

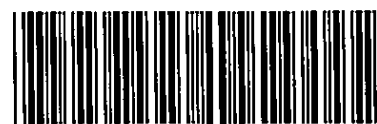
Elaternal Group Limited

**Directors' report and financial
statements**

Registered number 07435521

31 March 2012

SATURDAY



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22/12/2012
COMPANIES HOUSE

Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditor's report to the members of Elateral Group Limited	4
Group Profit and Loss Account	6
Group Statement of Total Recognised Gains and Losses	7
Group Balance Sheet	8
Company Balance Sheet	9
Notes	10

Directors' report

The directors present their directors' report and audited consolidated financial statements for the year ended 31 March 2012

Principal activity

The principal activity of the company during the year was to act as a holding company. The principal activity of the group comprised the development and sale of marketing automation software.

Highlights

The group has achieved continued successes in 2011/12 in the face of a difficult global economic environment. At year end cash reserves were in excess of £1.3m following a return of £1.5m free cash to shareholders.

Orders booked during the year remained firm at £5m while the group's strong repeat revenue model ensured committed future revenues of circa £2m at year end.

The investments that the business is making are already making an impact and the Directors expect 2012/13 revenues to return to 2010/11 levels and to maintain the strong positive momentum into 2013/14.

Operational activity

Market focus

As part of a detailed review of the marketplace, the board was advised that an intensified focus on global multi-channel marketers with significant need for multi-channel content customization is a substantial market opportunity wherein Elateral believes it enjoys a significant competitive advantage. Since sharpening its focus in this area, the group was particularly successful in winning a major new contract with a world leading global FMCG enterprise, and is witnessing increased strength in sales across existing clients and new prospects.

Product and productivity initiatives

Following a strategic review the board agreed to embark on a major two year investment plan to deliver a step change in the product's architecture and capabilities and so enable the group to reap the double reward of increased revenues and lower cost of ownership in the medium term, while further strengthening its competitive advantages in the area of multi-channel intelligent content customization. The exceptional cost associated with this investment is identified separately in the profit and loss account.

Foreign exchange risk

The directors acknowledge that since a significant percentage of the group's revenue is in US Dollars there is a risk that the relative strength of the pound against the dollar could have an adverse effect on the future revenues of the business, and accordingly the directors are aware of the need to closely monitor fluctuations in the exchange rate.

Group restructuring and dividends

During the year, a restructure of the group was undertaken in order to return surplus cash to shareholders. This involved the insertion of Elateral Group Ltd as the new topco of the group, followed by a return of £1.5m to the shareholders.

On 20 September 2011 the Company and Elateral Holdings Ltd entered into a share for share exchange agreement, with the nominal value of all new shares in the Company being at 10% of the nominal value of the equivalent shares in Elateral Holdings Ltd. Subsequent to this share for share exchange, a number of new shares were issued (including new classes of shares), certain shares were redeemed for cash consideration of £633,000, a dividend of £317,000 was paid to holders of certain classes of shares classified as equity, and a dividend of £550,000 was paid to holders of Preferred shares in accordance with the Articles of Association of the Company.

The directors do not recommend the payment of a final dividend in respect of the company's ordinary shares (2011 £nil).

Directors' report *(continued)*

Directors

The directors who held office during the year and up to the date of approval of these financial statements were as follows

A de Watteville
P Goater (appointed on 20 September 2011)
P Blackburn (appointed on 20 September 2011)
J Elkins (appointed on 20 September 2011)
J Szpiro (appointed on 20 September 2011)
R Whitby-Smith (appointed on 20 September 2011)
B Taylor (appointed on 20 September 2011)
A P Kamel (appointed 31 January 2012)

Political and charitable donations

Donations made by the group for charitable purposes in the United Kingdom amounted to £1,366 (2011 £1,301)
No political contributions were made during the year or the prior year

Employment policies

It is Group policy, where possible, to provide employment opportunities for disabled people. Staff who become disabled are supported in continuing employment through identification of suitable jobs and the provision of necessary retraining.

Disclosure of information to the 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 he ought to have taken as a director to make himself 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.

