

Company Registration No. 03486926 (England and Wales)

ITIM Group Limited

Report and Financial Statements

For the year ended 31 December 2011



ITIM Group Limited

Report and financial statements 2011

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ITIM Group Limited

Report and financial statements 2011

Officers and professional advisers

Chairman

M Jackson

Directors

M A Athar
R N Frosell
I D Hayes

Secretary

I D Hayes

Auditors

Royce Peeling Green Limited
15 Buckingham Gate
London
SW1E 6LB

Bankers

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Solicitors

DMH Stallards
6 New Street Square
New Fetter Lane
London
EC4A 3BF

Registered Office

10th Floor
Marble Arch Tower
55 Bryanston Street
London
W1H 7AA

ITIM Group Limited

Directors' report (continued)

The Directors present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activity

The principal activity of the company and its subsidiaries is the provision of management consultancy and technology solutions to help clients drive improvements in efficiency and effectiveness. The group will continue with its principal activity for the foreseeable future.

Results and dividends

The Group made a profit for the year of £269,000 (2010 profit £88,000). The directors do not recommend the payment of an ordinary dividend.

Review of the business and future developments

In 2011 we continued to grow profits from £88,000 in 2010 to £269,000 in 2011 which is a very pleasing result.

We were very pleased with how the year turned out for Itim. In addition to winning Makro for the whole of South America, the Profimetrics product had a major win in the UK as we won the Debenhams project. But more importantly our customers are showing amazing results. One retailer publicly stated that Profimetrics had helped them add \$30m to their bottom line in 12 months through improved margins. We are proving that 1-4% margin improvements are achievable targets for Itim to deliver to retailers. That makes Profimetrics one of the most compelling software applications for Retailers worldwide. We are now showing 100% year on year revenue growth from this side of the business.

All our products/divisions are showing growth. With DIDOS, we had a major win with John Lewis Partnership, and many small retailers are also now looking at invoice matching. There is renewed interest in products such as Zygon, our Product Information Management product, as internet retailing is also growing very rapidly.

One of the most strategic wins for us was for The Retail Suite. We won the project with the Entertainer to build their multi-channel strategy allowing them to do click & collect from their stores, and to route orders to any stock location. They looked at 7 suppliers, before selecting The Retail Suite, reflecting our competitive edge.

Our B2B internet business is also delivering great results in driving greater supplier collaboration.

Historically Itim focussed on the UK market, we now operate in Spain, Portugal, and Brazil and are growing in South America. We are also seeking to land our first major customer in Benelux. We see overseas expansion as a significant driver of growth.

We believe 2012 will continue to be a challenging economic environment. But gradually Itim is getting stronger. 3 years ago, we had a number of legacy products, with little prospects for growth, today we have a number of exciting solutions and some real opportunities for growth.

The Board have considered the inclusion of key performance indicators within the business review but believe that the inclusion of such would not give the user of these financial statements a better understanding of the development, performance or position of the business of the company.

ITIM Group Limited

Directors' report (continued)

Research and development

Research and development focused on 3 areas in 2011

- 1 Information Delivery - which addresses the need to deliver information in new and engaging paradigms in the retail world
- 2 Artificial intelligence – Utilising the principles of rules engines into an active intelligence platform for Retail ERPs to allow retailers to drive business optimisation strategies
- 3 Mobile Internet to create an exciting customer engagement application for retailers that could be integrated into a retail ERP

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Price risk

The company is exposed to price risk due to normal inflationary increases in the purchase price of the goods and services in purchases in the UK. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, which earn interest at fixed rate. The company has a policy of maintaining debt at fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

ITIM Group Limited

Directors' report (continued)

Directors

The following directors have held office since 1 January 2011

M A Athar
R N Frosell
I D Hayes

Auditors

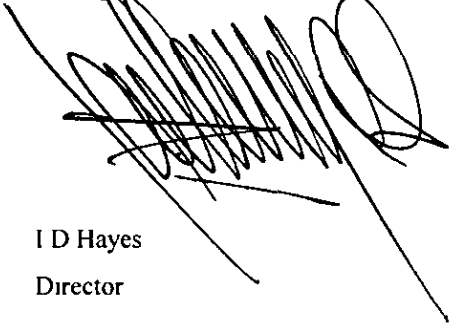
In accordance with the company's articles, a resolution proposing that Royce Peeling Green Limited be reappointed as auditors of the company will be put at a General Meeting

Disclosure of information to the auditors

So far as the directors are aware

- there is no relevant audit information of which the auditors are unaware and
- additionally the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information

Approved by the Board of Directors
and signed on behalf of the Board

A large, stylized handwritten signature in black ink, appearing to be 'I D Hayes', written over a horizontal line.

