

4 T L SOFTWARE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the year ended
31st October 2009

Company Registration Number 04786450

MITCHELL CHARLESWORTH
Chartered Accountants
Warrington

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4 T L SOFTWARE LIMITED

Financial Statements

Year ended 31st October 2009

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Officers and Professional Advisers

The board of directors	R I Templeton J R Haddon V Kaminski
Company secretary	R I Templeton
Registered office	c/o Acorn Capital Partners Bollin House Riverside Park Wilmslow Cheshire SK9 1DP
Auditor	Mitchell Charlesworth Chartered Accountants Statutory Auditor Victoria House 488 Knutsford Road Warrington Cheshire WA4 1DX
Bankers	Bank of Scotland 19/21 Spring Gardens Manchester M2 1FB
Corporate advisors:	Acorn Capital Partners Limited

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The Directors' Report

Year ended 31st October 2009

The directors present their report and the financial statements of the group for the year ended 31st October 2009

Principal activities and business review

The principal activity of the group during the period was the supply of software products by Knowledge powered Solutions Limited, its wholly owned subsidiary. Apart from interest payable on a bank loan all activities of the group are carried out by Knowledge Powered Solutions Limited.

Knowledge Powered Solutions Limited is a software company delivering an advanced software product largely through channel partners who integrate the product within their own software. Those partners currently sell the product principally in the United Kingdom, but during the year the company has also made sales in North America and Mainland Europe.

KPS solutions are typically deployed in service desks, help desks and call centres to empower the support agents or self service users with the knowledge they need to answer questions regarding IT problems or increasingly generic questions to councils and local authorities. The key benefits customers experience from using KPS solutions are reduced call times, reduced call escalations, improved first call resolution and an improved customer experience therefore the overall objective is to deliver efficiency savings.

The company recognised that due to the adverse economic conditions that prevailed during this period it was unlikely that sales would increase at the rate previously planned and therefore took action to reduce costs in spring 2009. The company has been able to increase sales by 6% from the previous year which given the trading conditions was a positive result and though the business has made a pre-tax trading loss for the full year of £49,551, the business has been profitable over the last 5 months of the year. Profitability over the last 5 months is due in part to a strong sales performance over these months but also due to the positive cost cutting action that was taken.

As the company has been trading profitably over the latter part of the year and continuing into the next financial year the directors agreed that the previous taxable losses in the company would now be utilised by future trading profits, allowing the company to recognise a deferred tax asset against future taxable profits. The amount recognised in the year was £290,000 being the amount of taxable losses available recognised at the current rate of tax applicable to the company of 21%. This created a profit after tax in the company of £255,449.

The company has traded principally through partners and the focus of the sales and marketing activity has been to pro-actively support existing partners and to increase the number of partners actively selling the KPS product. It has taken the company longer than anticipated to establish new partnerships and drive revenue through these new channels, however progress has been made during the year and ICCM Technology is a good example of this. As a new partner ICCM Technology has made a number of KPS sales during the year, one of which was to Tesco Stores.

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The Directors' Report *(continued)*

Year ended 31st October 2009

The company also has a small number of direct customers and additional licenses have been sold to existing customers during the year as they expand their use of the KPS system e.g. Credit Suisse

The company has done much to strengthen the product offering in 2008/9. In summer 2009 KPS Universal Version 4 was released which delivered a number of architectural improvements that enabled the product to be deployed on a wider variety of database platforms and operating systems, which opens up the market to an increased number of potential customers. In Version 4 significant functionality has been added in the areas of content management and workflow, reporting, indexing and web spidering all of which make the KPS Universal product a more complete all round Knowledge Management solution and therefore extends the product functionality well beyond its previous 'sweet spot' of searching for relevant content.

The company is also seeking Knowledge-Centered Support (KCS) accreditation. KCS is a KM strategy for service and support organisations and it defines a set of principles and practices that enable organisations to improve service levels to customers and gain operational efficiencies. KCS is becoming the detailed standard for Knowledge Management (KM) in the company's target market. KM vendors can obtain KCS accreditation and the company expects KCS accreditation to be achieved by June 2010 and being KCS verified will increase KPS credibility and profile in the market and this will allow the company to be much more active in terms of direct sales and put a larger percentage of revenue into our direct control.