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

By order of the board



A de Watteville
Director

Elatel House
Crosby Way
Farnham
Surrey
GU9 7XX

20 December 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 they have elected to prepare the group and parent company financial statements in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008) and applicable law (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

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

We have audited the financial statements of Elateral Group Limited for the year ended 31 March 2012 set out on pages 6 to 22. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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 the auditor

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 (APB'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 APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2012 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Elateral Group Limited *(continued)*

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, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime



N M Hughes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

21 December 2012

Group Profit and Loss Account
for the year ended 31 March 2012

	<i>Note</i>	2012 £'000	2011 £'000
Turnover	2	4,935	6,210
Cost of sales		(248)	(225)
Gross profit		4,687	5,985
Administrative expenses		(5,321)	(5,049)
Operating profit before exceptional project costs		188	936
Administrative expenses - exceptional project costs	4	(822)	-
Operating (loss)/profit	3	(634)	936
Interest receivable		2	6
Interest payable and similar charges	6	(69)	(69)
(Loss)/profit on ordinary activities before taxation		(701)	873
Tax on (loss)/profit on ordinary activities	7	195	(174)
(Loss)/profit for the financial year		(506)	699

The results for the current and preceding year all relate to continuing activities

Group Statement of Total Recognised Gains and Losses
for the year ended 31 March 2012

	2012 £'000	2011 £'000
Profit for the financial year	(506)	699
Currency translation differences on foreign currency net investments	(5)	(138)
Total gains and losses relating to the financial year	(511)	561

Group Balance Sheet

At 31 March 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	9	33	54
Investments	10	40	40
		<u>73</u>	<u>94</u>
Current assets			
Debtors	11	1,113	1,587
Cash at bank and in hand		1,293	3,015
		<u>2,406</u>	<u>4,602</u>
Creditors amounts falling due within one year	12	<u>(2,748)</u>	<u>(3,507)</u>
Net current (liabilities)/assets		<u>(342)</u>	<u>1,095</u>
Net (liabilities)/assets		<u>(269)</u>	<u>1,189</u>
Capital and reserves			
Called up share capital	13	978	658
Share premium account	14	3,029	4,929
Capital redemption reserve	14	633	-
Other reserves	14	-	110
Group consolidation reserve	14	15,410	15,410
Profit and loss account	14	(20,319)	(19,918)
Shareholders' (deficit)/funds	15	<u>(269)</u>	<u>1,189</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and with the Financial Reporting Standard for Smaller Entities (Effective April 2008)

These financial statements were approved by the board of directors on 20th December 2012 and were signed on its behalf by



A de Watteville
Director

Registered number 07435521

Company Balance Sheet

At 31 March 2012

	<i>Note</i>	2012 £'000	2011 £'000
Fixed assets			
Investments	<i>10</i>	7,000	-
Creditors amounts falling due within one year	<i>12</i>	(2,394)	-
Net current liabilities		(2,394)	-
Net assets		4,606	-
Capital and reserves			
Called up share capital	<i>13</i>	978	-
Share premium account	<i>14</i>	3,029	-
Capital redemption reserve	<i>14</i>	633	-
Profit and loss account	<i>14</i>	(34)	-
Shareholders' funds	<i>15</i>	4,606	-

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and with the Financial Reporting Standard for Smaller Entities (Effective April 2008)

These financial statements were approved by the board of directors on ^{20th} December 2012 and were signed on its behalf by



A de Watteville
Director

Registered number 07435521

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008) and under the historical cost accounting rules

Basis of consolidation

The group accounts consolidate the accounts of Elateral Group Limited and its subsidiary undertakings

The introduction of a new holding company constitutes a Group reconstruction and has been accounted for using merger accounting principles. Therefore, although the Group reconstruction did not become effective until September 2011, the consolidated financial statements of Elateral Group Limited are presented as if Elateral Group Ltd and Elateral Holdings Ltd had always been part of the same Group. Accordingly, the results of the Group for the entire year ended 31 March 2012 are shown in the Consolidated Profit and Loss Account and the comparative figures for the year ended 31 March 2011 are also prepared on this basis

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report. The group has undertaken a significant investment programme in the last twelve months to update the core marketing platform. This has resulted in a loss for the current year, and continued investment in the year ending 31 March 2013 will result in a further loss. The group is expected to return to profitability in the year ending 31 March 2014 when the benefits of the investment will begin to be realised. At 31 March 2012 the group had cash of £1.3m. The directors have prepared cash flow forecasts for the period to 31 March 2015 and are satisfied that the group will be able to meet its liabilities as they fall due.