I D Hayes
Director

ITIM Group Limited

Statement of directors' responsibilities

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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ITIM Group Limited

Independent Auditors' Report to the Members of ITIM Group Limited

We have audited the financial statements of ITIM Group Limited for the year ended 31 December 2011 set out on pages 8 to 30. 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 statement of directors' responsibilities set out on page 5, 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 the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 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.

ITIM Group Limited

Independent Auditors' Report to the Members of ITIM 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,
- the parent company's financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made,
- we have not received all of the information and explanations we require for our audit,

Paul Randall

Paul Randall (Senior Statutory Auditor)

For and on behalf of Royce Peeling Green Limited

Chartered Accountants

Statutory Auditor

5 April 2012

15 Buckingham Gate
London
SW1E 6LB

ITIM Group Limited

Group Profit and Loss Account For the year ended 31 December 2011

	Note	Total 2011 £'000	Total 2010 £'000
Turnover	2	8,567	8,318
Cost of sales		(4,545)	(4,887)
Gross profit		4,022	3,431
Administrative expenses		(3,361)	(3,095)
Share option charge		-	-
Amortisation of goodwill	10	(301)	(299)
Total administrative expenses		(3,662)	(3,394)
Operating profit	3	360	37
Interest receivable and similar income	7	3	1
Interest payable and similar charges	8	(327)	(221)
Profit /(loss) on ordinary activities before taxation		36	(183)
Tax on loss on ordinary activities	9	234	271
Profit for the financial year	18	270	88

All results for 2011 and 2010 relate to continuing activities

ITIM Group Limited

Group Statement of Total Recognised Gains and Losses For the year ended 31 December 2011

	2011	2010
	£'000	£'000
Profit for the financial year	270	88
Currency translation differences on foreign currency net investments	48	123
Total recognised gains for the year	318	211

ITIM Group Limited

Company Registration number: 03486926

**Group Balance Sheet
As at 31 December 2011**

	Note	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	10	8,023	7,831
Tangible assets	11	79	125
		<u>8,102</u>	<u>7,956</u>
Current assets			
Debtors	13	2,033	2,193
Cash at bank and in hand		377	410
		<u>2,410</u>	<u>2,603</u>
Creditors: amounts falling due within one year	14	<u>(2,138)</u>	<u>(2,712)</u>
Net current assets/(liabilities)		<u>272</u>	<u>(109)</u>
Total assets less current liabilities		<u>8,374</u>	<u>7,847</u>
Creditors: amounts falling due after more than one year	16	<u>(3,273)</u>	<u>(3,247)</u>
		<u>5,101</u>	<u>4,600</u>
Accruals and deferred income	15	<u>2,429</u>	<u>2,246</u>
Capital and reserves			
Called up share capital	17	2,103	2,103
Share premium account	18	10,154	10,154
Option reserve	18	86	86
Foreign exchange reserve	18	144	96
Profit and loss account	18	<u>(9,815)</u>	<u>(10,085)</u>
Shareholders' funds	20	<u>2,672</u>	<u>2,354</u>
		<u>5,101</u>	<u>4,600</u>

These financial statements were approved and authorised for issue by the Board of Directors on 5 April 2012

