements (the "financıal statements") of Securetradıng Group Lımıted for the year ended 31 December 2011 set out on pages 6 to 21 The financıal reportıng framework that has been applıed ın theır preparatıon ıs applıcable law and Unıted Kıngdom Accountıng Standards (Unıted Kıngdom Generally Accepted Accountıng Practıce)

Thıs report ıs made solely to the company's members, as a body, ın accordance wıth Chapter 3 of Part 16 of the Companıes Act 2006 Our audıt work has been undertaken so that we mıght state to the company's members those matters we are requıred to state to them ın an audıtor's report and for no other purpose To the fullest extent permıtted by law, we do not accept or assume responsıbılıty to anyone other than the company and the company's members as a body, for our audıt work, for thıs report, or for the opınıons we have formed

Respectıve responsıbılıtıes of dırectors and audıtors

As explaıned more fully ın the Dırectors' Responsıbılıtıes Statement set out on page 3, the dırectors are responsıble for the preparatıon of the financıal statements and for beıng satısfied that they gıve a true and faır vıew Our responsıbılıty ıs to audıt, and express an opınıon, on the financıal statements ın accordance wıth applıcable law and Internatıonal Standards on Audıtıng (UK and Ireland) Those standards requıre us to comply wıth the Audıtıng Practıces Board's Ethıcal Standards for Audıtors

Scope of the audıt of the financıal statements

An audıt ınvolves obtaınıng evıdence about the amounts and dısclosure ın the financıal statements suffıcıent to gıve reasonable assurance that the financıal statements are free from materıal mısstatement, whether caused by fraud or error Thıs ıncludes an assessment of whether the accountıng polıcıes are approprıate to the group's and the company's cırcumstances and have been consıstently applıed and adequately dısclosed, the reasonableness of sıgnıficant accountıng estımates made by the dırectors and the overall presentatıon of the financıal statements

Opınıon on financial statements

In our opınıon the financıal statements

- gıve a true and faır vıew of the state of the group's and parent company's affaırs as at 31 December 2011 and of the group's loss for the year ended,
- have been properly prepared ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce, and
- have been prepared ın accordance wıth the requırements of the Companıes Act 2006

Independent Auditors' Report to the members of Securetrading Group Limited
(continued)

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 been kept by the parent company, or returns adequate for us our audit have 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

S Muncey

S Muncey (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

23 May 2012

Consolidated profit and loss account
for the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	2	**10,451,526**	10,971,545
Cost of sales		**(3,697,315)**	(3,565,950)
Gross profit		**6,754,211**	7,405,595
Other operating income	2	**500,000**	-
Administrative expenses excluding exceptional costs	3	**(6,091,784)**	(8,194,236)
Exceptional costs	3	**(2,535,943)**	(638,901)
Total administrative expenses		**(8,627,727)**	(8,833,137)
Operating loss	3	**(1,373,516)**	(1,427,542)
Other interest receivable and similar income		**167**	338
Interest payable and similar charges	4	**(572)**	(23)
Loss on ordinary activities before taxation	5	**(1,373,921)**	(1,427,227)
Tax on loss on ordinary activities		**(487,698)**	464,090
Loss on ordinary activities after taxation		**(1,861,619)**	(963,137)

The profit and loss account has been prepared on the basis that all operations are continuing operations

The notes on pages 11 to 21 form part of these financial statements

Consolidated balance sheet
at 31 December 2011

	Note	**Group 2011 £**	**Company 2011 £**	Group 2010 £	Company 2010 £
Fixed assets					
Intangible assets	*7*	**469,331**	**412,933**	331,822	331,822
Tangible assets	*8*	**150,111**	**3,233**	111,919	5,961
Investments	*9*	**-**	**270,853**	-	270,853
		619,442	**687,019**	443,741	608,636
Current assets					
Debtors	*10*	**10,896,123**	**7,722,502**	12,729,934	6,423,591
Cash at bank and in hand		**1,877,604**	**29**	3,485,007	65,430
		12,773,727	**7,722,531**	16,214,941	6,489,021
Creditors: amounts falling due within one year	*11*	**(14,158,053)**	**(14,549,949)**	(15,543,835)	(8,903,653)
Net current assets/(liabilities)		**(1,384,326)**	**(6,827,418)**	671,106	(2,414,632)
Provisions	*12*	**(7,902)**	**-**	-	-
Total assets less current liabilities		**(772,786)**	**(6,140,399)**	1,114,847	(1,805,996)
Capital and reserves					
Called up share capital	*14*	**9,500**	**9,500**	9,500	9,500
Share premium account	*15*	**1,777,293**	**1,777,293**	1,777,293	1,777,293
Profit and loss account	*15*	**(2,559,579)**	**(7,927,192)**	(671,946)	(3,592,789)
Shareholders' funds / (deficit)	*16*	**(772,786)**	**(6,140,399)**	1,114,847	(1,805,996)