Therefore, after taking into account the above factors, the directors believe that the group can manage its business risks successfully and are satisfied that the group and the parent company have sufficient financial resources to enable them to continue operating in the foreseeable future. The directors therefore continue to adopt the going concern basis in preparing the directors' report and financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Turnover

Turnover, which is stated net of value added tax and trade discounts, represents amounts invoiced to third parties for goods and services provided.

Software licence fees and fees for hosting services are recognised rateably over the period to which they relate.

Fees for professional services are recognised as the services are performed.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Notes (continued)

1 Accounting Policies (continued)

Tangible fixed assets and depreciation

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

Leasehold improvements	-	over 5 years
Furniture, fittings and equipment	-	between 3 and 5 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

Operating leases

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 Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of any group company. The pension charge represents the amounts payable by the group to the fund in respect of the period.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

Permanent loans advanced by a parent company to a subsidiary undertaking which are denominated in a foreign currency are maintained at their historic rate and not retranslated.

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost, less amounts written off, if any.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Notes (continued)

2 Analysis of turnover

The turnover and profit before tax are attributable to the one principal activity of the group

An analysis of turnover is given below

	2012 £'000	2011 £'000
United Kingdom	425	551
Rest of Europe	216	1,121
Rest of the world	4,294	4,538
	<u>4,935</u>	<u>6,210</u>

3 Notes to the profit and loss account

(Loss)/profit on ordinary activities before taxation is stated after charging

	2012 £'000	2011 £'000
Depreciation of owned fixed assets	46	65
Hire of other assets - operating leases	399	354
Research and development expenditure	1,020	804
	<u>1,465</u>	<u>1,223</u>

Auditor's remuneration

	2012 £'000	2011 £'000
Audit of these financial statements	12	10
Audit of financial statements of subsidiaries, pursuant to legislation	17	15
Other services relating to tax	20	20
Other services	12	12
	<u>61</u>	<u>57</u>

4 Exceptional costs

At the start of the year the business had identified that significant investment was required to update the software code of the underlying platform used to provide services to customers, and to align all customers on one consolidated platform. Specific projects undertaken to address these two areas are tracked separately, and the exceptional costs represent the incremental cost of undertaking these projects.

The exceptional costs are identified separately in the Profit and Loss account in order to provide a clearer view of the underlying performance of the business.

Notes (continued)

5 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was

	2012 £'000	2011 £'000
Directors' emoluments	590	618
Company contributions to money purchase schemes	24	24
	<u>614</u>	<u>642</u>

Remuneration of highest paid director

	2012 £'000	2011 £'000
Total emoluments (excluding pension contributions)	175	205
Company contributions to money purchase schemes	9	9
	<u>184</u>	<u>214</u>

The number of directors to whom retirement benefits are accruing under the money purchase scheme during the year ended 31 March 2012 was 3 (2011 3)

6 Interest payable and similar charges

	2012 £'000	2011 £'000
Dividends in connection with Preferred Shares classed as financial liabilities	69	69
	<u>69</u>	<u>69</u>

7 Taxation on ordinary activities

Analysis of (credit)/charge in the year

	2012 £'000	2011 £'000
<i>UK corporation tax</i>		
Current tax on income for the year	(197)	-
Adjustment in respect of prior years	-	(24)
	<u>(197)</u>	<u>(24)</u>
<i>Foreign tax</i>	2	2
	<u>(195)</u>	<u>(22)</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	-	196
	<u>(195)</u>	<u>174</u>
Tax on loss/profit on ordinary activities	<u>(195)</u>	<u>174</u>

Notes (continued)