Signed on behalf of the Board of Directors


I D Hayes
Director

Company Balance Sheet
As at 31 December 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	10	6	7
Tangible assets	11	4	4
Investments	12	3,416	3,415
		<u>3,426</u>	<u>3,426</u>
Current assets			
Debtors	13	2,747	2,824
Debtors due in more than one year	13	1,906	939
Cash at bank and in hand		15	17
		<u>4,668</u>	<u>3,780</u>
Creditors: amounts falling due within one year	14	<u>(80)</u>	<u>(211)</u>
Net current assets		<u>4,588</u>	<u>3,569</u>
Total assets less current liabilities		8,014	6,995
Creditors: amounts falling due after more than one year	16	<u>(4,050)</u>	<u>(4,040)</u>
		<u>3,964</u>	<u>2,955</u>
Accruals and deferred income	15	<u>356</u>	<u>184</u>
Capital and reserves			
Called up share capital	17	2,103	2,103
Share premium account	18	10,154	10,154
Share option reserve	18	86	86
Profit and loss account	18	(8,735)	(9,572)
Shareholders' funds	20	<u>3,608</u>	<u>2,771</u>
		<u>3,964</u>	<u>2,955</u>

These financial statements were approved and authorised for issue by the Board of Directors on 5 April 2012

Signed on behalf of the Board of Directors


I D Hayes
Director

ITIM Group Limited

Consolidated Cash Flow Statement Year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Net cash inflow/(outflow) from operating activities	21(a)	<u>1,080</u>	<u>(254)</u>
Returns on investments and servicing of finance			
Interest paid		(177)	(177)
Interest received		3	-
		<u></u>	<u></u>
Net cash outflow from returns on investments and servicing of finance		<u>(174)</u>	<u>(177)</u>
Taxation			
Corporation tax refund		274	392
		<u></u>	<u></u>
Net cash inflow from taxation		<u>274</u>	<u>392</u>
Capital expenditure			
Payments to acquire tangible fixed assets		(117)	(43)
Development expenditure		(1,093)	(922)
		<u></u>	<u></u>
Net cash outflow from capital expenditure		<u>(1,210)</u>	<u>(965)</u>
Net cash (outflow)/inflow before financing		<u>(30)</u>	<u>(1,004)</u>
Financing			
Issue of ordinary share capital		-	9
Other loans		26	(69)
		<u></u>	<u></u>
Net cash (outflow)/inflow from financing		<u>26</u>	<u>(60)</u>
Decrease in cash in the year	21(c)	<u>(4)</u>	<u>(1,064)</u>

ITIM Group Limited

Notes to the accounts (Continued) Year ended 31 December 2011

1 Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice, which have been applied consistently (except as otherwise stated) A summary of the more important accounting policies adopted are described below

The accounts have been prepared on the going concern basis

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings (as described in note 12) drawn up to 31 December each year The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed Acquisitions are accounted for under the acquisition method

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers during the year by the group

The group derives turnover from four sources, licences, maintenance, subscriptions and services

Licence revenue is recognised over the course of the project delivered and provided that

- Persuasive evidence of an arrangement with the customer exists
- The revenue concerned is fixed or determinable
- It is probable that the invoice will be paid by the customer

Maintenance revenue is deferred and recognised in the profit and loss account in equal instalments over the life of the arrangement

Subscription revenue is recognised over the life of the subscription service

Services revenue is recognised when the service has been delivered to the customer

Turnover is derived from the Group's principal activity and excludes VAT

Intangible fixed assets - 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 useful economic life, which is 20 years

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit

Investments are reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable Provision is made for any impairment

In calculating goodwill, the total consideration, both actual and deferred, is taken into account Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made This contingent consideration is re-assessed annually The difference between the present value and the total amount payable at a future date gives rise to a finance charge which is charged to the profit and loss account and credited to the liability over the period in which the consideration is deferred The discount used approximates to market rates

ITIM Group Limited

Notes to the accounts (Continued)

Year ended 31 December 2011

1. Accounting policies (continued)

Intangible fixed assets - Research and development expenditure

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised and amortised over the period during which the group is expected to benefit. This period is seven years. Provisions are made for any impairment.

Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the profit and loss account.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rate. Profit and loss accounts of such undertakings are consolidated at the average rate of exchange during the year.

Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost.

Depreciation of tangible fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Computer equipment - straight line over 3 years

Office equipment - straight line over 3 years

Fixtures and fittings - straight line over 3 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.

