

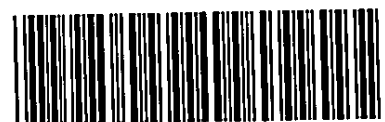
COMPANY NO 03510703

ITRACS (UK) LIMITED

Financial Statements

Year ended 30 September 2009

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Company Information

| | |
|-----------------------------|---|
| Company registration number | 03510703 |
| Registered office | 65 Carter Lane London EC4V 5HF |
| Directors | P L Pela (resigned 24 February 2010) J Acri (resigned 09 April 2009) S Holland (resigned 31 July 2009) T R Reedy T Mansheim (appointed 09 April 2009) |
| Secretary | J Acri (resigned 09 April 2009) T Mansheim (appointed 09 April 2009) |
| Bankers | National Westminster Bank Exchange House 78 Midsummer Boulevard Milton Keynes MK9 2EA |
| World Wide Web Address | www.ITRACS.com |
| Auditor | Grant Thornton UK LLP Grant Thornton House 202 Silbury Boulevard Milton Keynes MK9 1LW |

Report of the Directors

The directors present their report and the audited financial statements for the year ended 30 September 2009

Principal activities

The principal activity of the company is the sale and support of Infrastructure Management Software

Business review

During the fiscal year the Company undertook a reorganization of its operations to more closely align them with those of its parent, iTRACS Corporation and its focus on the development of software to facilitate the management of data center physical infrastructure. The Company has restructured its distribution and partner sales channels and relocated its principal offices. The Company expects these actions to enable it to maintain and expand its market presence in the future. There was a profit for the year before taxation amounting to £70,451 (2008 loss of £142,479). The directors do not recommend the payment of a dividend (2008 £nil).

Directors

The present membership of the Board is set out below. All served on the Board throughout the year apart from T Mansheim who was appointed in April 2009.

T R Reedy
T Mansheim

The directors have no interest in the share capital of the company.

T R Reedy is a director of the parent company iTRACS Corporation and his respective interest in its share capital is disclosed in the directors' report of that company.

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

ITRACS (UK) Ltd

Small company special provisions

The report of the directors has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies



T Mansheim
Director

Date 7/6/2010

Independent auditor's report to the members of ITRACS (UK) Ltd

We have audited the financial statements of ITRACS (UK) Ltd for the year ended 30 September 2009 which comprise the profit and loss account, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 4-5, 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its 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 matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Subarna Banerjee
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes

15/6/10

Profit and Loss Account

For the year ended 30 September 2009

| | Note | 2009 £ | 2008 £ |
|--|------|----------------------|-------------------------|
| Turnover | 2 | 1,016,661 | 873,536 |
| Cost of sales | | (417,995) | (339,261) |
| Gross profit | | <u>598,666</u> | <u>534,275</u> |
| Administrative expenses | | (594,216) | (694,109) |
| Operating profit/(loss) | | 4,450 | (159,834) |
| Other Income | | 68,992 | 17,355 |
| Interest payable | 3 | (2,991) | - |
| Profit/(loss) on ordinary activities before taxation | 2 | <u>70,451</u> | <u>(142,479)</u> |
| Tax on profit/(loss) on ordinary activities | 5 | (57) | - |
| Profit/(loss) retained and transferred to/(from) reserves | 11 | <u><u>70,394</u></u> | <u><u>(142,479)</u></u> |

All transactions arise from continuing operations

There were no recognised gains or losses other than the profit/(loss) for the financial year

The accompanying accounting policies and notes form an integral part of these financial statements

Balance Sheet**COMPANY NO: 03510703****At 30 September 2009**

| | Note | 2009 £ | 2008 £ |
|--|-------------|-------------------|-------------------|
| Fixed assets | | | |
| Tangible assets | 6 | 15,677 | 23,422 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Debtors | 7 | 673,381 | 1,213,284 |
| Cash at bank and in hand | | 794 | 14,252 |
| | | <hr/> | <hr/> |
| | | 674,175 | 1,227,536 |
| Creditors: Amounts falling due within one year | 8 | (1,312,764) | (1,929,534) |
| | | <hr/> | <hr/> |
| Net current liabilities | | (638,589) | (701,998) |
| Total assets less current liabilities | | (622,912) | (678,576) |
| Creditors: Amounts falling due after more than one year | 9 | - | (14,730) |
| | | <hr/> | <hr/> |
| Net liabilities | | (622,912) | (693,306) |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 10 | 2 | 2 |
| Profit and loss account | 11 | (622,914) | (693,308) |
| | | <hr/> | <hr/> |
| Equity shareholders' (deficit) | 12 | (622,912) | (693,306) |
| | | <hr/> | <hr/> |

The financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

The accompanying accounting policies and notes on pages 10 to 18 form an integral part of these financial statements

The financial statements were approved and authorised by the Board on *June 1, 2010* and signed on its behalf by



T Mansheim - Director

Notes to the financial statements

1. Principal Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

The principal policies of the company have remained unchanged from the previous year and are set out below

Going Concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The company is a subsidiary of iTRACS Corporation and has significant intercompany debtors with fellow group undertakings. The company may additionally need cash flow support from group undertakings to meet its existing commitments.