These financial statements were approved by the board of directors on 23 May 2012 and were signed on its behalf by

J A Paulsen
Director

Company number 04586150

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2011

	2011 £	2010 £
Loss for the financial year	**(1,861,619)**	(963,137)
Loss on foreign currency translation of reserves	**(26,014)**	-
Total recognised gains and losses relating to the financial year	**(1,887,633)**	(963,137)

Consolidated cash flow statement
for the year ended 31 December 2011

	Note	2011 £	2010 £
Net cash (outflow)/inflow from operating activities	*1*	**(2,151,323)**	2,350,257
Returns on investments and servicing of finance			
Interest received		**167**	338
Interest paid		**(572)**	(23)
Net cash (outflow)/inflow for returns on investments and servicing of finance		**(405)**	315
Taxation		**231,770**	1,690
Capital expenditure			
Payments to acquire tangible assets		**(139,187)**	(79,196)
Payments to acquire intangible assets		**(317,893)**	-
Net cash outflow for capital expenditure		**(457,080)**	(79,196)
Net cash (outflow)/inflow before management of liquid resources and financing		**(2,377,038)**	2,273,066
Financing			
Repayment of other short terms loans		-	(604,507)
Net cash outflow from financing		-	(604,507)
(Decrease)/increase in cash in the year		**(2,377,038)**	1,668,559

Notes to the consolidated cash flow statement for the year ended 31 December 2011

1 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	2011 £	2010 £
Operating loss	(1,373,516)	(1,427,542)
Depreciation of tangible assets	100,995	77,342
Amortisation of intangible assets	180,384	180,384
Decrease /(increase) in debtors	1,602,041	(4,656,321)
(Decrease)/increase in creditors within one year	(2,661,227)	8,176,394
Net cash (outflow)/inflow from operating activities	**(2,151,323)**	2,350,257

2 Analysis of net funds

	1 January 2011 £	Cash flow £	Other non-cash changes £	31 December 2011 £
Net cash				
Cash at bank and in hand	3,485,007	(1,607,403)	-	**1,877,604**
Bank overdrafts	-	(769,635)	-	**(769,635)**
Net funds	3,485,007	(2,377,038)	-	**1,107,969**

3 Reconciliation of net cash flow to movement in net funds

	2011 £	2010 £
(Decrease)/increase in cash in the year	**(2,377,038)**	1,668,559
Cash outflow from decrease in debt	-	604,507
Movement in net funds in the year	**(2,377,038)**	2,273,066
Opening net funds	**3,485,007**	1,211,941
Closing net funds	**1,107,969**	3,485,007

Notes to the financial statements
(formıng part of the financial statements)

1 Accounting polıcıes

A summary of the prıncıpal accountıng polıcıes, all of whıch have been applıed consıstently throughout the year and precedıng year, ıs set out below

Accountıng conventıon

The financıal statements are prepared under the hıstorıcal cost conventıon

Goıng concern

Notwıthstandıng net current lıabılıtıes of £1,384,326 at the year end, the dırectors, havıng revıewed forecasts and made enquırıes, are satısfied that they have a reasonable expectatıon that the group has adequate resources to contınue ın operatıonal exıstence for the foreseeable future For thıs reason, they contınue to adopt the goıng concern basıs ın preparıng the financıal statements

Compliance wıth accountıng standards

The financıal statements are prepared ın accordance wıth applıcable Unıted Kıngdom Accountıng Standards (Unıted Kıngdom Generally Accepted Accountıng Practıce), whıch have been applıed consıstently (except as otherwıse stated)

Basıs of consolıdation

The consolıdated profit and loss account and balance sheet ınclude the financial statements of the company and ıts subsıdıary undertakıngs made up to 31 December 2011 The results of subsıdıarıes sold or acquıred are ıncluded ın the profit and loss account up to, or from the date control passes Intra-group sales and profits are elımınated fully on consolıdatıon

Turnover

Turnover represents a mounts receıvable for servıces provıded ın the normal course of busıness Revenue ıs recognısed ın lıne wıth accrual accountıng based on fees receıved for servıces provıded durıng the financıal year.

