Fixnetix Limited

Directors' Report and Financial Statements

Registered number 5460456

31 March 2011

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2011

Business review and principal activities
The Group's principal activities continued to be the provision and development of market data, trading and communications services

Business development
We continued to add more Global trading venues and additional co-location sites to meet our customers' connectivity and infrastructure requirements

Investment continued in the development of Fixnetix's next generation of ultra low latency products The launch of Fixnetix's FPGA hardware based infrastructure is planned in Q1 of 2011/12

A number of bespoke developments were undertaken for customers as well as adding to our own portfolio of software products

Financial results
The consolidated profit and loss account is shown on page 7

The directors are pleased to report that despite a year of difficult trading conditions caused by market and regulatory uncertainties Fixnetix's revenues grew by 62 5% to £25,375,243 *(2010 £15,615,325)*

The Group traded profitably throughout the year returning a profit before taxation of £732,110 *(2010 £90,148)* after incurring research and development costs on new products of £1,074,399 *(2010 £347,291)* The EBITDA for the period was £3,187,672 *(2010 £1,334,027)* calculated as operating profit of £984,534 *(2010 £316,391)* plus depreciation and amortisation of £2,203,138 *(2010 £1,017,636)* as stated in note 3

Developments for the future
During the year £1,160,764 *(2010 £347,291)* of direct costs were spent on research and development of the FPGA based product and other new software related products of which £86,365 was capitalised These costs have been absorbed into the result for the year under review

Revenues from these developments are forecast to contribute to the 2011/12 results

Strategic review
Since the year end financial advisors have been appointed to consider the various alternatives available to the board and shareholders to take the company forward to optimise its full potential by continuing expansion initiatives into new geographical regions and market sectors

Business risk factors
As with any business we are exposed to certain risks which could adversely affect our results and general financial condition The items detailed below are the risks which management is currently aware of which would have a detrimental impact There may be other factors which emerge as material risks in the future

Competition
We have competitors who provide similar services to Fixnetix, to date Fixnetix's service offering has yet to be fully replicated by competitors Some of our competitors have considerable financial resources and may develop products which are the same or better than Fixnetix's

Future Development
In order to stay at the forefront of low latency technology Fixnetix has to continue to develop leading edge solutions for the financial trading community, failure to do so could allow competitors to win existing customers business

Directors' report *(continued)*

System Failures
Our business reputation is heavily dependent upon providing a reliable uninterrupted service to our customers If for whatever reason our service was to suffer from significant outages then customers may move to vendors offering a more resilient service

Contract Renewals
A significant percentage of our revenues are derived from customers renewing their contracts In 2011 recurring revenues accounted for 84% of turnover In order to maintain current levels of revenue and to generate higher revenues we are in part dependent upon our customers continuing to renew their contracts with us

Third Party Providers
We rely on a number of third party providers for information, telecommunications and datacentre facilities In addition we license technology from other organisations Some of these businesses may seek to increase their fees or charges, if we are unable to negotiate acceptable commercial terms our business could be adversely affected

General Market Conditions
Our customers all operate in the financial services sector, if their businesses are adversely affected by an economic downturn or recession there will inevitably be an impact on the collective amount spent on the type of services provided by Fixnetix

Capital
During the year a further £1,000,000 venture capital loan was drawn down At this time based on current plans for the company the directors consider the company to now have sufficient working capital for its projected business requirements Repayments of £1,371,782 *(2010 £845,190)* were made on loans during the year

2011/12 outlook
The company starts the new financial year with orders awaiting installation that will generate revenues of some £200,000 per month This coupled with a strong prospect list should ensure continued overall growth in revenues in the forthcoming year As the business is now trading profitably an increasing percentage of the increased revenues will fall to the bottom line and increase net profits

Proposed dividend
The directors do not recommend the payment of a dividend

Directors
The directors who held office during the year were as follows

Mr H L Hughes
Mr P R Ellis
Mr A J Moore
Mr R M Johnson
Mr R D Fuller
Mr K J Yeadon
Mr A Yarrow (appointed 15/09/10)

Financial risk management objectives and policies

The company makes limited use of financial instruments other than operational and term deposit bank accounts (see note 14) and fixed rate borrowings (see note 15 and 16) and so its exposure to interest rate risk, price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and result of the company

