

# **Red-M Group Limited**

## **Report and Financial Statements**

For the year ended 31 December 2008

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COMPANIES HOUSE

# Red-M Group Limited

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Registered No: 5360892

## **Directors**

R Greco  
N Clark  
S Geddes  
P Craig  
A Elder  
D Alexander

## **Secretary**

N Clark

## **Registered Office**

Graylands  
Langhurstwood Road  
Horsham  
West Sussex  
RH12 4QD

**Group profit and loss account**

for the year ended 31 December 2008

|  | Note | 2008<br>£'000  | 2007<br>£'000  |
|--|------|----------------|----------------|
| Turnover   | 2    | 2,142          | 3,635          |
| Cost of sales                                      |      | (1,399)        | (2,503)        |
| <b>Gross profit</b>                                |      | <b>743</b>     | <b>1,132</b>   |
| Administrative expenses                            |      | (1,914)        | (2,198)        |
| <b>Operating loss</b>                              | 3    | <b>(1,171)</b> | <b>(1,066)</b> |
| Interest receivable and similar income             |      | -              | 13             |
| Interest payable and similar charges               | 4    | (304)          | (285)          |
| <b>Loss on ordinary activities before taxation</b> |      | <b>(1,475)</b> | <b>(1,338)</b> |
| Tax credit/(charge) on ordinary activities         |      | -              | 374            |
| <b>Loss on ordinary activities after taxation</b>  |      | <b>(1,475)</b> | <b>(964)</b>   |

The operating loss for each period arises from continuing operations.

There are no recognised gains or losses other than the loss for the current year and preceding period. Accordingly, no statement of total recognised gains and losses is given.

**Group balance sheet**

as at 31 December 2008

|  | Note | 2008<br>£'000 | 2007<br>£'000 |
|--|------|---------------|---------------|
| <b>Fixed assets</b>  |      |               |               |
| Intangible assets  | 8    | 44            | -             |
| Tangible assets  | 9    | 39            | 101           |
| <b>Current assets</b>  |      |               |               |
| Debtors: amounts falling due within one year                   | 11   | 294           | 894           |
| Cash at bank and in hand                                       |      | 6             | 238           |
| Stock and work in progress                                     |      | 28            | -             |
|  |      | 328           | 1,132         |
| <b>Creditors: amounts falling due within one year</b>          | 12   | (1,410)       | (1,571)       |
| <b>Net current liabilities</b>                                 |      | (1,082)       | (439)         |
| <b>Total assets less current liabilities</b>                   |      | (999)         | (338)         |
| <b>Creditors: amounts falling due after more than one year</b> | 13   | (3,370)       | (2,556)       |
|  |      | (4,369)       | (2,894)       |
| <b>Capital and reserves</b>                                    |      |               |               |
| Called up share capital  | 15   | 514           | 514           |
| Share premium account  | 16   | 6,240         | 6,240         |
| Equity shares to be issued                                     | 16   | 2             | 2             |
| Merger reserve   | 16   | 34,452        | 34,452        |
| Profit and loss account  | 16   | (45,577)      | (44,102)      |
|  |      | (4,369)       | (2,894)       |

For the year ended 31 December 2008 the company was entitled to exemption under section 249A(1) of the Companies Act 1985.

Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985;

The directors acknowledge their responsibility for:

- i. Ensuring the company keeps accounting records which comply with section 221; and
- ii. Preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

## Group balance sheet

as at 31 December 2008

The accounts have been prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies.