The going concern status of the company is therefore dependent on the financial position of the Group headed by iTRACS Corporation (the Group) and the continued support from the parent company and fellow subsidiaries. iTRACS Corporation has provided the directors with a letter of support for a period of 12 months from the date of signing these financial statements.

In July 2009, the parent received a Letter of Intent from an existing Board member/shareholder for a proposed Series C Convertible Redeemable Preferred Stock offering. The parent has closed on \$4.5 million of the Series C preferred and had a final closing at the end of March and received \$525,000 of additional proceeds to the Company. In addition to the equity raise, in September the parent secured \$2 million of mezzanine financing bringing total new financing to \$7 million.

The parent believes that with the new financing raised and forecast sales, it will have adequate facilities to support the ongoing activities of iTracs (UK) Ltd for the foreseeable future.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Turnover is comprised of software fees, training and support services. Turnover relating to software and training is recognised upon sale unless sold with support services, when the entire fee is recognised over the contract term.

Tangible Fixed Assets and Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

| | |
|------------------|-----------|
| Motor vehicles | 3 years |
| Office equipment | 3-5 years |

Residual value is calculated on prices prevailing at the date of acquisition.

Cashflow

The company is exempt from publishing a cash flow statement because it is a small sized company, as defined under section 382 of the Companies Act 2006

Leased Assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Deferred Taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Retirement benefits schemes

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable into employees' defined contribution schemes.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling at the date that the transaction occurred. Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at 30th September. Exchange differences are taken to the profit and loss account.

Notes to the accounts**2 Turnover and Profit/(loss) on Ordinary Activities Before Taxation**

The turnover is attributable to the company's principal activity

An analysis of turnover is given below,

| | 2009 £ | 2008 £ |
|----------------|-------------------------|-------------------------|
| United Kingdom | 713,614 | 653,850 |
| Overseas | 303,047 | 219,686 |
| | <u>1,016,661</u> | <u>873,536</u> |

The profit/(loss) on ordinary activities before taxation is stated after

| | 2009 £ | 2008 £ |
|---|-------------------------|-------------------------|
| Auditors' remuneration | | |
| Audit services | 18,000 | 29,291 |
| Non-audit services | 4,750 | 7,320 |
| Depreciation | | |
| Tangible fixed assets owned | 3,392 | 1,170 |
| Tangible fixed assets held under finance leases and hire purchase contracts | 7,860 | 9,471 |
| Operating lease rentals | <u>16,095</u> | <u>17,625</u> |

Non-audit services relate to the provision of taxation compliance services

3. Net Interest Payable

| | 2009 £ | 2008 £ |
|-----------------------|-------------------------|-------------------------|
| Finance lease charges | 2,991 | - |
| | <u>2,991</u> | <u>-</u> |

Notes to the accounts

4 Directors and Employees

| | 2009 | 2008 |
|---|----------------|----------------|
| | £ | £ |
| Staff costs during the year were as follows | | |
| Wages and salaries | 350,628 | 385,760 |
| Social security costs | 36,242 | 42,709 |
| Other Pension costs | 9,803 | 16,650 |
| | <u>396,673</u> | <u>445,119</u> |

Average monthly number of employees, including directors

| | 2009 | 2008 |
|----------------|-------------|-------------|
| | No | No |
| Sales | 5 | 7 |
| Administration | 1 | 1 |
| | <u>6</u> | <u>8</u> |

Remuneration in respect of directors was as follows

| | 2009 | 2008 |
|------------|---------------|----------------|
| | £ | £ |
| Emoluments | <u>54,731</u> | <u>130,451</u> |

Notes to the accounts

5 Taxation

Charge for taxation based on the (loss)/profit for the year

| | 2009 £ | 2008 £ |
|---|---------------|------------------|
| Analysis of charge in the period | | |
| Current tax | 57 | - |
| Tax on loss/(profit) on ordinary activities | <u>57</u> | <u>-</u> |
| Factors affecting the tax charge for the period | | |
| The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows | | |
| Profit / (loss) on ordinary activities before taxation | <u>70,450</u> | <u>(148,932)</u> |
| Standard rate of corporation tax in the UK | 28% | 20 5% |
| Profit on ordinary activities multiplied by the standard rate of corporation tax | 19,726 | (30,531) |
| Effects of | | |
| - expenditure that is non tax deductible | 1,236 | 54 |
| - depreciation for the period in excess of capital allowances | 972 | (1,650) |
| - (decrease) / increase in tax losses | (21,878) | 32,127 |
| - rounding difference | 1 | - |
| | <u>57</u> | <u>-</u> |
| Current charge for the year | <u>57</u> | <u>-</u> |

The company has tax losses of approximately £545,030 (2008 approximately £615,746). A deferred tax asset has not been recognised in respect of timing differences relating to trading losses as there is insufficient evidence as to the timing over which the asset will be recovered. The amount of the asset not recognised is £154,573 (2008 £123,858).