Directors' report *(continued)*

Charitable contributions
The Company made a donation of £2,310 *(2010 £500)* to UK charities during the year

Disclosure of information to auditors
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information

Auditors
Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

On behalf of the board

X **Mr H L Hughes**
Director

33 Grosvenor Place
London
SW1X 7HY

June 2011
X 16/06/11

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period In preparing 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business

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

KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditor's report to the members of Fixnetix Limited

We have audited the financial statements of Fixnetix Limited for the year ended 31 March 2011 set out on pages 7 to 30 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK 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

Independent auditor's report to the members of Fixnetix 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Adrian John Wilcox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

16 June 2011

Consolidated profit and loss account
for the year ended 31 March 2011

	Note	2011 £	2010 £
Turnover	*2*	**25,375,243**	15,615,325
Cost of sales		**(15,185,996)**	(8,835,571)
Gross profit		**10,189,247**	6,779,754
Administrative expenses		**(9,204,713)**	(6,463,363)
Operating profit		**984,534**	316,391
Interest receivable and similar income	*6*	**2,168**	1,654
Interest payable and similar charges	*7*	**(254,592)**	(227,897)
Profit on ordinary activities before taxation	*3*	**732,110**	90,148
Tax on profit on ordinary activities	*8*	**(285,495)**	1,843,051
Profit for the financial year	*18*	**446,615**	1,933,199

A statement of total recognised gains and losses has not been included as part of these financial statements as the Group made no gains or losses in the period other than disclosed above in the profit and loss account

A note on historical gains and losses has not been included as part of the financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis

The results stated above are all derived from continuing operations

Consolidated balance sheet
at 31 March 2011

	Note	2011		2010	
		£	£	£	£
Fixed assets					
Intangible assets	*9*	**100,311**		30,941	
Tangible assets	*10*	**2,283,840**		2,182,756	
			2,384,151		2,213,697
Current assets					
Stocks	*12*	**147,177**		17,471	
Debtors	*13*	**4,140,047**		4,064,677	
Investments – term deposits	*14*	**7,201,571**		1,570	
Cash at bank and in hand		**685,701**		2,063,512	
		12,174,496		6,147,230	
Creditors amounts falling due within one year	*15*	**(10,735,560)**		(5,094,388)	
Net current assets			**1,438,936**		1,052,842
Total assets less current liabilities			**3,823,087**		3,266,539
Creditors: amounts falling due after more than one year	*16*		**(717,006)**		(659,545)
Net assets			**3,106,081**		2,606,994
Capital and reserves					
Called up share capital	*17*		**7,840,332**		7,840,332
Share premium account	*18*		**159,768**		159,768
Profit and loss account	*18*		**(4,894,019)**		(5,393,106)
Shareholders' funds			**3,106,081**		2,606,994

These financial statements were approved by the board of directors on 16/06/11 June 2011 and were signed on its behalf by

Mr H L Hughes
Director

Company balance sheet
at 31 March 2011

	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Intangible assets	9	100,311		30 941	
Tangible assets	10	2,273,857		2,170,062	
Investments	11	7		7	
			2,374,175		2,201,010
Current assets					
Stocks	12	147,177		17,471	
Debtors	13	4,421,341		4 077,784	
Investments – term deposits	14	7,201,571		1,570	
Cash at bank and in hand		550,193		2,052,265	
		12,320,282		6,149,090	
Creditors: amounts falling due within one year	15	(10,678,380)		(5,075,652)	
Net current assets			1,641,902		1,073,438
Total assets less current liabilities			4,016,077		3,274,448
Creditors amounts falling due after more than one year	16		(717,006)		(659,545)
Net assets			3,299,071		2,614,903
Capital and reserves					
Called up share capital	17		7,840,332		7,840,332
Share premium account	18		159,768		159,768
Profit and loss account	18		(4,701,029)		(5,385,197)
Shareholders' funds			3,299,071		2,614,903

These financial statements were approved by the board of directors on 26/06/11 June 2011 and were signed on its behalf by