N Clark  
Director

Date

**Company balance sheet**

as at 31 December 2008

|  | Note | 2008<br>£'000 | 2007<br>£'000 |
|--|------|---------------|---------------|
| <b>Fixed assets</b>  |      |               |               |
| Investments  |      | 565           | -             |
| <b>Current assets</b>  |      |               |               |
| Debtors  | 9    | 62            | 49            |
| Cash at bank and in hand                                       |      | -             | 1             |
|  |      | 62            | 50            |
| <b>Creditors: amounts falling due within one year</b>          | 10   | (2,738)       | (2,452)       |
| <b>Net current liabilities</b>                                 |      | (2,676)       | (2,402)       |
| <b>Total assets less current liabilities</b>                   |      | (2,111)       | (2,402)       |
| <b>Creditors: amounts falling due after more than one year</b> | 11   | (3,370)       | (2,554)       |
|  |      | (5,481)       | (4,956)       |
| <b>Capital and reserves</b>                                    |      |               |               |
| Called up share capital  | 13   | 514           | 514           |
| Share premium account  | 14   | 6,240         | 6,240         |
| Equity shares to be issued                                     | 14   | 2             | 2             |
| Profit and loss account  | 14   | (12,237)      | (11,712)      |
|  |      | (5,481)       | (4,956)       |

For the year ended 31 December 2008 the company was entitled to exemption under section 249A(1) of the Companies Act 1985.

Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985;

The directors acknowledge their responsibility for:

- i. Ensuring the company keeps accounting records which comply with section 221; and
- ii. Preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

## Company balance sheet

as at 31 December 2008

The accounts have been prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies.



N Clark  
Director

Date

28 Oct 2009

## Notes to the financial statements

for the year ended 31 December 2008

### 1. Accounting policies

#### *Intangible fixed assets and amortization*

Intangible fixed assets are capitalised at cost net of value added tax. Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

|          |          |
|----------|----------|
| Licenses | 15 years |
|----------|----------|

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost net of value added tax less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

|   |              |
|---|--------------|
| Leasehold improvements                  | 3 to 5 years |
| Fixtures and fittings                   | 4 years      |
| Electronic and computer equipment       | 3 years      |
| Development and manufacturing equipment | 3 years      |
| Motor vehicles                          | 3 to 4 years |

#### *Foreign currencies*

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, and the resulting exchange differences are dealt with in the determination of the results for the financial year.

#### *Investments*

Investments in subsidiary undertakings are stated at cost less any provision for diminution in value.

#### *Research and development*

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred. The research and development tax credit is recognised in the accounts in the year in which it is received.

#### *Deferred taxation*

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

- 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 difference 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 the timing differences reverse, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.



## Notes to the financial statements

for the year ended 31 December 2008

### 1. Accounting policies (continued)

#### *Operating and finance Leases*

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

Assets held under finance leases, which are leases where substantially all of the risks and rewards of ownership have passed to the Company, and hire purchase contracts are capitalised and depreciated over their estimated useful economic life. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

#### *Share based payments*

In determining the fair value of equity settled share based payments and the related charge to the Profit and Loss Account, the Group makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Group's future dividend policy, employee turnover, the timing with which options will be exercised and the future volatility in the price of the Group's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Assumptions about these factors which are different to those made by the Group could materially affect the reported value of share based payments.

#### *Pensions*

The Group did not operate a pension scheme during the year. The Group does provide pension contributions to certain employees at a defined contribution rate. These contributions are paid into Group personal pension plans. Contributions are charged to the profit and loss account as they become payable.

#### *Turnover*

Turnover comprises the invoice value of goods and services supplied by the Group to third parties, adjusted for accrued and deferred income as at the balance sheet date, exclusive of value added tax.

### 2. Turnover

An analysis of turnover by geographical market is given below:

|                | Group | Group |
|----------------|-------|-------|
|                | 2008  | 2007  |
|                | £'000 | £'000 |
| United Kingdom | 2,138 | 3,620 |
| Rest of World  | 4     | 15    |
|                | <hr/> | <hr/> |
|                | 2,142 | 3,635 |
|                | <hr/> | <hr/> |

## Notes to the financial statements

for the year ended 31 December 2008

### 3. Operating loss

This is stated after charging:

|  | Group | Group |
|--|-------|-------|
|  | 2008  | 2007  |
|  | £'000 | £'000 |
| Depreciation of owned fixed assets   | 62    | 80    |
| Depreciation of leased fixed assets  | 12    | 7     |
| Fees payable to the Group's auditors for the audit of Group and Company accounts (Company - £5,000 (2007: £5,000)) | 28    | 38    |
| Fees payable to the Group's auditors and their associates for other services:                                      |       |       |
| Tax services (Company - £3,000 (2007: £3,000))   | 6     | 10    |
| Operating lease rentals  |       |       |
| - land and buildings   | 105   | 103   |
|  | <hr/> | <hr/> |