7 Taxation on ordinary activities (continued)

Factors affecting the tax charge for the current period

The current tax credit for the period is higher (2011 tax credit on profit for the period) than the standard rate of corporation tax in the UK of 26% (2011 28%). The differences are explained below

	2012 £'000	2011 £'000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(701)	873
Current tax at 26% (2011 28%)	(182)	244
<i>Effects of</i>		
Expenses not deductible for tax purposes	42	2
Capital allowances for period in excess of depreciation	(16)	(17)
Losses carried forward/(utilisation of brought forward losses)	14	(48)
Additional deduction on qualifying R&D expenditure	(251)	(169)
Tax repayment on qualifying R&D expenditure	197	-
Adjustment in respect of prior years	-	(24)
Effects of overseas tax rates	1	(10)
Total current tax credit (see above)	(195)	(22)

The unrecognised deferred tax asset in respect of UK trading losses and capital allowances versus depreciation was £1,376,000 (2011 £1,584,000). The unrecognised deferred tax asset in respect of US Federal loss carry forwards was £1,698,000 (2011 £1,687,000). These amounts have not been recognised as there is insufficient evidence that they will be recovered.

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the group's future current tax charge accordingly and further reduce the potential deferred tax asset at 31 March 2012 (which has been calculated based on the rate of 24% substantively enacted at the balance sheet date) by £58,000.

Notes (continued)

8 Loss attributable to members of the parent company

The loss dealt with in the accounts of the parent company was £34,000 (2011 Nil)

9 Tangible fixed assets

Group	Leasehold improvements	Furniture, fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
At beginning of year	460	939	1,399
Additions	-	25	25
At end of year	460	964	1,424
Depreciation			
At beginning of year	448	897	1,345
Charged in year	12	34	46
At end of year	460	931	1,391
Net book value			
At 31 March 2012	-	33	33
At 31 March 2011	12	42	54

10 Investments

Group	Other £'000
Cost and net book value	
At 1 April 2011 and 31 March 2012	40

The other investment represents shares in Elateral Group Ltd held by Elateral Trustees Ltd (see note 19)

Notes (continued)

10 Investments (continued)

Company

	Shares in group companies £'000
<i>Cost and net book value</i>	
At 1 April 2011	-
Additions	7,000
At 31 March 2012	7,000

Subsidiary undertaking	Country of incorporation	Holding	Proportion of voting rights	Nature of business
Elateral Holdings Ltd	England	Ordinary, preferred and deferred shares	100%	Holding company
Elateral Trustees Limited	England	Ordinary shares	100%	Employee share ownership Trust
Elateral Inc	USA	Ordinary shares	100%	Sales of marketing solutions
Elateral GmbH	Germany	Ordinary shares	100%	Sales of marketing solutions
Elateral Limited	England	Ordinary shares	100%	Software development and sales

Elateral Holdings Limited is owned directly by Elateral Group Limited, all other subsidiaries are owned indirectly

11 Debtors

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade debtors	695	1,289	-	-
Other debtors and prepayments	135	298	-	-
Other taxation and social security	283	-	-	-
	1,113	1,587	-	-

Notes (continued)

12 Creditors amounts falling due within one year

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade creditors	411	260	-	-
Other taxation and social security	-	56	-	-
Accruals and deferred income	1,443	1,795	-	-
Preferred shares classed as financial liabilities	894	1,396	894	-
Amounts owed to group undertakings	-	-	1,500	-
	<u>2,748</u>	<u>3,507</u>	<u>2,394</u>	<u>-</u>

The balance for the Preferred shares classed as financial liabilities is made up as follows

	Group	
	2012 £'000	2011 £'000
286,666,666 Preferred Shares of £0.0001 each	29	29
Share Premium on issued Preferred Shares	830	830
Accrued dividends on Preferred Shares	35	537
	<u>894</u>	<u>1,396</u>

	Company	
	2012 £'000	2011 £'000
286,666,666 Preferred Shares of £0.0001 each (2011 nil)	29	-
Share Premium on issued Preferred Shares (2011 nil)	830	-
Accrued dividends on Preferred Shares (2011 nil)	35	-
	<u>894</u>	<u>-</u>

