

# TRACSYS LIMITED

## BALANCE SHEET

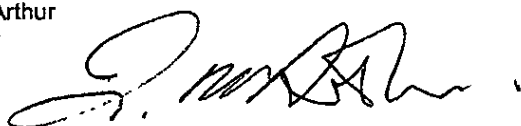
31 JULY 2007

	Note	2007 £	£	2006 £	£
<b>Fixed assets</b>					
Tangible assets	7		8,160		6,832
<b>Current assets</b>					
Debtors	8	163,673		293,241	
Cash at bank		715,330		258,272	
		879,003		551,513	
<b>Creditors. Amounts falling due within one year</b>	9	238,699		205,864	
<b>Net current assets</b>			640,304		345,649
<b>Total assets less current liabilities</b>			648,464		352,481
<b>Provisions for liabilities</b>					
Deferred taxation	10		2,361		-
			646,103		352,481
<b>Capital and reserves</b>					
Called-up equity share capital	15		21		20
Share premium account	16		16,761		-
Share options reserve	16		5,166		-
Profit and loss account	16		624,155		352,461
<b>Shareholders' funds</b>	17		646,103		352,481

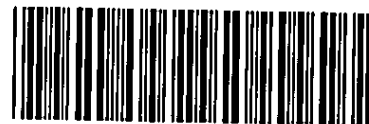
These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors and authorised for issue on 26<sup>th</sup> Oct 07, and are signed on their behalf by

J C McArthur  
Director



The notes on pages 9 to 19 form part of these financial statements.



# TRAC SIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2007

### 1. Accounting policies

#### Basis of accounting

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The financial statements have been prepared under the historical cost convention, modified to include the revaluation of financial instruments, and in accordance with applicable UK accounting standards.

#### Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

-FRS 20 'Share-based payment (IFRS 2)', and

-FRS 21 'Events after the Balance Sheet date (IAS 10)'

#### *FRS 20 'Share-based payment (IFRS 2)'*

FRS 20 'Share-Based Payment (IFRS 2)' requires the recognition of equity-settled share-based payments at fair value at the date of the grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date. Prior to the adoption of FRS 20, the company did not recognise the financial effect of share-based payments until such payments were settled.

In accordance with the transitional provisions of FRS 20, the Standard has been applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

For the year ended 31 July 2007 the change in accounting policy has resulted in a net charge to the profit and loss account of £6,434. At 31 July 2007, the share options reserve amounted to £5,166.

#### *FRS 21 'Events after the Balance Sheet date (IAS 10)'*

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

This change in accounting policy has resulted in a prior year adjustment for the company. For year ended 31 July 2006, the change in accounting policy has resulted in a net increase in retained profit for the year of £60,000. The balance sheet at 31 July 2006 has been restated to reflect the de-recognition of a liability for proposed equity dividends of £60,000.

#### Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

**TRACSYS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 2007**

**1. Accounting policies (continued)**

**Turnover**

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period. The company derives revenue from software licences, post contract customer support and consultancy services.

The company recognises revenue from the sale of software licences and specified upgrades upon shipment of the software product or upgrade, when there are no significant vendor obligations remaining, when the fee is fixed and determinable and the collectibility is considered probable. Where appropriate the company provides a reserve for estimated returns with the standard acceptance terms at the time the revenue is recognised. Payment terms are agreed separately with each customer.

Revenue from post contract customer support and consultancy services is recognised on a straight-line basis over the term of the contract. Revenue not recognised in the profit and loss account under this policy is classified as deferred income in the balance sheet.

Other products and services - Revenue allocable to other products and services is recognised as the products are shipped, or services are provided.

**Research and development**

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

**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:

Plant & Machinery - 33% on cost

**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.

**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.

# TRAC SIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2007

### 1. Accounting policies *(continued)*

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.

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

#### Share-based payments

The company issues equity-settled and cash-settled share-based payments to certain employees (including directors) Equity-settled share-based payments are measured at fair value 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, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest

Fair value is measured using the Black Scholes 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

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph

For cash-settled share-based payments, a liability equal to the portion of the goods and services received is recognised at the current fair value determined at each balance sheet date

#### 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

#### Trade and other debtors

Trade and other debtors are recognised and carried forward at invoices amounts less provisions for any doubtful debts Bad debts are written off when identified

#### Cash and cash equivalents

Cash and cash equivalents are included in the balance sheet at cost Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less

**TRAC SIS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 2007**

**1 Accounting policies (continued)**

*Interest-bearing loans and borrowings*

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the profit and loss account when liabilities are derecognised or impaired, as well as through the amortisation process

**2. Operating profit**

Operating profit is stated after charging

	2007	2006
	£	£
Directors' emoluments	92,900	67,000
Depreciation of owned fixed assets	3,135	997
Auditor's fees	10,000	-
Operating lease costs		
Other	<u>20,771</u>	<u>8,433</u>

**3 Taxation on ordinary activities**

**(a) Analysis of charge in the year**

	2007		2006	
	£	£	£	£
Current tax				
In respect of the year				
UK Corporation tax based on the results for the year at 30% (2006 - 19%)		89,958		46,092
Total current tax		<u>89,958</u>		<u>46,092</u>
Deferred tax				
Origination and reversal of timing differences (note 10)				
Capital allowances		811		-
Other		<u>1,550</u>		-
Total deferred tax (note 10)		<u>2,361</u>		-
Tax on profit on ordinary activities		<u>92,319</u>		<u>46,092</u>

# TRAC SIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2007

### 3 Taxation on ordinary activities *(continued)*

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 - 19%).