### 4. Interest payable and similar charges

|   | Group | Group |
|---|-------|-------|
|   | 2008  | 2007  |
|   | £'000 | £'000 |
| Bank interest                             | 29    | 9     |
| Finance leases and hire purchase interest | 4     | 5     |
| Shareholder loan interest                 | 271   | 271   |
|   | <hr/> | <hr/> |
|   | 304   | 285   |
|   | <hr/> | <hr/> |

## Notes to the financial statements

for the year ended 31 December 2008

### 5. Directors' remuneration

|  | Group<br>2008<br>£'000 | Group<br>2007<br>£'000 |
|--|------------------------|------------------------|
| Emoluments (including benefits in kind)                      | 158                    | 185                    |
| Company contributions paid to money purchase pension schemes | 29                     | 4                      |
|  | <hr/> 187              | <hr/> 189              |
| <i>Highest paid director:</i>                                |                        |                        |
| Emoluments   | 88                     | 131                    |
| Company contributions paid to money purchase pension schemes | 29                     | 3                      |
|  | <hr/> 117              | <hr/> 134              |
|  | <hr/> 2008<br>No.      | <hr/> 2007<br>No.      |
| Members of money purchase schemes                            | 1                      | 2                      |

During the year ended 31 December 2008, the Company granted options to the following directors:

| Director | Number of<br>options | Exercise price | Grant date | Expiry date |
|----------|----------------------|----------------|------------|-------------|
| R Greco  | 600,000              | 2p             | 01/01/06   | 01/01/16    |
| N Clark  | 1,313,896            | 2p             | 14/12/06   | 14/12/16    |
| Total    | <hr/> 1,913,896      |                |            |             |

## Notes to the financial statements

for the year ended 31 December 2008

### 6. Staff costs

|                       | Group<br>2008<br>£'000 | Group<br>2007<br>£'000 |
|-----------------------|------------------------|------------------------|
| Wages and salaries    | 1,516                  | 1,962                  |
| Social security costs | 156                    | 191                    |
| Other pension costs   | 98                     | 64                     |
|                       | <hr/>                  | <hr/>                  |
|                       | 1,770                  | 2,217                  |
|                       | <hr/>                  | <hr/>                  |

The average weekly number of employees in the group during the year (including directors) was as follows:

|                               | Group<br>2008<br>No. | Group<br>2007<br>No. |
|-------------------------------|----------------------|----------------------|
| Consulting                    | 3                    | 4                    |
| Design and implementation     | 8                    | 9                    |
| Service, test and measurement | 11                   | 13                   |
| Research and development      | -                    | 2                    |
| Sales and marketing           | 6                    | 5                    |
| Administration and management | 9                    | 8                    |
|                               | <hr/>                | <hr/>                |
|                               | 37                   | 41                   |
|                               | <hr/>                | <hr/>                |

## Notes to the financial statements

for the year ended 31 December 2008

### 7. Intangible fixed assets - group

|                        | Licenses<br>£'000 |
|------------------------|-------------------|
| <i>Cost:</i>           |                   |
| 1 January 2008         | -                 |
| Additions              | 45                |
|                        | <hr/>             |
|                        | 45                |
|                        | <hr/>             |
| <i>Amortisation:</i>   |                   |
| 1 January 2008         | -                 |
| Charge for period      | (1)               |
|                        | <hr/>             |
| 31 December 2008       | (1)               |
|                        | <hr/>             |
| <i>Net book value:</i> |                   |
| 31 December 2008       | 44                |
|                        | <hr/>             |
| 31 December 2007       | -                 |
|                        | <hr/>             |