Fixed asset investments

Fixed asset investments are included at cost less amounts written off.

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

Leasing and hire purchase commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

ITIM Group Limited

Notes to the accounts (Continued)

Year ended 31 December 2011

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is provided on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date

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

Pension contributions

The company operates a defined contribution scheme for its employees. Contributions are charged to the profit and loss account in the year they are payable. The assets of the scheme are held separately from those of the group.

Share based payments

The group has applied the requirements of Financial Reporting Standard 20 Share-based Payment. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Binominal Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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 company after deducting all of its liabilities.

ITIM Group Limited

Notes to the accounts (Continued)

Year ended 31 December 2011

2 Turnover

The analysis of the Group's turnover by geographical area is set out below

	2011 £'000	2010 £'000
United Kingdom	6,485	6,872
Europe	773	960
Rest of World	1,309	486
	<u>8,567</u>	<u>8,318</u>

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2011 £'000	2010 £'000
Depreciation of tangible fixed assets		
- owned	164	107
Amortisation of goodwill	303	299
Amortisation of capitalised research and development	598	629
Operating lease rentals		
- plant and machinery	68	94
- other	156	129
Net exchange differences on foreign currency transactions	(19)	46
Government grants	(143)	(516)
Auditors' remuneration (see note 4)	15	15
	<u>15</u>	<u>15</u>

4. Auditors remuneration

The analysis of auditors' remuneration is as follows

	2011 £'000	2010 £'000
Fees payable to the company's auditors for the audit of the company's annual accounts	-	-
Fees payable to the company's auditors and their associates for other services to the group		
- The audit of the company's subsidiaries pursuant to legislation	13	13
- Tax services	2	2
Total other services	<u>15</u>	<u>15</u>

ITIM Group Limited

Notes to the accounts (Continued)

Year ended 31 December 2011

5. Employees

Employment costs - group

	2011 £'000	2010 £'000
Wages and salaries	4,672	3,800
Social security costs	525	486
Other pension costs	145	48
Other benefits	72	290
	<u>5,414</u>	<u>4,624</u>

The average monthly number of employees (including directors) during the year for the group was as follows

	2011 No	2010 No
Selling and administration	18	16
Technical	103	87
	<u>103</u>	<u>103</u>

6. Directors' emoluments

	2011 £'000	2010 £'000
Aggregate emoluments	358	475
Pension contributions (money purchase schemes)	24	18
	<u>382</u>	<u>493</u>

In the year fees of £12,917 (2010 £18,750) were paid to Michael Jackson, Chairman of ITIM Group Limited

Directors' emoluments disclosed above include the following payments to the highest director

	2011 £'000	2010 £'000
Aggregate emoluments	122	134
Pension contributions (money purchase schemes)	6	10
	<u>128</u>	<u>144</u>

ITIM Group Limited

Notes to the accounts (Continued) Year ended 31 December 2011

6 Directors' emoluments (continued)

	2011 No.	2010 No.
Number of directors to whom relevant benefits are accruing under Money purchase schemes	<u>3</u>	<u>4</u>

7. Interest receivable and similar income

	2011 £'000	2010 £'000
On bank deposits	<u>3</u>	<u>1</u>

8. Interest payable and similar charges

	2011 £'000	2010 £'000
Bank loans and overdrafts	62	42
Finance lease interest	3	3
Other interest and similar charges	<u>262</u>	<u>176</u>
	<u>327</u>	<u>221</u>

ITIM Group Limited

Notes to the accounts (Continued) Year ended 31 December 2011

9. Tax on loss on ordinary activities

(a) The tax credit is made up as follows

	2011 £'000	2010 £'000
<i>Current tax</i>		
Current corporation tax credit	(250)	(290)
Adjustment in respect of prior years	(5)	-
	<u>(255)</u>	<u>(290)</u>
Foreign tax on income for the year	<u>21</u>	<u>19</u>
Total current tax	<u><u>(234)</u></u>	<u><u>(271)</u></u>

(b) Factors affecting tax for the year

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation of tax in the UK of 26% (2009 28%) The differences are reconciled below

