

Securetrading Group Limited

**Directors' report and financial
statements**

Registered number 4586150

31 December 2012



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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2012

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)

	2012 £	2011 £
Donations		
During the year the group made the following payments		
Charitable donations	-	740

Directors

The following directors have held office since 1 January 2012 unless otherwise stated

J A Paulsen

D I Holden

M A Blakemore – appointed 1 June 2012


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



M A Blakemore
Director

Sundridge Park Manor
Willoughby Lane
Bromley
Kent
BR1 3FZ

Date 10 APRIL 2013

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.



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Brighton Road
Crawley
West Sussex
RH11 9PT

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

We have audited the group and parent company financial statements (the "financial statements") of Securetrading Group Limited for the year ended 31 December 2012 set out on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2012 and of the group's loss for the year 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.

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



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

Date 10 April 2013

Consolidated profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £	2011 £
Turnover	2	7,322,229	10,451,526
 Cost of sales		 (2,036,532)	 (3,697,315)
Gross profit		5,285,697	6,754,211
Other operating income	2	-	500,000
Administrative expenses excluding exceptional costs		(6,683,223)	(6,091,784)
Exceptional costs	3	(1,751,114)	(2,535,943)
Total administrative expenses		(8,434,337)	(8,627,727)
 Operating loss	3	 (3,148,640)	 (1,373,516)
Other interest receivable and similar income		3	167
Interest payable and similar charges	4	(371)	(572)
 Loss on ordinary activities before taxation	5	 (3,149,008)	 (1,373,921)
Tax credit/(charge) on loss on ordinary activities		409,583	(487,698)
 Loss on ordinary activities after taxation		 (2,739,425)	 (1,861,619)

The profit and loss account has been prepared on the basis that all operations are continuing operations
The notes on pages 10 to 21 form part of these financial statements

Consolidated balance sheet
at 31 December 2012

	<i>Note</i>	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Fixed assets					
Intangible assets	7	543,849	-	469,331	412,933
Tangible assets	8	164,887	11,974	150,111	3,233
Investments	9	-	1,081,161	-	270,853
		<u>708,736</u>	<u>1,093,135</u>	<u>619,442</u>	<u>687,019</u>
Current assets					
Debtors	10	5,611,080	9,322,821	10,896,123	7,722,502
Cash at bank and in hand		1,175,853	12	1,877,604	29
		<u>6,786,933</u>	<u>9,322,833</u>	<u>12,773,727</u>	<u>7,722,531</u>
Creditors, amounts falling due within one year	11	(10,977,725)	(20,220,375)	(14,158,053)	(14,549,949)
Net current liabilities		<u>(4,190,792)</u>	<u>(10,897,542)</u>	<u>(1,384,326)</u>	<u>(6,827,418)</u>
Provisions	12	-	-	(7,902)	-
Total assets less current liabilities		<u>(3,482,056)</u>	<u>(9,804,407)</u>	<u>(772,786)</u>	<u>(6,140,399)</u>
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	(5,268,849)	(11,591,200)	(2,559,579)	(7,927,192)
Shareholders' deficit	16	<u>(3,482,056)</u>	<u>(9,804,407)</u>	<u>(772,786)</u>	<u>(6,140,399)</u>

These financial statements were approved by the board of directors on **10 APRIL 2013** and were signed on its behalf by



M A Blakemore
Director

Company number 04586150

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2012

	2012 £	2011 £
Loss for the financial year	(2,739,425)	(1,861,619)
Profit/(loss) on foreign currency translation of reserves	30,155	(26,014)
Total recognised gains and losses relating to the financial year	<u><u>(2,709,270)</u></u>	<u><u>(1,887,633)</u></u>

Consolidated cash flow statement
for the year ended 31 December 2012

	<i>Note</i>	2012 £	2011 £
Net cash outflow from operating activities	<i>19</i>	(739,305)	(2,151,323)
Returns on investments and servicing of finance			
Interest received		3	167
Interest paid		(371)	(572)
		<hr/>	<hr/>
Net cash outflow for returns on investments and servicing of finance		(368)	(405)
Taxation		356,435	231,770
Capital expenditure			
Payments to acquire tangible assets		(120,158)	(139,187)
Payments to acquire intangible assets		(225,956)	(317,893)
		<hr/>	<hr/>
Net cash outflow for capital expenditure		(346,114)	(457,080)
		<hr/>	<hr/>
Net cash (outflow)/inflow before management of liquid resources and financing		(729,352)	2,377,038
Financing			
Repayment of short term related party loans		797,236	-
		<hr/>	<hr/>
Net cash inflow from financing		797,236	-
		<hr/>	<hr/>
Increase/(decrease) in cash in the year	<i>20</i>	67,884	(2,377,038)
		<hr/>	<hr/>