## Notes to the financial statements

for the year ended 31 December 2008

### 8. Tangible assets - group

| Group                  | Leasehold<br>Improvements | Development &<br>Manufacturing<br>Equipment | Fixtures<br>Fittings | Electronic &<br>Computer<br>equipment | Motor<br>vehicles | Networks | Total   |
|------------------------|---------------------------|---|----------------------|---------------------------------------|-------------------|----------|---------|
|                        | £'000                     | £'000                                       | £'000                | £'000                                 | £'000             | £'000    | £'000   |
| <i>Cost:</i>           |                           |   |                      |                                       |                   |          |         |
| At 1 January 2008      | 276                       | 859   | 23                   | 442                                   | 126               | -        | 1,726   |
| Additions              | -                         | -   | -                    | 4                                     | -                 | 8        | 12      |
| Disposals              | (256)                     | (622)                                       | (23)                 | (340)                                 | (25)              | -        | (1,266) |
| At 31 December 2008    | 20                        | 237   | -                    | 106                                   | 101               | 8        | 472     |
| <i>Depreciation:</i>   |                           |   |                      |                                       |                   |          |         |
| At 1 January 2008      | (269)                     | (820)                                       | (23)                 | (404)                                 | (109)             | -        | (1,625) |
| Disposals              | 256                       | 622   | 23                   | 340                                   | 25                | -        | 1,266   |
| Charge for the year    | (7)                       | (32)  | -                    | (27)                                  | (6)               | (2)      | (74)    |
| At 31 December 2008    | (20)                      | (230)                                       | -                    | (90)                                  | (91)              | (2)      | (433)   |
| <i>Net book value:</i> |                           |   |                      |                                       |                   |          |         |
| At 31 December 2008    | -                         | 7   | -                    | 16                                    | 10                | 6        | 39      |
| At 31 December 2007    | 7                         | 39  | -                    | 38                                    | 17                | -        | 101     |

The net book value of fixed assets includes £12,000 (2007: £24,000) in respect of assets held under hire purchase agreements. The amount of depreciation charged for the year in respect of these assets is £12,000 (2007: £7,000).

## Notes to the financial statements

for the year ended 31 December 2008

### 9. Debtors

|                                | Group<br>2008<br>£'000 | Group<br>2007<br>£'000 | Company<br>2008<br>£'000 | Company<br>2007<br>£'000 |
|--------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Trade debtors                  | 176                    | 747                    | -                        | -                        |
| Other debtors                  | 7                      | 18                     | 4                        | -                        |
| Prepayments and accrued income | 111                    | 129                    | 58                       | 49                       |
|                                | <u>294</u>             | <u>894</u>             | <u>62</u>                | <u>49</u>                |

### 10. Creditors: amounts falling due within one year

|  | Group<br>2008<br>£'000 | Group<br>2007<br>£'000 | Company<br>2008<br>£'000 | Company<br>2007<br>£'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Obligations under finance leases and hire purchase contracts | 5                      | 18                     | -                        | -                        |
| Trade creditors  | 326                    | 447                    | 43                       | 24                       |
| Amounts owed to group undertakings                           | -                      | -                      | 1,850                    | 1,850                    |
| Other creditors  | 58                     | -                      | -                        | -                        |
| Other taxes and social security costs                        | 64                     | 257                    | -                        | 24                       |
| Accruals and deferred income                                 | 957                    | 849                    | 845                      | 554                      |
|  | <u>1,410</u>           | <u>1,571</u>           | <u>2,738</u>             | <u>2,452</u>             |

Included within other creditors is £39,729 (2007: £Nil) due to Lloyds TSB Commercial Finance Plc. This is secured by a fixed and floating charge over the assets of the company.

Obligations under finance leases and hire purchase contracts are secured on related assets.