	2011 £'000	2010 £'000
Profit/(Loss) on ordinary activities before tax	<u>36</u>	<u>(183)</u>
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2009 28%)	9	(51)
Effects of		
Expenses not deductible for tax purposes	-	-
Capital allowances in excess of depreciation	(8)	1
Research and development tax credit	(250)	(290)
Unrelieved tax losses and other deductions arising in the year	251	240
Utilisation of tax losses and other deductions	(237)	(190)
Adjustment in respect of prior years	<u>-</u>	<u>-</u>
Current tax credit for the year	<u><u>(234)</u></u>	<u><u>(290)</u></u>

ITIM Group Limited

Notes to the accounts (Continued) Year ended 31 December 2011

9 Tax on profit on ordinary activities (continued)

(c) Factors which may affect future tax charges

No deferred tax has been provided for as within the group there are tax adjusted losses to carry forward of £10.1 million (2010 £10.1 million). A deferred tax asset has not been recognised in these financial statements as there is insufficient certainty over whether the group will be in a position to utilise the asset in the foreseeable future.

The deferred taxation asset not recognised in the accounts is as follows

	Not recognised	
	2011 £'000	2010 £'000
Fixed asset timing differences	26	34
Losses and other deductions	2,626	2,828
	2,652	2,862

10 Intangible fixed assets

<i>Group</i>	Development costs £'000	Goodwill £'000	Negative goodwill £'000	Total £'000
Cost				
At 1 January 2011	5,357	8,659	(3)	14,013
Additions	1,093	-	-	1,093
	6,450	8,659	(3)	15,106
Amortisation				
At 1 January 2011	1,783	4,399	-	6,182
Charge for the year	598	303	-	901
	2,381	4,702	-	7,083
Net book value				
At 31 December 2011	4,069	3,957	(3)	8,023
At 31 December 2010	3,574	4,260	(3)	7,831

ITIM Group Limited

Notes to the accounts (Continued) Year ended 31 December 2011

10 Intangible fixed assets (continued)

<i>Company</i>	Development costs £'000	Total £'000
Cost		
At 1 January 2011	13	13
Additions	-	-
	<u>13</u>	<u>13</u>
31 December 2011		
Amortisation		
At 1 January 2011	6	6
Charge for the year	2	2
	<u>8</u>	<u>8</u>
31 December 2011		
Net book value		
At 31 December 2011	<u>5</u>	<u>5</u>
At 31 December 2010	<u>7</u>	<u>7</u>

Development costs for The Retail Suite and Tradeledger P2P have been capitalised in accordance with SSAP 13 "Accounting for research and development" Production commenced in 2008, from which date the related costs will be written off over 7 years

11. Tangible fixed assets

<i>Group</i>	Fixtures and equipment £'000	Total £'000
Cost		
At 1 January 2011	891	891
Additions	117	117
	<u>1,008</u>	<u>1,008</u>
At 31 December 2011		
Depreciation		
At 1 January 2011	766	766
Charge for the year	164	164
	<u>930</u>	<u>930</u>
At 31 December 2011		
Net book value		
At 31 December 2011	<u>82</u>	<u>78</u>
At 31 December 2010	<u>125</u>	<u>125</u>

Included within fixtures and equipment are assets held under finance leases with a net book value of £7,000(2010 £35,000) Depreciation of £27,000 (2010 £2,000) has been charged in respect of assets held under finance leases

ITIM Group Limited

Notes to the accounts (Continued) Year ended 31 December 2011

11 Tangible fixed assets (continued)

Company

	Fixtures and fittings £'000	Total £'000
Cost		
At 1 January 2011 and at 31 December 2011	16	16
Depreciation		
At 1 January 2011	11	11
Charge for the year	1	1
At 31 December 2011	12	12
Net book value		
At 31 December 2011	4	4
At 31 December 2010	5	5

12 Fixed asset investments

	2011 £'000	Group 2010 £'000	2011 £'000	Company 2010 £'000
Shares in subsidiary undertakings	20	-	3,437	3,415
	20	-	3,437	3,415