The company's direct to market strategy will compliment the existing partner strategy and an on line marketing plan has been developed to increase the profile of both the company and the product therefore increasing the number of sales enquiries. The company appreciates it takes time to develop a good web presence and this activity started late in 2009 and an increase in direct sales is planned from Q4 2010 onwards.

The company continues to seek innovative ways of improving the product and providing new levels of performance to keep pace with customer demand and as such the company qualifies for Research and Development Tax relief.

The directors have not been able to provide independent evidence of their valuation of the company's software to the satisfaction of the auditors, and consequently the carrying value of the IPR was reduced to £300,000.

Overall the Directors have been pleased with the company's performance in 2008/9 and its ability to increase sales in very difficult trading conditions. Though the business was not profitable for the full year it has been profitable for the last 5 months of the year due to the increase in sales and the continued focus on both the fixed and variable costs of the business. The company's product has strengthened over the last year and given the KPS product delivery efficiency savings and this is a top priority for businesses at the moment, coupled with the increase in demand for self service solutions that KPS also provides, the KPS product and company is well positioned to increase sales and move into profit in 2010.

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The Directors' Report *(continued)*

Year ended 31st October 2009

Results and dividends

The profit for the year amounted to £254,992 The directors have not recommended a dividend

Business risks

The KPS product provides significant customer service improvements while increasing employee productivity, so KPS is working hard to get this message out to the market as in the current economic climate good customer service and efficiency savings are vital and this will help to drive additional sales opportunities for KPS KPS has historically had insufficient sales opportunities to deliver profitability and this is why KPS is working with existing channel partners to uncover opportunities in their installed customer base and also add new partners that have an established customer base that KPS can sell into Though the partner strategy has taken a long time to deliver tangible results the company now has a larger number of partners selling the KPS product and still has signed partners that are yet to deliver revenue and the company confidently expects they will do in 2010

The company has now matured the KPS Universal product to the point that the Directors feel it is of sufficient quality and breadth to be sold as a complete Knowledge Management solution direct to the market An online marketing campaign has been initiated and it is planned that by mid 2010 this will deliver an increased number of sales opportunities for KPS Significantly these will be direct sales that KPS can influence directly as through the partner channel the company is always at least one step removed from the sales process and are therefore less able to influence the potential success of an opportunity or the time frame for its closure

The company is also seeing increased demand in the market for software products with inbuilt knowledge management capabilities as a good Knowledge Management offering is increasingly required by CRM, Service Desk and Service Management vendors

There is a risk created by the continuing poor economic climate and there is no doubt that sales cycles are being extended and buyers not only need to do their due diligence but be seen to be doing it However, the Directors believe that by delivering the on line marketing strategy and focusing the product marketing messages on the efficiency savings that can be gained KPS can generate a significant increase in the number of sales enquiries In addition the company has increased the number of partners actively selling the KPS product and therefore the business enters 2010 in a much stronger position than it entered 2009

The group losses continued to be funded by a further equity injection of £80k by its shareholders

The company has an overdraft facility and operates well within its bank arrangements

Directors

The directors who served the company during the year were as follows

R I Templeton

J R Haddon

V Kaminski

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The Directors' Report *(continued)*

Year ended 31st October 2009

Auditor

Mitchell Charlesworth are deemed to be re-appointed under section 487(2) of the Companies Act 2006

Registered office
c/o Acorn Capital Partners
Bollin House
Riverside Park
Wilmslow
Cheshire
SK9 1DP

Signed by order of the directors



R I Templeton
Company Secretary

Approved by the directors on 23/2/2010

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Statement of Directors' Responsibilities

Year ended 31st October 2009

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to

select suitable accounting policies and then apply them consistently,

make judgements and estimates that are reasonable and prudent,

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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

there is no relevant audit information of which the group's auditor is unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Mitchell Charlesworth

Chartered Accountants

Victoria House 488 Knutsford Road Warrington Cheshire

4 T L SOFTWARE LIMITED

Independent Auditor's Report to the Shareholders of 4 T L Software Limited

Year ended 31st October 2009

We have audited the group and parent company financial statements ("the financial statements") of 4 T L Software Limited for the year ended 31st October 2009. 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 shareholders, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders 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 set out on page 6, 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 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 group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements.

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 31st October 2009 and of the group's profit for the year then ended,

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and

have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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.