	2007 £	2006 £
Profit on ordinary activities before taxation	422,745	260,790
Profit/(loss) on ordinary activities by rate of tax	126,824	49,550
Disallowable expenditure	678	74
Excess of capital allowances over depreciation	(52)	(481)
Research and development enhanced expenditure	(7,260)	(3,155)
Eighth item to increase/(decrease) tax liability	(30,232)	-
Adjustment relating to prior years	-	104
Total current tax (note 3(a))	<u>89,958</u>	<u>46,092</u>

### 4 Dividends

#### Equity dividends

	2007 £	2006 £
Paid		
Equity dividends on ordinary shares	<u>60,000</u>	-
Proposed after the year end (not recognised as a liability)		
Equity dividends on ordinary shares	<u>60,000</u>	-

### 5 Earnings per share

The basic earnings per ordinary share is calculated by dividing profit for the year less non-equity dividends and other appropriations in respect of non-equity shares by the weighted average number of equity shares outstanding during the year.

The diluted earnings per ordinary share is calculated by dividing profit for the year less non-equity dividends and other appropriations in respect of non-equity shares by the weighted average number of equity shares outstanding during the year (after adjusting both figures for the effect of dilutive potential ordinary shares).

# TRACSYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2007

### 5. Earnings per share *(continued)*

The calculation of basic and diluted earnings per ordinary share is based upon the following data

<b>Earnings</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Earnings for the purposes of basic earnings per share	330,426	214,698
Earnings for the purposes of diluted earnings per share	<u>330,426</u>	<u>214,698</u>
 <b>Number of shares</b>		
	<b>2007</b>	<b>2006</b>
	<b>No</b>	<b>No</b>
Basic weighted average number of shares	2,082	2,000
Dilutive potential ordinary shares		
Adj 1 to average number of shares for Diluted EPS	101	88
Weighted average number of shares for the purposes of diluted earnings per share	<u>2,183</u>	<u>2,088</u>

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements

### 6 Prior year adjustment

The prior year adjustment represents to equity dividends in respect of year ended 31st July 2006 which were declared subsequent to the year end. As a result, these have been derecognised at that date resulting in a net increase in retained profits.

### 7 Tangible fixed assets

	<b>Plant &amp; Machinery</b>
	<b>£</b>
<b>Cost</b>	
At 1 August 2006	7,829
Additions	4,463
<b>At 31 July 2007</b>	<u>12,292</u>
 <b>Depreciation</b>	
At 1 August 2006	997
Charge for the year	3,135
<b>At 31 July 2007</b>	<u>4,132</u>
 <b>Net book value</b>	
At 31 July 2007	<u>8,160</u>
At 31 July 2006	<u>6,832</u>

# TRAC SIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2007

### 8. Debtors

	2007	2006
	£	£
Trade debtors	145,564	289,431
Called up share capital not paid	8	8
Other debtors	18,101	3,802
	<u>163,673</u>	<u>293,241</u>

### 9. Creditors: Amounts falling due within one year

	2007	2006
	£	£
Trade creditors	3,665	6,670
Amounts owed to group undertakings	360	360
Corporation tax	89,956	45,986
Other taxation and social security	29,032	42,154
Other creditors	115,686	110,694
	<u>238,699</u>	<u>205,864</u>

Other creditors includes deferred income amounting to £75,507 (2006 - £81,864) which relates to sales invoiced in advance of the completion of post contract customer support. This will be recognised in the profit and loss account over the remaining period of the support contract.

### 10. Deferred taxation

The movement in the deferred taxation provision during the year was

	2007	2006
	£	£
Profit and loss account movement arising during the year	2,361	-
Provision carried forward	<u>2,361</u>	<u>-</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2007	2006
	£	£
Excess of taxation allowances over depreciation on fixed assets	811	-
Other timing differences	1,550	-
	<u>2,361</u>	<u>-</u>

# TRAC SIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2007

### 11. Share-based payments

#### *Equity-settled share-based payments*

The company has a share option scheme for all employees (including directors). Options are exercisable at a price agreed at the date of grant. The vesting period is usually 10 years. The exercise of options is also dependent on eligible executives meeting performance criteria. The options may not be exercised before the occurrence of a takeover, sale or admission. The options are settled in equity once exercised.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before the options vest.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2007		2006	
	No	WAEP £	No	WAEP £
Outstanding at the beginning of the year	115 00	54.00	–	–
Granted during the year	36 00	317.00	115 00	54.00
Exercised during the year	(63 00)	54.00	–	–
Outstanding at the end of the year	<u>88 00</u>	<u>162.00</u>	<u>115 00</u>	<u>–</u>

The weighted average share price at the date of exercise for share options exercised during the year was £117.00.