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

<u>Principal subsidiary Undertakings</u>	<u>Country of incorporation</u>	<u>Percentage holding</u>	<u>Class of share</u>	<u>Principal activity</u>	<u>Profit/(loss) £'000</u>	<u>Net assets/(liabilities) £'000</u>
ITIM e-Commerce Limited	England and Wales	100%	Ordinary	Dormant	£nil	£23
ITIM Limited	England and Wales	100%	Ordinary 'A' Ordinary Deferred	Software consultancy and supply	(£289)	£2,238
Aim Commercial Systems Limited	England and Wales	100% held by ITIM Limited	Ordinary	Dormant	£nil	£49
ITIM Technology Solutions Limited	England and Wales	100%	Ordinary	Dormant	£nil	£449
Profimetrics Software Solutions S A	Portugal	100%	Ordinary Preferred	Development and distribution of software	(£141)	(£2,426)

ITIM Group Limited

Notes to the accounts (Continued) Year ended 31 December 2011

12 Fixed Asset Investments (continued)

The company also holds shares in the following company

<i>Other investments</i>	<i>Country of incorporation</i>	<i>Percentage holding</i>	<i>Principal activity</i>
Pacific Knowledge Platform Inc	Singapore	10.83%	Electronic commerce Services

<i>Company</i>	Shares in group undertaking £'000	Other investments £'000	Total £'000
Costs			
At 1 January 2011	6,348	46	6,394
Retranslation	2	-	2
Addition	-	-	-
At 31 December 2011	<u>6,350</u>	<u>46</u>	<u>6,396</u>
Provision for impairment			
At 1 January and at 31 December 2011	<u>2,933</u>	<u>46</u>	<u>2,979</u>
Net book value			
31 December 2011	<u>3,417</u>	<u>-</u>	<u>3,417</u>
31 December 2010	<u>3,415</u>	<u>-</u>	<u>3,415</u>

All subsidiary undertakings have been included in the consolidation

13 Debtors

	2011 £'000	Group 2010 £'000	2011 £'000	Company 2010 £'000
Trade debtors	941	705	-	-
Corporation tax	252	292	-	-
Amounts owed by group undertakings	-	-	2,717	2,815
Amounts owed by group undertakings due in greater than one year	-	-	1,906	939
Other debtors	49	349	20	-
Prepayments and accrued income	791	847	10	9
	<u>2,033</u>	<u>2,193</u>	<u>4,653</u>	<u>3,763</u>

ITIM Group Limited

Notes to the accounts (Continued) Year ended 31 December 2011

14. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	938	1,027	-	-
Trade creditors	524	920	11	10
Other taxation and social security	456	526	-	59
Finance leases	7	28	-	-
Other creditors	213	211	69	142
	<u>2,138</u>	<u>2,712</u>	<u>80</u>	<u>211</u>

Net obligations under finance leases are secured by fixed charges on the assets concerned

15. Accruals and deferred income

	<i>Group</i>		<i>Company</i>	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Accruals	755	686	355	184
Deferred income	1,674	1,560	-	-
	<u>2,429</u>	<u>2,246</u>	<u>355</u>	<u>184</u>

16. Creditors' amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Finance lease	-	7	-	-
Other creditors	3,273	3,240	4,050	4,040
	<u>3,273</u>	<u>3,247</u>	<u>4,050</u>	<u>4,040</u>

Other creditors comprise of

Secured liabilities - Group

<i>1st charge</i>	<i>2011</i>	<i>2010</i>
<i>Lighthouse Technology Limited</i>	<i>1,659,503</i>	<i>1,664,133</i>
<i>2nd charge</i>	<i>2011</i>	<i>2010</i>
<i>External investor</i>	<i>500,000</i>	<i>462,887</i>
<i>Directors</i>	<i>512,596</i>	<i>512,334</i>

ITIM Group Limited

Notes to the accounts (Continued) Year ended 31 December 2011

16. Creditors, amounts falling due after more than one year (continued)

<i>Unsecured liabilities - Group</i>	<i>2011</i>	<i>2010</i>
<i>Directors</i>	<i>230,000</i>	<i>230,000</i>
<i>External investor</i>	<i>100,000</i>	<i>100,000</i>
<i>Deferred consideration</i>	<i>270,501</i>	<i>270,501</i>