Goodwıll

Goodwıll arısıng on the acquısıtıon of subsıdıary undertakıngs and busınesses, representıng any excess of the faır value of the consıderatıon gıven over the faır value of the ıdentıfiable assets and lıabılıtıes acquıred, ıs capıtalısed and wrıtten off on a straıght lıne basıs over ıts estımated useful economıc lıfe, subject to a maxımum of 20 years Provısıon ıs made for any ımpaırment

Patents

Patents are valued at hıstorıc cost Patents have a finıte lıfe and are carrıed at cost less accumulated amortısatıon Amortısatıon ıs calculated to wrıte off the cost ın equal annual ınstalments over theır estımate useful lıves (20 years)

Impaırment of non-financial assets

The company assess at each reportıng date whether an asset may be ımpaıred If any such ındıcator exısts the entıty test for ımpaırment by estımatıng the recoverable amount If the recoverable amount ıs less than the carryıng value of an asset an ımpaırment loss ıs requıred Assets wıth ındefinıte lıves are tested for ımpaırment annual

Research and development

Research expendıture ıs wrıtten off to the profit and loss account ın the year ın whıch ıt ıs ıncurred Development expendıture ıs wrıtten off ın the same way unless the dırectors are satısfied as to the technıcal, commercıal and financıal vıabılıty of ındıvıdual projects In thıs sıtuatıon, the expendıture ıs deferred and amortısed over the perıod durıng whıch the company ıs expected to benefit

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment, where impairment is expected to be permanent Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Computer hardware, software and websites	-	over 2 and 3years
Fixtures, fittings and equipment	-	over 3 years

Investments

Fixed asset investments are stated at cost less provision for diminution in value

Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year

Taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes The deferred tax balance has not been discounted

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction All differences are taken to profit and loss account The results of overseas operations are translated at average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date

Cash held on deposit

Cash is held on deposit in respect of certain customer electronic payment transaction where there is a higher than normal risk of loss to the payment processor This cash is held for a fixed period to protect the company and its financial service providers and is return to the customer to the extent the deposit is not used Cash held on deposit under these "rolling reserve" arrangements is recorded on the balance sheet as cash, with an equal liability for the amount held

Exceptional items

Material expenditure that falls within the ordinary activities of the group but which is considered exceptional, by virtue of their size or incidence, is recognised within the statutory format classification to which they relate and disclosed as necessary on the face of the profit and loss account and in the notes to the financial statements

2 Turnover

The total turnover of the group for the year has been derived from its principal activity undertaking in the United Kingdom

Other operating income derives from software development services

Notes *(continued)*

3 Operating loss

	2011 £	2010 £
Operating loss is stated after charging		
Depreciation of intangible assets	**180,384**	180,384
Depreciation of tangible assets	**100,995**	77,342
Intragroup management charges	**1,543,540**	3,178,164
Exceptional costs –Strategic software and global development costs	**2,535,943**	638,901
And after crediting		
Profit on foreign exchange transactions	**(41,827)**	(143,913)

Exceptional costs incurred are strategic software and global development costs The group is actively building its international technology capabilities, supported by its global patent applications, to enter new and developing markets These costs are separate to the underlying trading business, and are seen by the Board as continuing in the medium to long-term as the group deploys its strategy

Auditors' remuneration in respect of these financial statements of £5,000 has been borne by the parent company

4 Interest payable

	2011 £	2010 £
On bank loans and overdrafts	**572**	23

5 Taxation

	2011 £	2010 £
Corporation tax charge		
Current tax credit	**(356,434)**	(1,690)
Adjustments in respect of prior period	**(231,770)**	-
	(588,204)	(1,690)
Deferred tax		
Deferred tax charge/(credit)	**1,075,902**	(462,400)
Total tax charge/(credit)	**487,698**	(464,090)

Notes *(continued)*

5 Taxation *(continued)*

	2011 £	2010 £
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	**(1,373,921)**	(1,427,227)
Loss on ordinary activities before taxation multiplied by standard rate of UK Corporation tax of 26 5% *(2010 28%)*	**(364,089)**	(399,624)
Effects of:		
Non deductible expenses	**77,525**	102,106
Enhanced R&D credit	**(900,302)**	-
Difference between depreciation and capital allowances	**(10,624)**	(10,020)
Impact of rate difference between deferred and current tax	**1,719**	-
Standard timing differences	**1,714**	-
Tax losses utilised	**-**	(40)
Foreign tax adjustments	**54,555**	-
Other tax adjustments	**-**	36,921
Losses	**27,428**	268,967
Losses surrendered for R&D tax credit	**755,640**	-
Prior period adjustment	**(231,770)**	-
	(224,115)	397,934
Current tax (credit)	**(588,204)**	(1,690)