Notes (continued)

13 Share capital

Allotted, called up and fully paid

	2012 £'000	Group 2011 £'000
52,841,589 (2011 109,812,862) Ordinary shares of £0 0001 each	5	11
59,871,273 (2011 nil) A Ordinary shares of £0 0001 each	6	-
9,664,768,338 (2011 6,465,673,388) Deferred shares of £0 0001 each	967	647
286,666,666 (2011 286,666,666) Preferred shares of £0 0001 each	29	29
	<u>1,007</u>	<u>687</u>

Amounts presented in equity

	2012 £'000	2011 £'000
Ordinary shares of £0 0001 each	5	11
A Ordinary shares of £0 0001 each	6	-
Deferred shares of £0 0001 each	967	647
	<u>978</u>	<u>658</u>

Amounts presented in liabilities

	2012 £'000	2011 £'000
Preferred shares of £0 0001 each	29	29

At 31 March 2011, Elateral Group Ltd ("the Company") had one ordinary share of £1 in issue, and no other shares had been issued

On 20 September 2011 the Company and Elateral Holdings Ltd entered into a share for exchange agreement, with the nominal value of all new shares in the Company being at 10% of the nominal value of the equivalent shares in Elateral Holdings Ltd. Subsequent to this share for share exchange, a number of new shares were issued (including new classes of shares), certain shares were redeemed for cash consideration of £633,000, a dividend of £317,000 was paid to holders of certain classes of shares classified as equity, and a dividend of £550,000 was paid to holders of Preferred shares in accordance with the Articles of Association of the Company

Therefore, the narrative below sets out the key rights and obligations attached to each class of share in issue at 31 March 2012 only

a) The Ordinary Shares and A Ordinary Shares of £0 0001 carry one vote each. Voting rights on the Preferred Shares are calculated on an as converted basis. Any individual holder of Preferred Shares may at any time convert the whole of his Preferred Shares into Ordinary Shares. The rate of conversion shall be one Ordinary Share for each Preferred Share held. The deferred shares do not convey a right to vote

b) Dividends, accruing from the date of subscription, are payable in respect of the Preferred Shares (Fixed Dividends) at an aggregate amount of £68,800 per annum. This dividend is payable each year on 17 June

Dividends do not accrue on Ordinary Shares or A Ordinary Shares. Their payment depends on a recommendation by the directors. No Ordinary Dividend is payable if there are arrears of any other dividends

No dividends are payable on the deferred shares

Notes (continued)

13 Share capital (continued)

c) At any time after 19 February 2012, upon a vote by 75% or more of the Preferred Shares, they shall be redeemed at £0 003 per share

d) On liquidation or capital reduction, the assets of the company remaining after the payment of its liabilities shall be applied in the following order of priority

First to the holders of the Preferred Shares £0 006 per share together with a sum equal to any arrears or accruals of the Fixed Dividend and if there is a shortfall the proceeds shall be distributed to the holders of the Preferred Shares in proportion to the amounts due on each share held,

Second in paying to the holders of Equity Shares (Ordinary Shares and A Ordinary Shares) in proportion to the numbers of Equity Shares by each with the holders of the Preferred Shares participating on an as converted basis until the holders of the Equity shares have received a sum equal to £1,000,000 per share

Third, any remaining assets shall be distributed to the holders of deferred shares pro rata based on the number of deferred shares held by each

Notes (continued)

14 Reserves

Group

	Share premium account £'000	Appropriation reserve £'000	Capital redemption reserve	Other consolidation reserve	Profit and loss account £'000
At beginning of year	4,929	110	-	-	(19,918)
Loss for the year	-	-	-	-	(506)
Foreign exchange on retranslation of foreign subsidiaries	-	-	-	-	(5)
Application of merger accounting	-	-	-	15,410	-
Capital reduction of share premium	(1,500)	-	-	-	1,500
Shares issued during the year	(846)	-	-	-	-
Shares redeemed during the year	(104)	-	633	-	(633)
Dividends paid on shares classified as equity	-	-	-	-	(317)
Dividends paid on shares classified as debt	550	-	-	-	(550)
Removal of liquidation preference on certain ordinary shares	-	(110)	-	-	110
At end of year	3,029	-	633	15,410	(20,319)