Mitchell Charlesworth

Chartered Accountants

Victoria House 488 Knutsford Road Warrington Cheshire

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Independent Auditor's Report to the Shareholders of 4 T L Software Limited *(continued)*

Year ended 31st October 2009

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or

the parent company financial statements are not in agreement with the accounting records and returns, or

certain disclosures of directors' remuneration specified by law are not made, or

we have not received all the information and explanations we require for our audit



R. L. DAVIES (Senior Statutory Auditor)

For and on behalf of
MITCHELL CHARLESWORTH
Chartered Accountants
Statutory Auditor

Victoria House
488 Knutsford Road
Warrington
Cheshire
WA4 1DX

23rd February 2010

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Profit and Loss Account

Year ended 31st October 2009

	Note	2009 £	2008 £
Group turnover	2	747,525	704,513
Cost of sales		<u>22,666</u>	<u>9,437</u>
Gross profit		724,859	695,076
Administrative expenses		<u>765,080</u>	<u>853,135</u>
Operating loss	3	(40,221)	(158,059)
Interest receivable		43	—
Interest payable and similar charges	6	<u>(9,830)</u>	<u>(9,485)</u>
Loss on ordinary activities before taxation		(50,008)	(167,544)
Tax on loss on ordinary activities	7	<u>(305,000)</u>	<u>(22,179)</u>
Profit/(loss) for the financial year	8	<u>254,992</u>	<u>(145,365)</u>

All of the activities of the group are classed as continuing

The group has no recognised gains or losses other than the results for the year as set out above

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account

The notes on pages 13 to 25 form part of these financial statements

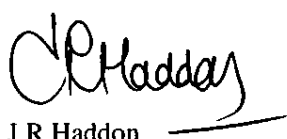
4 T L SOFTWARE LIMITED

Group Balance Sheet

31st October 2009

	Note	2009 £	2008 £
Fixed assets			
Intangible assets	9	300,000	600,000
Tangible assets	10	<u>1,484</u>	<u>2,768</u>
		301,484	602,768
Current assets			
Debtors	12	577,254	218,778
Creditors: Amounts falling due within one year	14	<u>306,354</u>	<u>299,693</u>
Net current assets/(liabilities)		270,900	(80,915)
Total assets less current liabilities		572,384	521,853
Creditors: Amounts falling due after more than one year	15	<u>92,094</u>	<u>72,000</u>
		480,290	449,853
Capital and reserves			
Called-up equity share capital	20	1,142,992	1,062,547
Share premium account	21	65,123	70,123
Revaluation reserve	21	120,000	420,000
Profit and loss account	21	(847,825)	(1,102,817)
Shareholders' funds	22	<u>480,290</u>	<u>449,853</u>

These financial statements were approved by the directors and authorised for issue on 23 Feb 2010, and are signed on their behalf by


J R Haddon

The notes on pages 13 to 25 form part of these financial statements

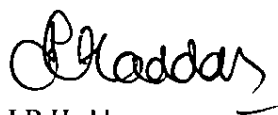
4 T L SOFTWARE LIMITED

Balance Sheet

31st October 2009

	Note	2009 £	2008 £
Fixed assets			
Investments	11	<u>700,000</u>	<u>700,000</u>
Current assets			
Debtors	12	206,629	143,534
Cash at bank		<u>49</u>	<u>62</u>
		206,678	143,596
Creditors: Amounts falling due within one year	14	<u>898</u>	<u>12,804</u>
Net current assets		<u>205,780</u>	<u>130,792</u>
Total assets less current liabilities		<u>905,780</u>	<u>830,792</u>
Capital and reserves			
Called-up equity share capital	20	1,142,992	1,062,547
Share premium account	21	65,123	70,123
Profit and loss account	21	(302,335)	(301,878)
Shareholders' funds		<u>905,780</u>	<u>830,792</u>

These financial statements were approved by the directors and authorised for issue on 23 Feb 10, and are signed on their behalf by



J R Haddon

The notes on pages 13 to 25 form part of these financial statements

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Group Cash Flow

Year ended 31st October 2009

	Note	2009 £	2008 £
Net cash outflow from operating activities	23	(53,066)	(49,478)
Returns on investments and servicing of finance	23	(34,875)	(48,232)
Taxation	23	22,179	16,419
Capital expenditure and financial investment	23	–	(420,000)
Cash outflow before financing		<u>(65,762)</u>	<u>(501,291)</u>
Financing	23	71,752	66,968
Increase/(decrease) in cash	23	<u>5,990</u>	<u>(434,323)</u>

The notes on pages 13 to 25 form part of these financial statements

4 T L SOFTWARE LIMITED

Notes to the Financial Statements

Year ended 31st October 2009

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets

These accounts have been prepared on a going concern basis, which assumes the Company will continue in operational existence for the foreseeable future. The company's ability to meet its future working capital requirements and therefore continue as a going concern is dependent upon being able to generate significant free cash flow from both trading and financing activities.