The debt from Directors, the external investor and the bank bears interest at rates between bank base plus 3% and also at LIBOR plus 6.5%

£500,000 of the loan from Lighthouse Technology Limited is not interest bearing £214,133 bears interest as follows

1st April 2008 – 31st July 2008 8%

1st August 2008 – repayment 12%

£950,000 of the loan from Lighthouse Technology Limited has a monthly management fee of £5,250 per month

The deferred consideration for the purchase of the Reflex product is set at a maximum of £270,501 and reduced on royalty payments on sale of the product. If, after four years post acquisition, the maximum additional consideration has not been paid, the difference between the amount paid to Aim Holdings Limited and the maximum additional consideration will be converted to loan notes at the end of Year 5

Analysis of maturity of debt

	<i>2011</i>	<i>Group</i>	<i>2011</i>	<i>Company</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts payable				
Within two and five years	3,002	2,977	4,050	4,040
	<u>3,002</u>	<u>2,977</u>	<u>4,050</u>	<u>4,040</u>

Net obligations under finance leases are secured by fixed charges on the assets concerned

17 Share capital

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Authorised		
189,748,257 Ordinary shares of 1p each	1,898	1,898
110,251,743 Deferred shares of 1p each	1,102	1,102
	<u>3,000</u>	<u>3,000</u>

ITIM Group Limited

Notes to the accounts (Continued) Year ended 31 December 2011

17 Share capital (continued)

Allotted, called up and fully paid	2011 £'000	2010 £'000
100,086,838 Ordinary shares of 1p each	1,001	1,001
110,251,743 Deferred shares of 1p each	1,102	1,102
	<u>2,103</u>	<u>2,103</u>
Equity shares		
100,086,838 Ordinary shares of 1p each	1,001	1,001
110,251,743 Deferred shares of 1p each	1,102	1,102
	<u>2,103</u>	<u>2,103</u>

A summary of the rights of the different classes of share is given below

Voting

All Ordinary shares are entitled to one vote each. The holders of Deferred shares are not entitled to receive notice of, to attend, to speak or to vote at any general meeting of the Company.

Dividends

The profits of the Company available for distribution shall be used to pay dividends to the holders of Ordinary Shares a dividend equivalent to such amounts as the Directors may determine and as is approved by the Ordinary Shareholders in general meeting.

Share options

The company has a share option scheme for certain employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is 0 to 2 years after the date of grant. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest.

ITIM Group Limited

Notes to the accounts (Continued) Year ended 31 December 2011

17 Share capital (continued)

Details of the share options outstanding during the year are as follows

	2011		2010	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of year	30,044,285	1 595p	17,221,053	3 9p
Granted during the year	1,250,000	1 595p	30,044,285	1 595p
Forfeited during the year	(1,804,859)	1 595p	(17,221,053)	3 9p
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	29,489,426	1 595p	30,044,285	1 595p
Exercisable at the end of the year	-	-	-	-

The options outstanding at 31 December 2011 had a weighted average exercise price of 1 595p, and a weighted average remaining contractual life of 8 years

18. Statement of movement on reserves

Group

	Share premium £'000	Share option £'000	Foreign exchange reserve £'000	Profit and loss Account £'000
At 1 January 2011	10,154	86	96	(10,085)
Profit for the financial year	-	-	-	270
Premium on new shares issued	-	-	-	-
Exchange differences on retranslation of foreign operations	-	-	48	-
At 31 December 2011	<u>10,154</u>	<u>86</u>	<u>144</u>	<u>(9,815)</u>

Company

	Share premium £'000	Share option £'000	Profit and loss Account £'000
At 1 January 2011	10,154	86	(9,572)
Profit for the financial year	-	-	837
Premium on new shares issued	-	-	-
At 31 December 2011	<u>10,154</u>	<u>86</u>	<u>(8,735)</u>

ITIM Group Limited

Notes to the accounts (Continued)

Year ended 31 December 2011

19. Parent company profit and loss

The parent company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 in not publishing its own profit and loss account. The parent company made a profit of £837,036 in the year to 31 December 2011 (2010 £681,271)