## Notes to the financial statements

for the year ended 31 December 2008

### 11. Creditors: amounts falling due after more than one year

|  | Group<br>2008<br>£'000 | Group<br>2007<br>£'000 | Company<br>2008<br>£'000 | Company<br>2007<br>£'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Obligations under finance leases and hire purchase contracts (see below) | -                      | 2                      | -                        | -                        |
| Loan notes- wholly repayable   | -                      | -                      | -                        | -                        |
| - within one year  | -                      | -                      | -                        | -                        |
| - between two and five years   | 791                    | -                      | 791                      | -                        |
| - after five years   | 2,579                  | 2,554                  | 2,579                    | 2,554                    |
|  | <u>3,370</u>           | <u>2,556</u>           | <u>3,370</u>             | <u>2,554</u>             |

Shareholder loan notes of £2,707,500 were issued by the company on 12 December 2005. These loan notes carry interest at 10% p.a. fixed rate, are secured over the assets and property of the group and are repayable by 31 May 2014. Costs of £205,500 incurred in issuing these loan notes were offset against the amounts raised and will be released to the profit and loss account over their duration.

Further loan notes of £791,228 were issued by the Company on 11 July 2008. These loan notes constitute unsubordinated non-interest bearing notes and are secured over the assets and property of the Group. The amount repayable to the noteholders will be the aggregate of the principal amount of the issued notes and a Specified Amount, being 6 times the unsettled principal at the date of expiry: 12 July 2013. If loan notes are repaid by the Company within 18 months of issuance, the amount repayable is the aggregate of the principal amount and 3 times principal.

The net finance lease obligations to which the group is committed are:

|                             | Group<br>2008<br>£'000 | Group<br>2007<br>£'000 | Company<br>2008<br>£'000 | Company<br>2007<br>£'000 |
|-----------------------------|------------------------|------------------------|--------------------------|--------------------------|
| <i>Leases which expire:</i> |                        |                        |                          |                          |
| - within one year           | 5                      | 18                     | -                        | -                        |
| - between one and two years | -                      | 2                      | -                        | -                        |
|                             | <u>5</u>               | <u>20</u>              | <u>-</u>                 | <u>-</u>                 |



## Notes to the financial statements

for the year ended 31 December 2008

### 12. Provisions for liabilities and charges

Amounts not provided are as follows:

|   | Group<br>2008<br>£'000 | Group<br>2007<br>£'000 | Company<br>2008<br>£'000 | Company<br>2007<br>£'000 |
|---|------------------------|------------------------|--------------------------|--------------------------|
| Depreciation in advance of capital allowances | -                      | (91)                   | -                        | -                        |
| Losses carried forward                        | -                      | (11,100)               | -                        | (360)                    |
|   | <hr/>                  | <hr/>                  | <hr/>                    | <hr/>                    |
|   | -                      | (11,191)               | -                        | (360)                    |
|   | <hr/>                  | <hr/>                  | <hr/>                    | <hr/>                    |

## Notes to the financial statements

for the year ended 31 December 2008

### 13. Share capital

| Company                                    | 2008<br>No. | 2008<br>£'000 | 2007<br>No. | 2007<br>£'000 |
|--|-------------|---------------|-------------|---------------|
| <i>Authorised:</i>                         |             |               |             |               |
| Ordinary shares of £0.01 each              | 39,372,214  | 394           | 39,372,214  | 394           |
| A ordinary shares of £0.01 each            | 42,000,000  | 420           | 42,000,000  | 420           |
| B Ordinary shares of £0.01 each            | 627,786     | 6             | 627,786     | 6             |
|  | <hr/>       | <hr/>         | <hr/>       | <hr/>         |
|  | 82,000,000  | 820           | 82,000,000  | 820           |
|  | <hr/>       | <hr/>         | <hr/>       | <hr/>         |
| <i>Allotted, called up and fully paid:</i> |             |               |             |               |
| Ordinary shares of £0.01 each              | 26,378,513  | 264           | 26,378,513  | 264           |
| A ordinary shares of £0.01 each            | 24,373,139  | 244           | 24,373,139  | 244           |
| B ordinary shares of £0.01 each            | 627,786     | 6             | 627,786     | 6             |
|  | <hr/>       | <hr/>         | <hr/>       | <hr/>         |
|  | 51,379,438  | 514           | 51,379,438  | 514           |
|  | <hr/>       | <hr/>         | <hr/>       | <hr/>         |