Results for the last five months of the year and continuing into the next financial year are showing the company is trading profitably and are forecast to make an operating profit. Whilst there is an uncertainty in relation to the above matters, the directors are continuing their efforts to increase revenue sources by securing contracts with new partners whilst maintaining relationships with the company's current partners.

Basis of consolidation

The group accounts consolidate the accounts of 4 T L Software Limited and its trading subsidiary Knowledge Powered Solutions Limited using the acquisition method of accounting. No profit and loss account is presented for 4 T L Software Limited as permitted by section 408 of the Companies Act 2006.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of Value Added Tax.

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

Revenue is recognised when services have been performed and the company becomes entitled to consideration in accordance with the terms of contractual agreements with its customers.

Research and development

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

Change in accounting policy

The accounting policy of amortising the group's intellectual property over ten years was reviewed during the financial year. Due to the continuous development programme of its software products, of which the costs are fully written off to the profit and loss as they are incurred, the amortisation charge of the intellectual property is not appropriate due to the continuing useful economic life of the asset.

4 T L SOFTWARE LIMITED

Notes to the Financial Statements

Year ended 31st October 2009

1. Accounting policies *(continued)*

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Intellectual Property	- Nil
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Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Leasehold Property Improvements	- 5 years
Fixtures & Fittings	- 5 years
Computer & Office Equipment	- 4 years

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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Notes to the Financial Statements

Year ended 31st October 2009

1. Accounting policies *(continued)*

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the group. An analysis of turnover is given below.

	2009 £	2008 £
United Kingdom	707,920	679,797
Overseas	39,605	24,716
	<u>747,525</u>	<u>704,513</u>

3. Operating loss

Operating loss is stated after charging

	2009 £	2008 £
Depreciation of owned fixed assets	1,284	1,284
Auditor's remuneration - audit of the financial statements	4,200	4,350
Auditor's remuneration - other fees	<u>600</u>	<u>600</u>

The total costs classified as research and development and expensed to the Profit and Loss account in the year amounted to £75,129 (2008: £91,934).

	2009 £	2008 £
Auditor's remuneration - audit of the financial statements	<u>4,200</u>	<u>4,350</u>
Auditor's remuneration - other fees		
- Taxation services	<u>600</u>	<u>600</u>

4 T L SOFTWARE LIMITED

Notes to the Financial Statements

Year ended 31st October 2009

4. Particulars of employees

The average number of staff employed by the group during the financial year amounted to

	2009	2008
	No	No
Number of consultancy staff	9	10
Number of management staff	2	2
	<u>11</u>	<u>12</u>

The aggregate payroll costs of the above were

	2009	2008
	£	£
Wages and salaries	545,250	588,265
Social security costs	62,584	67,012
Other pension costs	13,219	13,545
	<u>621,053</u>	<u>668,822</u>

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2009	2008
	£	£
Remuneration receivable	145,698	152,099
Value of company pension contributions to money purchase schemes	5,783	6,035
	<u>151,481</u>	<u>158,134</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2009	2008
	No	No
Money purchase schemes	<u>2</u>	<u>2</u>

In addition the company paid £6,981 (2008 £19,545) to Acorn Corporate Finance Limited, a company of which R I Templeton is a director, in respect of his services to the company

The company also paid £21,070 (2008 £24,713) to VFK Consultancy Limited, a company of which V Kaminski is a director, in respect of his services to the company

6. Interest payable and similar charges

	2009	2008
	£	£
Interest payable on bank borrowing	<u>9,830</u>	<u>9,485</u>

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Notes to the Financial Statements

Year ended 31st October 2009

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2009 £	2008 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at –% (2008 - –%)	(15,000)	(22,179)
Total current tax	(15,000)	(22,179)
Deferred tax		
Origination and reversal of timing differences	(290,000)	-
Tax on loss on ordinary activities	(305,000)	(22,179)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of –% (2008 - –%)