The share options outstanding at the end of the year have a weighted average remaining contractual life of 10 years (2006 - 10 years) and have the following exercise prices:

Expiry date	Exercise price £	2007	2006
		No	No
27 October 2015	54.00	52	115
8 September 2016	317.00	36	–
		<u>88</u>	<u>115</u>

In the year ended 31 July 2007, options were granted on 8th September 2006. The estimated fair value of the options granted was £4,120. In the year ended 31 July 2006, options were granted on 27th October 2005. The estimated fair values of the options granted was £1,046.

The fair values were calculated using the Black Scholes pricing model. The inputs into the model were as follows:

	2007	2006
Expected volatility - %	60.00	–
Expected life - years	10.00	–
Risk free rate - %	<u>4.75</u>	<u>–</u>

# TRACSIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2007

### 11. Share-based payments *(continued)*

The company recognised total expenses of £6,434 (2006 - £-) related to equity-settled share-based payment transactions during the year

### 12 Financial risk management objectives and policies

The company holds or issues financial instruments in order to achieve three main objectives, being

- (a) to finance its operations,
- (b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and
- (c) for trading purposes.

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the company's operations.

Transactions in financial instruments result in the company assuming or transferring to another party one or more of the financial risks described below

#### *Fair value or cashflow interest rate risk*

Currently the Company has surplus cash balances so does not have a borrowing requirement. Surplus cash is put on short-term deposit, where appropriate at floating rates. The Board constantly monitors the financial markets and the Company's future borrowing requirements to ensure that this policy is exercised in the Company's best interests.

#### *Credit risk*

The company monitors credit risk closely and considers that its current policies of credit checks meets its objectives of managing exposure to credit risk.

The company has no significant concentrations of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

#### *Liquidity risk*

Liquidity risk is managed on a day to day basis. Facilities are agreed at appropriate levels having regard to the Company's forecast operating cash flows and future capital expenditures.

### 13. Commitments under operating leases

At 31 July 2007 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2007	2006
	£	£
Operating leases which expire		
Within 2 to 5 years	<u>20,772</u>	<u>20,685</u>

# TRAC SIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2007

### 14 Related party transactions

During the year the company made purchases amounting to £20,555 from one of its shareholders, The University of Leeds. These related to staff secondment costs. In addition, £27,100 was incurred in respect of office rent and running costs paid to a company in which The University of Leeds has an interest. At 31st July 2007, there were balances totalling £2,046 due to The University of Leeds and its associated companies in respect of these transactions.

In addition, purchases amounting to £1,108 were made from another shareholder, Techtran Group Limited. These related to staff secondment costs and office running costs recharged. At 31st July 2007, there was an outstanding balance of £360 due to Techtran Group Limited.

The above transactions were carried out at market value on an arm's length basis.

### 15 Share capital

#### Authorised share capital:

	2007	2006
	£	£
10,000 Ordinary shares of £0.01 each	<u>100</u>	<u>100</u>

#### Allotted and called up:

	2007		2006	
	No	£	No	£
Ordinary shares of £0.01 each	<u>2,103</u>	<u>21</u>	<u>2,000</u>	<u>20</u>

The amounts of paid up share capital for the following categories of shares differed from the called up share capital stated above due to unpaid calls and were as follows:

	2007	2006
	£	£
Ordinary shares	<u>8</u>	<u>8</u>

### 16 Reserves

	Share premium account	Share options reserve	Profit and loss account (restated)
	£	£	£
Balance brought forward	-	-	292,461
Prior year adjustment (note 6)	-	-	60,000
Restated balance as at 1 August 2006	-	-	<u>352,461</u>
Profit for the year	-	-	330,426
Equity dividends	-	-	(60,000)
Exercise of options during the year	-	-	1,268
Other movements			
New equity share capital subscribed	16,761	-	-
Recognition of equity-settled share-based payments in the year	-	6,434	-
Exercise of options during the year	-	(1,268)	-
Balance carried forward	<u>16,761</u>	<u>5,166</u>	<u>624,155</u>

# TRAC SIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2007

### 17. Reconciliation of movements in shareholders' funds

	2007		2006	
	£	£	£	£
Profit for the financial year		330,426		214,698
New equity share capital subscribed	1		-	
Premium on new share capital subscribed	16,761		-	
		16,762		214,698
Equity dividends paid (FRS 25)		(60,000)		-
Other direct charges/credits		1,268		-
Recognition of equity-settled share-based payments in the year		6,434		-
Exercise of options during the year		(1,268)		-
Net addition to shareholders' funds		293,622		214,698
Opening shareholders' funds		292,481		137,783
Prior year adjustment (see note 6)		60,000		-
Closing shareholders' funds		646,103		352,481