Notes to the accounts

6 Tangible Assets

| | Motor Vehicles | Office Equipment | Leasehold improvement s | Total |
|-----------------------|---------------------------|-----------------------------|--|--------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 October 2008 | 23,600 | 14,577 | 3,400 | 41,577 |
| Additions | - | 3,507 | - | 3,507 |
| At 30 September 2009 | 23,600 | 18,084 | 3,400 | 45,084 |
| Depreciation | | | | |
| At 1 October 2008 | 6,545 | 9,230 | 2,380 | 18,155 |
| Provided in the year | 7,860 | 2,711 | 681 | 11,252 |
| At 30 September 2009 | 14,405 | 11,941 | 3,061 | 29,407 |
| Net book value | | | | |
| At 30 September 2009 | 9,195 | 6,143 | 339 | 15,677 |
| At 30 September 2008 | 17,055 | 5,347 | 1,050 | 23,422 |

The net book value of the tangible fixed assets includes £9,195 (2008 £17,055) in respect of assets held under finance leases. Depreciation charged in the year on those assets amounted to £7,860 (2008 £9,471).

7 Debtors

| | 2009 £ | 2008 £ |
|---------------------------------|-------------------|-------------------|
| Trade debtors | 101,496 | 509,881 |
| Amounts owed by group companies | 543,120 | 646,610 |
| Other debtors | 4,146 | 4,125 |
| Prepayments and accrued income | 24,619 | 52,668 |
| | 673,381 | 1,213,284 |

Notes to the accounts

8 Creditors: Amounts Falling Due Within One Year

| | 2009 | 2008 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Trade creditors | 10,927 | 25,869 |
| Obligations under finance leases | 14,734 | 4,587 |
| Accruals and other deferred income | 1,285,301 | 1,894,687 |
| Corporation tax liability | 57 | - |
| Other taxation and social security | 1,745 | 4,391 |
| | <u>1,312,764</u> | <u>1,929,534</u> |

9 Creditors: Amounts Falling Due After More Than One Year

| | 2009 | 2008 |
|----------------------------------|----------|---------------|
| | £ | £ |
| Obligations under finance leases | | |
| - due within two to five years | - | 14,730 |
| | <u>-</u> | <u>14,730</u> |

10 Share Capital

| | 2009 | 2008 |
|---|--------------|--------------|
| | £ | £ |
| Authorised | | |
| <i>1,000 ordinary shares of £1 each</i> | 1,000 | 1,000 |
| | <u>1,000</u> | <u>1,000</u> |
| Allotted and fully paid | | |
| <i>2 shares of £1 each</i> | 2 | 2 |
| | <u>2</u> | <u>2</u> |

Notes to the accounts

11 Reserves

| | Profit and loss account £ |
|----------------------|--|
| At 1 October 2008 | (693,308) |
| Profit for the year | 70,394 |
| At 30 September 2009 | <u>(622,914)</u> |

12 Reconciliation of Movements in Shareholders' Deficit

| | 2009 £ | 2008 £ |
|--|-------------------|-------------------|
| (Loss) for the financial year | 70,394 | (142,479) |
| Shareholders' deficit at 1 October 2008 | (693,306) | (550,827) |
| Shareholders' deficit at 30 September 2009 | <u>(622,912)</u> | <u>(693,306)</u> |

13 Financial Commitments

Capital commitments

The company had no capital commitments at 30 September 2009 or 30 September 2008

Operating lease commitments

The payments which the company is committed to make in the next year under operating leases are as follows

| | 2009 £ | 2008 £ |
|---|-------------------|-------------------|
| (i) Land and buildings, leases expiring | | |
| within one year | 16,095 | 16,095 |
| two to five years | 13,413 | 29,508 |
| | <u>29,508</u> | <u>45,603</u> |

Notes to the accounts

14 Contingent Liabilities

There were no contingent liabilities at 30 September 2009 or 30 September 2008

15 Transactions With Related Parties

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "related party disclosures" and has not disclosed transactions with group undertakings

16 Ultimate Parent Undertaking

The company's ultimate parent company and controlling party and the smallest and largest group to which the company belongs is ITRACS Corporation, a company incorporated in the USA. Copies of the financial statements are available from 2215 York Road, Suite 414, Oak Brook, Illinois 60523, USA

Copies of the group financial statements can be obtained from that company's registered office