	2009 £	2008 £
Loss on ordinary activities before taxation	(50,008)	(167,544)
Loss on ordinary activities by rate of tax	(10,406)	(47,530)
Expenses not deductible for tax purposes	596	370
Capital allowances for period in excess of depreciation	(1,062)	(2,066)
Unrelieved tax losses	-	23,295
Adjustments to tax charge in respect of previous periods	136	-
Additional deduction for R & D expenditure	(11,833)	(14,909)
Surrender of tax losses for R & D tax credit	7,569	21,303
Sundry tax adjusting items	-	(2,642)
Total current tax (note 7(a))	(15,000)	(22,179)

8. Loss attributable to members of the parent company

The loss dealt with in the financial statements of the parent company was £(457) (2008 - £(2,535))

4 T L SOFTWARE LIMITED

Notes to the Financial Statements

Year ended 31st October 2009

9. Intangible fixed assets

Group	Intellectual Property £
Cost	
At 1st November 2008 and 31st October 2009	<u>600,000</u>
Amortisation	
Revaluation adjustment	<u>300,000</u>
At 31st October 2009	<u>300,000</u>
Net book value	
At 31st October 2009	<u>300,000</u>
At 31st October 2008	<u>600,000</u>

During the previous year the intellectual property asset held previous in the parent company 4TL Limited was transferred to Knowledge Powered Solutions Limited at its net book value

The directors have not been able to provide independent evidence of their valuation of the company's software to the satisfaction of the auditors, as a result of which the carrying value of the IPR has been reduced to £300,000

The original cost recognised for the intellectual property was £300,000, if the asset had not been revalued amortisation charged in the year would have been £30,000 with a net book value of £120,000 (2008 150,000)

10. Tangible fixed assets

Group	L'hold Improve- ments £	Fixtures & Fittings £	Equipment £	Total £
Cost or valuation				
At 1st November 2008 and 31st October 2009	<u>6,406</u>	<u>10,000</u>	<u>43,500</u>	<u>59,906</u>
Depreciation				
At 1st November 2008	3,638	10,000	43,500	57,138
Charge for the year	<u>1,284</u>	<u>-</u>	<u>-</u>	<u>1,284</u>
At 31st October 2009	<u>4,922</u>	<u>10,000</u>	<u>43,500</u>	<u>58,422</u>
Net book value				
At 31st October 2009	<u>1,484</u>	<u>-</u>	<u>-</u>	<u>1,484</u>
At 31st October 2008	<u>2,768</u>	<u>-</u>	<u>-</u>	<u>2,768</u>

4 T L SOFTWARE LIMITED

Notes to the Financial Statements

Year ended 31st October 2009

11. Investments

Company	Group companies £
Cost	
At 1st November 2008 and 31st October 2009	<u>700,000</u>
Net book value	
At 31st October 2009 and 31st October 2008	<u>700,000</u>

The company holds 100% of the issued share capital of Knowledge Powered Solutions Limited, a company registered in England

The profit for the period amounted to £255,449 (2008 (£142,830)) and aggregate share capital and reserves of £574,510 (2008 £319,061)

12. Debtors

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Trade debtors	227,299	142,613	-	-
Amounts owed by group undertakings	-	-	196,629	143,534
Corporation tax repayable	15,000	22,179	-	-
Other debtors	36,675	20,863	10,000	-
Deferred taxation (Note 13)	290,000	-	-	-
Prepayments and accrued income	8,280	33,123	-	-
	<u>577,254</u>	<u>218,778</u>	<u>206,629</u>	<u>143,534</u>

13. Deferred taxation

The movement in the deferred taxation asset during the year was

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Provision for year	290,000	-	-	-
Asset carried forward	<u>290,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

4 T L SOFTWARE LIMITED

Notes to the Financial Statements

Year ended 31st October 2009

13. Deferred taxation (continued)

The group's asset for deferred taxation consists of the tax effect of timing differences in respect of

Group	2009		2008	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of depreciation over taxation allowances	4,250	-	-	7,081
Tax losses available	285,750	-	-	(382,323)
	<u>290,000</u>	<u>-</u>	<u>-</u>	<u>(375,242)</u>

No deferred tax has been recognised in respect of the revaluation of the Intellectual Property Rights as the directors do not believe the asset to be sold in the foreseeable future. Any gain made on sale would be taxable at the full rate of corporation tax less any applicable marginal relief.