## Notes to the financial statements

for the year ended 31 December 2008

### 14. Reconciliation of shareholders' funds and movements on reserves (continued)

| Group               | Share<br>Capital<br>£'000 | Share<br>Premium<br>account<br>£'000 | Equity<br>shares<br>to be<br>issued<br>£'000 | Merger<br>reserve<br>£'000 | Profit &<br>loss<br>account<br>£'000 | Total<br>£'000 |
|---------------------|---------------------------|--------------------------------------|--|----------------------------|--------------------------------------|----------------|
| At 1 January 2007   | 514                       | 6,240                                | 2  | 34,452                     | (43,138)                             | (1,930)        |
| Result for the year | -                         | -                                    | -  | -                          | (964)                                | (964)          |
| At 31 December 2007 | 514                       | 6,240                                | 2  | 34,452                     | (44,102)                             | (2,894)        |
| Result for the year | -                         | -                                    | -  | -                          | (1,475)                              | (1,475)        |
| At 31 December 2008 | 514                       | 6,240                                | 2  | 34,452                     | (45,577)                             | (4,369)        |

  

| Company             | Share<br>Capital<br>£'000 | Share<br>Premium<br>account<br>£'000 | Equity<br>shares<br>to be<br>issued<br>£'000 | Profit &<br>loss<br>account<br>£'000 | Total<br>£'000 |
|---------------------|---------------------------|--------------------------------------|--|--------------------------------------|----------------|
| At 1 January 2007   | 514                       | 6,240                                | 2  | (7,720)                              | (964)          |
| Result for the year | -                         | -                                    | -  | (3,992)                              | (3,992)        |
| At 31 December 2007 | 514                       | 6,240                                | -  | (11,712)                             | (4,956)        |
| Result for the year | -                         | -                                    | -  | (525)                                | (525)          |
| At 31 December 2008 | 514                       | 6,240                                | 2  | (12,237)                             | (5,481)        |

The company has taken advantage of s230 of the Companies Act 1985 and has not published its own profit and loss account. Of the loss on ordinary activities after taxation for the period, a loss of £525,000 (2007: £3,992,000) is dealt with in the financial statements of the holding company.

## Notes to the financial statements

for the year ended 31 December 2008

### 15. Other financial commitments

Annual commitments for land and buildings under non-cancellable operating leases are as follows:

|                                       | Group<br>2008<br>£'000 | Group<br>2007<br>£'000 | Company<br>2008<br>£'000 | Company<br>2007<br>£'000 |
|---------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| <i>Operating leases which expire:</i> |                        |                        |                          |                          |
| within one year                       | 7                      | 103                    | -                        | -                        |
| Between two to five years             | 65                     | -                      | -                        | -                        |
|                                       | <hr/>                  | <hr/>                  | <hr/>                    | <hr/>                    |
|                                       | 72                     | 103                    | -                        | -                        |
|                                       | <hr/>                  | <hr/>                  | <hr/>                    | <hr/>                    |

## Notes to the financial statements

for the year ended 31 December 2008

### 16. Transactions with related parties

Intra group transactions have not been disclosed in accordance with the exemptions under FRS 8.

During the year, the Company issued loan notes to Neil Clark, a director of the Company. The amounts issued in the year totaled £37,026 and are repayable by 12 July 2013 as outlined in note 13.

During the year, the Company also issued loan notes to Richard Greco, a director of the Company. The amounts issued in the year totaled £15,723 and are repayable by 12 July 2013 as outlined in note 13.

During the year, management fees of £12,500 (2007: £20,000) were payable by Red-M Group Limited to Pi Capital Limited, a shareholder of Red-M Group Limited.

During the year, the Company also paid fees of £15,000 (2007: £28,294) to Parkmead Group plc for nonexecutive directors' fees. Parkmead Group plc is a shareholder of Red-M Group Limited.

Finally, fees of £5,000 (2007: £0) were payable by Red-M Group Limited to Close Brothers for nonexecutive directors' fees. Close Brothers is a shareholder of Red-M Group Limited.