Company

	Share premium account £'000	Profit and loss account £'000
At beginning of year	-	-
Loss for the year	-	(34)
Share for share exchange – share issue	4,929	-
Capital reduction of share premium	(1,500)	1,500
Other shares issued during the year	(846)	-
Shares redeemed during the year	(104)	(633)
Dividends paid on shares classified as equity	-	(317)
Dividends paid on shares classified as debt	550	(550)
At end of year	3,029	(34)

Notes (continued)

15 Reconciliation of movements in shareholders' funds/(deficit)

Group

	2012 £'000	2011 £'000
(Loss)/Profit for the year	(506)	699
Other recognised gains and losses relating to the year (net)	(5)	(138)
Consideration received for shares issued during the year (after merger accounting)	3	37
Dividends paid on shares classified as equity	(317)	-
Redemption of shares classified as equity	(633)	-
Net (decrease)/increase in shareholders' funds	(1,458)	598
Opening shareholders' funds	1,189	591
Closing shareholders' (deficit)/funds	(269)	1,189

Company

	2012 £'000	2011 £'000
Loss for the year	(34)	-
Consideration received for shares (classified as equity) issued during the year	5,590	-
Dividends paid on shares classified as equity	(317)	-
Redemption of shares classified as equity	(633)	-
Net increase in shareholders' funds	4,606	-
Opening shareholders' funds	-	-
Closing shareholders' funds	4,606	-

16 Pensions

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £87,000 (2011 £95,000)

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2011 £nil)

Notes (continued)

17 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

	2012 Land and buildings £'000	2012 IT services £'000	2011 Land and buildings £'000	2011 IT services £'000
Operating leases which expire				
Within 1 year	-	14	39	-
2 to 5 years	54	405	-	30
	<u>54</u>	<u>419</u>	<u>39</u>	<u>30</u>

18 Related party transactions

Consultancy fees of £30,000 (2011 £30,000) were paid by Elateral Holdings Ltd to Albion Ventures LLP and LMS Capital Plc who are shareholders in Elateral Group Ltd and Elateral Holdings Ltd

19 Employee share option schemes and trusts

The company operates an Employee Share Option Scheme (ESOS) and an Employee Share Option Trust (ESOT). The shares held within these schemes are for distribution to the employees of the company and its subsidiaries. Any person who is an employee or director of the company, or any of its subsidiaries, at the relevant granting date is eligible to be granted options under these schemes. The associated costs of establishing and administering these schemes are expensed directly to the profit and loss account of the company as they arise.

20 Ultimate controlling party

There is no single controlling party.



SUMMARY OF AUDIT DIFFERENCES - (04/07)
SCHEDULE 1C Iron Curtain (Balance Sheet) Method

Elateral Group Ltd
Summary of Uncorrected Audit Misstatements
For year ended 31/03/2012
Amounts shown in £'000

Method used to quantify audit differences

Iron Curtain (Balance Sheet)

#	Accounts and Description	Debit	(Credit)	Type of Error	Impact of audit differences on financial statement captions					
					Income Statement Effect Debit/(Credit)	Balance Sheet Effect Debit/(Credit)				
						Equity at period end	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities
Consol 1	Dr P&L Reserves Cr FX Gain P&L (Intercompany) Being recognition of FX loss on 2008-2012 GBP intercompany trading balances in the P&L (transfer from reserves where it was held)	28	(28)	Factual	(28)	28				
Inc 1	Dr accruals Cr P&L Over accrual of Salt LLC's fees. Year end accrual was \$25k but only 2 invoices totalling \$12k were received	9	(9)	Factual	(9)				9	
Aggregate of uncorrected audit misstatements (before tax)					(37)	28			9	

Communication of Uncorrected Audit Misstatements

Discussed with: Christine Beasley/Angus de Wasseville Date: 15-Oct-12

Discussed by: NH/SR