Notes to the financial statements *(forming part of the financial statements)*

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and preceding year, is set out below

Accounting convention

The financial statements are prepared under the historical cost convention

Going concern

Notwithstanding net current liabilities of £4,190,792 at the year end, the directors, having reviewed forecasts and made enquiries, are satisfied that they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements

Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2012. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation

Turnover

Turnover represents amounts receivable for services provided in the normal course of business. Revenue is recognised in line with accrual accounting based on fees received for services provided during the financial year

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its estimated useful economic life, subject to a maximum of 20 years. Provision is made for any impairment

Patents

Patents are valued at historic cost. Patents have a finite life and are carried at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimate useful lives (20 years)

Impairment of non-financial assets

The company assesses at each reporting date whether an asset may be impaired. If any such indicator exists the company tests for impairment by estimating the recoverable amount. If the recoverable amount is less than the carrying value of an asset a provision is made. Assets with indefinite lives are tested for impairment annual

Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is 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 3 years
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 the 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 transactions 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 returned 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 its size or incidence, is recognised within the statutory format classification to which it relates 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

	2012 £	2011 £
Operating loss is stated after charging		
Depreciation of intangible assets	151,438	180,384
Depreciation of tangible assets	105,382	100,995
Intragroup management charges	1,803,685	1,543,540
Exceptional costs –Strategic software and global development costs	1,751,114	2,535,943
And after crediting		
Profit on foreign exchange transactions	(25,593)	(41,827)

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

	2012 £	2011 £
On bank loans and overdrafts	371	572

5 Taxation

	2012 £	2011 £
Corporation tax		
Current tax credit	(387,232)	(356,434)
Adjustments in respect of prior period	-	(231,770)
	(387,232)	(588,204)
Deferred tax		
Deferred tax (credit)/charge	(22,351)	1,075,902
Total tax (credit)/charge	(409,583)	487,698

Notes (continued)

5 Taxation (continued)

	2012 £	2011 £
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(3,149,008)	(1,373,921)
Loss on ordinary activities before taxation multiplied by standard rate of UK Corporation tax of 24.5% (2011: 26.5%)	(771,507)	(364,089)
Effects of		
Non deductible expenses	35,040	77,525
Enhanced R&D credit	(387,232)	(356,434)
Difference between depreciation and capital allowances	24,542	(10,624)
Impact of rate difference between deferred and current tax	20,863	1,719
Standard timing differences	(1,460)	1,714
Foreign tax adjustments	-	54,555
Losses	692,522	211,772
Prior period adjustment	-	(231,770)
	384,275	(224,115)
Current tax (credit)	(387,232)	(588,204)

Factors that may affect future current and total tax charges

On 23 March 2012, the Chancellor announced that the main rate of UK corporation tax will reduce from 26% to 24% with effect from 1 April 2012. This tax change became substantively enacted on 26 March 2012 and therefore the effect of the rate reduction on the deferred tax balances as at 31 December 2012 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 to 23% from 1 April 2014. This change was substantively enacted on 3 July 2012 and therefore may affect future periods tax charge.

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:

	2012 £	2011 £
Holding company's loss for the financial year	(3,664,008)	(4,334,403)

Notes (continued)