Factors that may affect future current and total tax charges

On 23 March 2011 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 26% with effect from 1 April 2011 This tax change became substantively enacted on 29 March 2011 A further reduction in the main rate of UK corporation tax to 25% per cent will take effect from 1 April 2012 This change became substantively enacted on 5 July 2011 and therefore the effect of the rate reduction on the deferred tax balances as at 31 December 2011 has been included in the figures above

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above The overall effect of the further reductions from 25% to 23%, if these are applied to the deferred tax balance at 31 December 2011 would be to further reduce the deferred tax liability by approximately £158

6 Loss for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements The loss for the financial year is made up as follows

	2011 £	2010 £
Holding company's loss for the financial year	**(4,334,403)**	(2,663,741)

Notes *(continued)*

7 Intangible fixed assets

Group	Goodwill	Development Costs	Total
	£	£	£
Cost			
At 1 January 2011	1,771,072	-	1,771,072
Additions	-	317,893	317,893
At 31 December 2011	1,771,072	317,893	2,088,965
Amortisation			
At 1 January 2011	1,439,250	-	1,439,250
Charge for the year	180,384	-	180,384
At 31 December 2011	1,619,634	-	1,619,634
Net book value			
At 31 December 2011	**151,438**	**317,893**	**469,331**
At 31 December 2010	331,822	-	331,822

Company	Goodwill	Development Costs	Total
	£	£	£
At 1 January 2011	1,771,072	95,547	1,866,619
Additions	-	261,495	261,495
Disposals	-	(95,547)	(95,547)
	1,771,072	261,495	2,032,567
Amortisation			
At 1 January 2011	1,439,250	95,547	1,534,797
Charge for the year	180,384	-	180,384
Released on disposal		(95,547)	(95,547)
At 31 December 2011	1,619,634	-	1,619,634
Net book value			
At 31 December 2011	**151,438**	**261,495**	**412,933**
At 31 December 2010	331,822	-	331,822

Notes *(continued)*

8 Tangible fixed assets

Group	Computer hardware, software and websites £	Fixtures, fittings & equipment £	Total £
Cost			
At 1 January 2011	873,277	99,232	972,509
Additions	139,187	-	139,187
At 31 December 2011	1,012,464	99,232	1,111,696
Depreciation			
At 1 January 2011	776,378	84,212	860,590
Charge for the year	90,655	10,340	100,995
At 31 December 2011	867,033	94,552	961,585
Net book value			
At 31 December 2011	**145,431**	**4,680**	**150,111**
At 31 December 2010	96,899	15,020	111,919

Company	Computer hardware, software and websites £	Fixtures, fittings & equipment £	Total £
Cost			
At 1 January 2011	264,309	14,538	278,847
Additions	2,483	-	2,483
At 31 December 2011	266,792	14,538	281,330
Depreciation			
At 1 January 2011	260,239	12,647	272,886
Charge for the year	3,320	1,891	5,211
At 31 December 2011	263,559	14,538	278,097
Net book value			
At 31 December 2011	**3,233**	-	**3,233**
At 31 December 2010	4,070	1,891	5,961

Notes *(continued)*

9 Fixed asset investments

Company	Shares in group undertakings £
Cost	
At 1 January 2011 and at 31 December 2011	270,853
Provisions for diminution in value	
At 1 January 2011 and at 31 December 2011	-
Net book value	
At 31 December 2011	**270,853**
At 31 December 2010	270,853

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration of incorporation	Shares held Class	%
Subsidiary undertakings			
Securetrading Limited	England	Ordinary	100
Secure G Holdings Limited	England	Ordinary	100
SG Two Limited*	England	Ordinary	100
SG Four Limited*	England	Ordinary	100
SG Five Limited*	England	Ordinary	100
SG Seven Limited*	England	Ordinary	100
Securetrading Group Inc*	USA	Ordinary	100
Securetrading Inc*	USA	Ordinary	100
Secure G Two BV*	Netherlands	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows

	Principal activity
Securetrading Limited	Development and operation of payment systems
Secure G Holdings Limited	Investment holding and management company
SG Two Limited*	Payment service provider
SG Four Limited*	Payment service provider
SG Five Limited*	Payment service provider
SG Seven Limited*	Payment service provider
Securetrading Group Inc*	Investment holding and management company
Securetrading Inc*	Payment service provider
Secure G Two BV*	Payment service provider

*investments are held through Secure G Holdings Limited

The company also has 100% holdings, either directly or indirectly in the following dormant companies, Cognosec Limited (previously Securetrading Now Limited), SG One Limited, SG Six-GW Limited, SG Eight Limited, Totalpay Group Limited, Totalpay One Limited and Totalpay Four Limited