20. Reconciliation of movements in shareholders' funds

<i>Group</i>	Share capital £'000	Share premium £'000	Share option £'000	Foreign exchange reserve £'000	Profit and loss account £'000	Shareholders' funds £'000
At 1 January 2011	2,103	10,154	86	96	(10,085)	2,354
Profit for the financial year	-	-	-	-	270	270
Exchange differences on retranslation of foreign operations	-	-	-	48	-	48
Total recognised gains and losses	-	-	-	144	270	318
Issue of equity share capital	-	-	-	-	-	-
Premium arising on issue of equity share capital	-	-	-	-	-	-
At 31 December 2011	<u>2,103</u>	<u>10,154</u>	<u>86</u>	<u>144</u>	<u>(9,815)</u>	<u>2,672</u>

Company

	2011 £'000	2010 £'000
Profit for the financial year	837	681
New shares issued in the year	-	5
Premium on new shares	-	3
Options issued in the year	-	-
Net additions to shareholders funds	<u>837</u>	<u>689</u>
Opening shareholders' funds	2,771	2,082
Closing shareholders' funds	<u>3,608</u>	<u>2,771</u>

ITIM Group Limited

Notes to the accounts (Continued) Year ended 31 December 2011

21 Notes to the consolidated cash flows statement

(a) Reconciliation of operating profit/(loss) to cash (outflow)/inflow from operating activities -

	2011 £'000	2010 £'000
Operating profit	360	37
Depreciation charge	164	107
Amortisation of intangible assets	303	299
Amortisation of research and development	598	629
Movement in debtors	(120)	(859)
Movement in creditors	(273)	(624)
Other non-cash changes	48	157
Cash(outflow)/ inflow from operating activities	<u>1,080</u>	<u>(254)</u>

(b) Analysis of net debt

	At 1 January 2011 £'000	Cash flow £'000	Other non cash changes £'000	Exchange movements £'000	At 31 December 2011 £'000
Cash at bank	410	(33)	-	-	377
Overdrafts	(1,027)	29	-	60	(938)
Total cash	<u>(617)</u>	<u>(4)</u>	<u>-</u>	<u>60</u>	<u>(561)</u>
Debt falling due within one year	(28)	28	(7)	-	(7)
Debt falling due in more than one year	(2,977)	(57)	37	(5)	(3,002)
Total debt	<u>(3,005)</u>	<u>(29)</u>	<u>30</u>	<u>(5)</u>	<u>(3,009)</u>
Net debt	<u>(3,622)</u>	<u>(33)</u>	<u>30</u>	<u>55</u>	<u>(3,570)</u>

ITIM Group Limited

Notes to the accounts (Continued) Year ended 31 December 2011

21 Notes to the consolidated cash flows statement (continued)

(c) Reconciliation of net cash flow to movement in net debt

	2011 £'000
Decrease in net cash in the year	(4)
Cash outflow from decrease in debt and lease financing	(33)
Other non cash movements	30
Exchange differences	55
	<hr/>
Movement in net debt in the year	52
Net debt at 1 January 2011	(3,622)
	<hr/>
Net debt at 31 December 2011	<u>(3,570)</u>

22 Financial commitments under operating leases

At 31 December 2011 the group had aggregate annual commitments under non-cancellable operating leases as set out below

	2011		2010	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire				
in less than one year	7	13	10	15
between two and five years	161	15	166	13
	<hr/>	<hr/>	<hr/>	<hr/>

23. Pension commitments

The group makes contributions to individual pension schemes (money purchase) The amount paid during the year was £144,852 (2010 £48,000)

24 Contingent liabilities

ITIM Group Limited and its subsidiary undertakings have given cross guarantees and granted rights to set-off in respect of group undertaking overdrafts and loans

The company is party to a cross guarantee for amounts payable to R M Frosell of £500,000 (2010 £500,000) by the group

The company is party to a cross guarantee for amounts payable to Lighthouse Technology Limited of £1,659,503 (2010 £1,664,133) by the group

25 Controlling party

There is no ultimate controlling party