7 Intangible fixed assets

Group	Goodwill	Development Costs	Total
	£	£	£
Cost			
At 1 January 2012	1,771,072	317,893	2,088,965
Additions	-	225,956	225,956
At 31 December 2012	1,771,072	543,849	2,314,921
Amortisation			
At 1 January 2012	1,619,634	-	1,619,634
Charge for the year	151,438	-	151,438
At 31 December 2012	1,771,072	-	1,771,072
Net book value			
At 31 December 2012	-	543,849	543,849
At 31 December 2011	151,438	317,893	469,331
Company	Goodwill	Development Costs	Total
	£	£	£
Cost			
At 1 January 2012	1,771,072	261,495	2,032,567
Additions	-	114,579	114,579
Disposals	-	(376,074)	(376,074)
	1,771,072	-	1,771,072
Amortisation			
At 1 January 2012	1,619,634	-	1,619,634
Charge for the year	151,438	-	151,438
At 31 December 2012	1,771,072	-	1,771,072
Net book value			
At 31 December 2012	-	-	-
At 31 December 2011	151,438	261,495	412,933

Notes (continued)

8 Tangible fixed assets

Group	Computer hardware, software and websites	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 January 2012	1,012,464	99,232	1,111,696
Additions	113,128	7,030	120,158
	<hr/>	<hr/>	<hr/>
At 31 December 2012	1,125,592	106,262	1,231,854
Depreciation			
At 1 January 2012	867,033	94,552	961,585
Charge for the year	101,508	3,874	105,382
	<hr/>	<hr/>	<hr/>
At 31 December 2012	968,541	98,426	1,066,967
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2012	157,051	7,836	164,887
	<hr/>	<hr/>	<hr/>
At 31 December 2011	145,431	4,680	150,111
	<hr/>	<hr/>	<hr/>
Company	Computer hardware, software and websites	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 January 2012	266,792	14,538	281,330
Additions	15,690	-	15,690
	<hr/>	<hr/>	<hr/>
At 31 December 2012	282,482	14,538	297,020
Depreciation			
At 1 January 2012	263,559	14,538	278,097
Charge for the year	6,949	-	6,949
	<hr/>	<hr/>	<hr/>
At 31 December 2012	270,508	14,538	285,046
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2012	11,974	-	11,974
	<hr/>	<hr/>	<hr/>
At 31 December 2011	3,233	-	3,233
	<hr/>	<hr/>	<hr/>

Notes (continued)

9 Fixed asset investments

Company	Shares in group undertakings £
Cost	
At 1 January 2012	270,853
Additions	810,308
	<hr/>
Net book value	
At 31 December 2012	1,081,161
	<hr/>
At 31 December 2011	270,853
	<hr/>

During the year the company made a €1,000,000 investment in the ordinary share capital of SecureTrading FS Holding Limited and SecureTrading Financial Services Limited

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	Class	Shares held %
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
SecureTrading FS Holding Limited	Malta	Ordinary	100
SecureTrading Financial Services Limited	Malta	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
SecureTrading FS Holding Limited	Holding company
SecureTrading Financial Services Limited	Financial services

*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 2012 £	2011 £	Company 2012 £	2011 £
Trade debtors	2,532,675	3,426,119	-	-
Amounts owed by group undertakings	1,021,231	6,475,005	7,499,050	6,929,354
Other debtors	1,947,466	936,928	1,777,063	793,148
Prepayments and accrued income	95,259	58,071	46,708	-
Deferred tax asset (see note 12)	14,449	-	-	-
	<u>5,611,080</u>	<u>10,896,123</u>	<u>9,322,821</u>	<u>7,722,502</u>

11 Creditors: amounts falling due within one year

	Group 2012 £	2011 £	Company 2012 £	2011 £
Bank loans and overdrafts	-	769,635	4,348,961	769,635
Trade creditors	1,678,708	1,829,811	1,439,308	1,552,579
Amounts owed to group undertakings	2,124,526	5,849,687	13,821,999	11,466,709
Other taxes and social security costs	238,175	251,517	(9,741)	26,473
Other creditors	6,148,485	4,593,311	-	65,300
Accruals and deferred income	787,831	864,092	619,848	669,253
	<u>10,977,725</u>	<u>14,158,053</u>	<u>20,220,375</u>	<u>14,549,949</u>

Notes (continued)

12 Deferred tax

	Group 2012 £	Company 2012 £
Deferred tax liability at 1 January 2012	(7,902)	-
Profit and loss account	22,351	-
	<u>14,449</u>	<u>-</u>
Deferred tax asset at 31 December 2012 (note 10)	<u>14,449</u>	<u>-</u>