Notes *(continued)*

10 Debtors

	Group 2011 £	2010 £	Company 2011 £	2010 £
Trade debtors	**3,426,119**	6,157,483	**-**	-
Amounts owed by group undertakings	**6,475,005**	5,144,311	**6,929,354**	5,263,305
Other debtors	**936,928**	273,900	**793,148**	77,038
Prepayments and accrued income	**58,071**	86,240	**-**	15,248
Deferred tax asset (see note 12)	**-**	1,068,000	**-**	1,068,000
	10,896,123	12,729,934	**7,722,502**	6,423,591

11 Creditors: amounts falling due within one year

	Group 2011 £	2010 £	Company 2011 £	2010 £
Bank loans and overdrafts	**769,635**	-	**769,635**	-
Trade creditors	**1,829,811**	384,790	**1,552,579**	332,001
Amounts owed to group undertakings	**5,849,687**	4,285,711	**11,466,709**	7,243,876
Other taxes and social security costs	**251,517**	251,035	**26,473**	40,697
Other creditors	**4,593,311**	9,187,878	**65,300**	378,661
Accruals and deferred income	**864,092**	1,434,421	**669,253**	908,418
	14,158,053	15,543,835	**14,549,949**	8,903,653

Notes *(continued)*

12 Deferred tax

	Group 2011 £	Company 2011 £
Deferred tax asset at 1 January 2011	1,068,000	1,068,000
Profit and loss account	(1,075,902)	(1,068,000)
Deferred tax liability at 31 December 2011	**(7,902)**	-

	Group 2011 £	2010 £	Company 2011 £	2010 £
Tax losses available	-	1,057,000	-	1,057,000
Short term timing differences	**1,714**	-	-	-
(Accelerated)/decelerated capital allowances	**(9,616)**	11,000	-	11,000
Deferred tax (liability)/asset at 31 December	**(7,902)**	1,068,000	-	1,068,000

13 Pension and other post-retirement benefit commitments

Defined contribution

	2011 £	2010 £
Contributions payable by the group for the year	**51,971**	53,123

14 Share capital

	2011 £	2010 £
Allotted, called up and fully paid		
95,012,499 Ordinary shares of £0 0001 each	**9,500**	9,500

Notes *(continued)*

15 Statement of movements on reserves

Group

	Share premium account £	Profit and loss account £
Balance at 1 January 2011	1,777,293	(671,946)
Loss for the year	-	(1,861,619)
Exchange difference	-	(26,014)
Balance at 31 December 2011	1,777,293	(2,559,579)

Company

	Share premium account £	Profit and loss account £
Balance at 1 January 2011	1,777,293	(3,592,789)
Loss for the year	-	(4,334,403)
Balance at 31 December 2011	1,777,293	(7,927,192)

16 Reconciliation of movements in shareholders' funds

Group

	2011 £	2010 £
Loss for the financial year	**(1,861,619)**	(963,137)
Exchange difference	**(26,014)**	-
Opening shareholders' funds	**1,114,847**	2,077,984
Closing shareholders' (deficit)/funds	**(772,786)**	1,114,847

Company

	2011 £	2010 £
Loss for the financial year	**(4,334,403)**	(2,663,741)
Opening shareholders' deficit	**(1,805,996)**	857,745
Closing shareholders' deficit	**(6,140,399)**	(1,805,996)

17 Directors' remuneration

Group

	2011 £	2010 £
Remuneration for qualifying services	**75,800**	-

Notes *(continued)*

18 Employees

Number of employees
The average monthly number of employees (including directors) during the year was

	2011 Number	2010 Number
Management	**5**	5
Sales and administrations	**22**	20
Technical and development	**12**	13
Customer services and support	**9**	5
	48	43

Employment costs

	2011 Number	2010 Number
Wages and salaries	**2,242,969**	2,480,097
Social Security costs	**240,239**	230,245
Other pension costs	**51,971**	53,123
	2,535,179	2,763,465

19 Control

The immediate and ultimate parent company is UC Group Limited, a company registered in England and Wales

The ultimate controlling party is J A Paulsen, a director of the company and the parent company

UC Group Limited prepares group financial statements and copies can be obtained from – Sundridge Park Manor, Willoughby Lane, Bromley, Kent, BR1 3FZ, United Kingdom

20 Related party transactions

Group

During the year the group was charged management charges of £1,543,540 *(2010 £3,178,164)* and transferred patent costs amounting £976,013 *(2010 £191,695)* to the parent company, UC Group Limited