A deferred tax asset has been recognised this year on the tax losses available. The directors have forecast profits in the foreseeable future of which the tax losses can be utilised against. The company has benefitted from increased revenue sources and economic gains and is expected to make a profit in the next accounting period and in future years as mentioned in the directors report.

14. Creditors: Amounts falling due within one year

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Bank loans and overdrafts	16,768	46,545	898	12,804
Trade creditors	17,770	19,606	-	-
Other creditors including taxation and social security				
Other taxation and social security	69,838	50,242	-	-
Other creditors	27,000	-	-	-
Accruals and deferred income	174,978	183,300	-	-
	<u>306,354</u>	<u>299,693</u>	<u>898</u>	<u>12,804</u>

15. Creditors: Amounts falling due after more than one year

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Bank loans	24,974	72,000	-	-
Other creditors	67,120	-	-	-
	<u>92,094</u>	<u>72,000</u>	<u>-</u>	<u>-</u>

4 T L SOFTWARE LIMITED

Notes to the Financial Statements

Year ended 31st October 2009

16. Creditors - capital instruments

Creditors include finance capital which is due for repayment as follows

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Amounts repayable				
In one year or less or on demand	39,120	24,000	–	–
In more than one year but not more than two years	92,093	48,000	–	–
In more than two years but not more than five years	–	24,000	–	–
	<u>131,213</u>	<u>96,000</u>	<u>–</u>	<u>–</u>

17. Derivatives

The company has included all derivatives at their fair value

18. Commitments under operating leases

At 31st October 2009 the group had annual commitments under non-cancellable operating leases as set out below

Group	Land and buildings	
	2009	2008
	£	£
Operating leases which expire		
Within 2 to 5 years	<u>22,200</u>	<u>22,200</u>

4 T L SOFTWARE LIMITED

Notes to the Financial Statements

Year ended 31st October 2009

19. Related party transactions

The directors of the company also hold the following shares in the company

Mr J R Haddon	500,000 Ordinary 1p shares 9,583,332 Ordinary 'A' 0 1p shares 100,000 Ordinary 'A' 0 25p shares
Mr V Kaminski	8,500,000 Ordinary 'A' 0 1p shares 675,200 Ordinary 'A' 0 25p shares
Mr R I Templeton	520,000 Ordinary 1p shares 47,664,333 Ordinary 'A' 0 1p shares 200,000 Ordinary 'A' 0 25p shares

20. Share capital

Authorised share capital:

	2009 £	2008 £
47,400,000 Ordinary shares of £0 01 each	474,000	474,000
152,600,000 'A' Ordinary shares shares of £0 01 each	1,526,000	1,526,000
3,217,800 'A' Ordinary shares shares of £0 025 each	80,445	-
	<u>2,080,445</u>	<u>2,000,000</u>

Allotted, called up and fully paid:

	2009		2008	
	No	£	No	£
Ordinary shares of £0 01 each	47,400,000	474,000	47,400,000	474,000
'A' Ordinary shares shares of £0 01 each	588,546,651	588,547	588,546,651	588,547
'A' Ordinary shares shares of £0 025 each	3,217,800	80,445	-	-
	<u>639,164,451</u>	<u>1,142,992</u>	<u>635,946,651</u>	<u>1,062,547</u>

21. Reserves

Group	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance brought forward	70,123	-	(1,102,817)
Profit for the year	-	-	254,992
Other gains and losses			
- Revaluation of fixed assets	-	420,000	-
Other movements			
Net premium on new share capital subscribed	(5,000)	-	-
Other	-	(300,000)	-
Balance carried forward	<u>65,123</u>	<u>120,000</u>	<u>(847,825)</u>

4 T L SOFTWARE LIMITED

Notes to the Financial Statements

Year ended 31st October 2009

21. Reserves (continued)

Company	Share premium account £	Profit and loss account £
Balance brought forward	70,123	(301,878)
Loss for the year	–	(457)
Other movements		
Net premium on new share capital subscribed	(5,000)	–
Balance carried forward	<u>65,123</u>	<u>(302,335)</u>

22. Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Profit/(loss) for the financial year	254,992	(145,365)
Other net recognised gains and losses	420,000	420,000
New ordinary share capital subscribed	80,445	–
Impairment write down of asset	(300,000)	–
Net premium on new share capital subscribed	(5,000)	–
	<u>450,437</u>	<u>274,635</u>
Net addition to shareholders' funds	450,437	274,635
Opening shareholders' funds	29,853	175,218
Closing shareholders' funds	<u>480,290</u>	<u>449,853</u>

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Notes to the Financial Statements

Year ended 31st October 2009

23. Notes to the cash flow statement

Reconciliation of operating loss to net cash outflow from operating activities

	2009 £	2008 £
Operating loss	(40,221)	(158,059)
Depreciation	1,284	1,284
(Increase)/decrease in debtors	(75,655)	108,159
Increase/(decrease) in creditors	61,526	(862)
Net cash outflow from operating activities	<u>(53,066)</u>	<u>(49,478)</u>

Returns on investments and servicing of finance

	2009 £	2008 £
Interest received	43	—
Interest paid	<u>(34,918)</u>	<u>(48,232)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(34,875)</u>	<u>(48,232)</u>

Taxation

	2009 £	2008 £
Taxation	<u>22,179</u>	<u>16,419</u>

Capital expenditure

	2009 £	2008 £
Payments to acquire intangible fixed assets	—	(300,000)
Receipts from sale of fixed assets	—	<u>(120,000)</u>
Net cash outflow from capital expenditure	<u>—</u>	<u>(420,000)</u>

Financing

	2009 £	2008 £
Issue of equity share capital	80,445	—
Share premium on issue of equity share capital	(5,000)	—
(Repayment of)/increase in bank loans	(70,813)	66,968
Net inflow from other long-term creditors	67,120	—
Net cash inflow from financing	<u>71,752</u>	<u>66,968</u>

4 T L SOFTWARE LIMITED

Notes to the Financial Statements

Year ended 31st October 2009

23. Notes to the cash flow statement *(continued)*

Reconciliation of net cash flow to movement in net debt

	2009 £	£	2008 £
Increase/(decrease) in cash in the period	5,990		(434,323)
Net cash outflow from/(inflow) from bank loans	70,813		(66,968)
Net cash (inflow) from other long-term creditors	<u>(67,120)</u>		<u>-</u>
		9,683	(501,291)
Change in net debt		9,683	(501,291)
Net debt at 1 November 2008		(118,545)	(37,254)
Net debt at 31 October 2009		<u>(108,862)</u>	<u>(118,545)</u>

Analysis of changes in net debt

	At 1 Nov 2008 £	Cash flows £	At 31 Oct 2009 £
Net cash			
Overdrafts	<u>(9,741)</u>	<u>5,990</u>	<u>(3,751)</u>
Debt			
Debt due within 1 year	(36,804)	23,787	(13,017)
Debt due after 1 year	<u>(72,000)</u>	<u>(20,094)</u>	<u>(92,094)</u>
	<u>(108,804)</u>	<u>3,693</u>	<u>(105,111)</u>
Net debt	<u>(118,545)</u>	<u>9,683</u>	<u>(108,862)</u>

4 T L SOFTWARE LIMITED

Detailed Profit and Loss Account

Year ended 31st October 2009

	2009 £	2008 £
Turnover	747,525	704,513
Purchases	<u>22,666</u>	<u>9,437</u>
Gross profit	<u>724,859</u>	<u>695,076</u>
Overheads		
Wages and salaries	545,250	588,265
Employers national insurance contributions	62,584	67,012
Staff pension contributions	13,219	13,545
Rent, rates and water	33,599	29,209
Insurance	7,266	5,724
Legal contract support	2,282	1,535
Acorn	1,981	19,545
Healthcare fees	9,387	13,556
Motor expenses	27,880	36,064
Advertising and promotion costs	6,914	25,284
Telephone	4,509	4,049
Sundry expenses	4,325	5,689
Legal and professional fees	32,252	33,872
Auditors remuneration	4,800	4,750
Depreciation	1,284	1,284
Bad debts written off	5,062	-
Bank charges	<u>2,486</u>	<u>3,752</u>
	<u>765,080</u>	<u>853,135</u>
Operating loss	(40,221)	(158,059)
Bank interest receivable	<u>43</u>	<u>-</u>
	(40,178)	(158,059)
Interest payable	<u>(9,830)</u>	<u>(9,485)</u>
Loss on ordinary activities	<u>(50,008)</u>	<u>(167,544)</u>