	Group 2012 £	2011 £	Company 2012 £	2011 £
Short term timing differences	-	1,714	-	-
Decelerated/(Accelerated) capital allowances	14,449	(9,616)	-	-
	<u>14,449</u>	<u>(9,616)</u>	<u>-</u>	<u>-</u>
Deferred tax asset/(liability) at 31 December	<u>14,449</u>	<u>(7,902)</u>	<u>-</u>	<u>-</u>

13 Pension and other post-retirement benefit commitments

Defined contribution

	2012 £	2011 £
Contributions payable by the group for the year	55,817	51,971
	<u>55,817</u>	<u>51,971</u>

14 Share capital

	2012 £	2011 £
Allotted, called up and fully paid		
Ordinary shares of £0.0001 each	9,500	9,500
	<u>9,500</u>	<u>9,500</u>

Notes (continued)

15 Statement of movements on reserves

Group	Share premium account £	Profit and loss account £
Balance at 1 January 2012	1,777,293	(2,559,579)
Loss for the year	-	(2,739,425)
Exchange difference		30,155
	<hr/>	<hr/>
Balance at 31 December 2012	1,777,293	(5,268,849)
	<hr/>	<hr/>
Company	Share premium account £	Profit and loss account £
Balance at 1 January 2012	1,777,293	(7,927,192)
Loss for the year	-	(3,664,008)
	<hr/>	<hr/>
Balance at 31 December 2012	1,777,293	(11,591,200)
	<hr/>	<hr/>

16 Reconciliation of movements in shareholders' deficit

Group	2012 £	2011 £
Loss for the financial year	(2,739,425)	(1,861,619)
Exchange difference	30,155	(26,014)
Opening shareholders' funds	(772,786)	1,114,847
	<hr/>	<hr/>
Closing shareholders' deficit	(3,482,056)	(772,786)
	<hr/>	<hr/>
Company	2012 £	2011 £
Loss for the financial year	(3,664,008)	(4,334,403)
Opening shareholders' deficit	(6,140,399)	(1,805,996)
	<hr/>	<hr/>
Closing shareholders' deficit	(9,804,407)	(6,140,399)
	<hr/>	<hr/>

17 Directors' remuneration

Group	2012 £	2011 £
Remuneration for qualifying services	247,500	75,800
	<hr/>	<hr/>

Notes (continued)

18 Employees

Number of employees

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

	2012 Number	2011 Number
Management	4	5
Sales and administrations	22	22
Technical and development	10	12
Customer services and support	7	9
	<u>43</u>	<u>48</u>

Employment costs

	2012 £	2011 £
Wages and salaries	2,297,759	2,242,969
Social Security costs	232,628	240,239
Other pension costs	55,817	51,971
Redundancy	12,500	-
	<u>2,598,704</u>	<u>2,535,179</u>

19 Reconciliation of operating loss to net cash outflow from operating activities

	2012 £	2011 £
Operating loss	(3,148,640)	(1,373,516)
Depreciation of tangible assets	105,382	100,995
Amortisation of intangible assets	151,438	180,384
Decrease in debtors	838,415	1,602,041
Increase/(Decrease) in creditors within one year	1,314,100	(2,661,227)
	<u>(739,305)</u>	<u>(2,151,323)</u>
Net cash outflow from operating activities		

20 Analysis of net funds

	1 January 2012 £	Cash flow £	Other non-cash changes £	31 December 2012 £
Net cash				
Cash at bank and in hand	1,877,604	(701,751)	-	1,175,853
Bank overdrafts	(769,635)	769,635	-	-
	<u>1,107,969</u>	<u>67,884</u>	<u>-</u>	<u>1,175,853</u>
Net funds				

Notes (continued)

21 Reconciliation of net cash flow to movement in net funds

	2012 £	2011 £
Increase / (Decrease) in cash in the year	67,884	(2,377,038)
Movement in net funds in the year	67,884	(2,377,038)
Opening net funds	1,107,969	3,485,007
Closing net funds	1,175,853	1,107,969

22 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

23 Related party transactions

Group

During the year the group was charged management charges of £1,803,684 (2011 £1,543,540) by the parent company, UC Group Limited

J A Paulsen and D I Holden are also directors of Mansion Associates Limited. At the year end, the group was owed £1,338,708 by Mansion Associates Limited (2011 £407,331)