Mr H L Hughes
Director

Consolidated cash flow statement

for the year ended 31 March 2011

	Note	2011	2010
		£	£
Cash flow statement			
Cash inflow from operating activities	22	**8,448,645**	2,358,469
Returns on investments and servicing of finance	23	**(252,424)**	(226,243)
Taxation		**23,313**	82,115
Capital expenditure	23	**(2,068,167)**	(2,188,607)
Acquisitions	23	**-**	(46,411)
Cash inflow before use of liquid resources and financing		**6,151,367**	(20,677)
Management of liquid resources	23	**(7,200,001)**	249,130
Financing	23	**(329,177)**	904,810
(Decrease) / increase in cash in the year		**(1,377,811)**	1,133,263

Reconciliation of net cash flow to movement in net debt

	Note	2011	2010
	24		
(Decrease) / increase in cash in the year		**(1,377,811)**	1,133,263
Cash outflow from decrease in debt financing		**1,371,782**	845,190
New debenture loans		**(1,000,000)**	(800,000)
New loans		**(82,138)**	(283,301)
New finance leases		**(261,053)**	-
Movement in net debt in the year		**(1,349,220)**	895,152
Net debt at beginning of year		**288,147**	(607,005)
Net debt at the end of the year		**(1,061,073)**	288,147

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2011

	Group 2011 £	Group 2010 £	**Company 2011 £**	Company 2010 £
Profit for the financial year	**446,615**	1 933,199	**631,696**	1,941,108
New share capital subscribed	-	931,019	-	931,019
Share premium on new share capital subscribed	-	18,981	-	18,981
Credit in relation to share based payments	**52,472**	-	**52,472**	-
Net increase to shareholders' (deficit) / funds	**499,087**	2,883,199	**684,168**	2,891,108
Opening shareholders' funds / (deficit)	**2,606,994**	(276,205)	**2,614,903**	(276,205)
Closing shareholders' funds	**3,106,081**	2,606,994	**3,299,071**	2,614,903

Notes

(forming part of the financial statements)

1 Accounting policies

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

The following amendments to standards have been adopted in these financial statements for the first time

The amendment to FRS 20 (IFRS 2) Group Cash-settled Share-based Payment (mandatory for periods starting on/after 1 January 2010) The amendments expand the definition of a share-based payment to bring all group entities' financial statements within the scope of the standard for all group awards There has been no change to accounting for share-based payments within any group entity as a result of adoption of the amendment

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with applicable accounting standards and under the historical cost accounting rules

Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the annual financial statements

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2011

The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Under s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account

Related party transactions

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 'Related Party Transactions' not to disclose transactions or balances with entities which form part of the group headed by Fixnetix Limited as 100% of the voting rights are controlled within the group and the results are included within the consolidated financial statements

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost Amortisation is provided to write off the cost of intangible fixed assets to nil by equal instalments over five years

Investments

In the company's financial statements investments in subsidiary undertakings are stated at cost

Notes *(continued)*

1 Accounting policies *(continued)*

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Computer equipment	-	33% or 50% per annum
Furniture and equipment	-	50% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Taxation

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Share based payments

The share option programme allows employees to acquire shares of the Group The fair value of options granted after 7 November 2002 are recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers The group provides market data and telecommunications services Turnover is recognised in line with performance of contracted obligations

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Group

Following the adoption of FRS 25, financial instruments issued by the Group are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group, and

b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are expected to be exceeded by related future sales and adequate resources exist to enable the project to be completed Amortisation is provided to write off the cost of capitalised development expenditure to nil by equal instalments over two years

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market Liquid resources comprise term deposits of less than one year (other than cash)

2 Turnover

The table below sets out information for each of the Group's geographic areas of operation

	2011	2010
	£	£
UK	**21,335,441**	13,375,406
Europe	**1,607,256**	1,223,295
Americas and Canada	**2,251,021**	1,004,874
Other	**181,525**	11,750
	25,375,243	15,615,325

Notes *(continued)*

3 Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging:	2011 £	2010 £
Depreciation and other amounts written off tangible and intangible fixed assets		
Owned by the Group	**2,149,973**	1,017,636
Leased	**53,165**	-
Hire of other assets - operating leases	**379,743**	389,495
Research and development on new products	**1,074,399**	347,291
Audit of these financial statements	**35,000**	32,000
Amounts receivable by auditors and their associates in respect of		
Other services relating to taxation	**5,500**	4,500

4 Remuneration of directors

	2011 £	2010 £
Directors' emoluments	**470,989**	872 009
Company contributions to money purchase pension schemes	**9,000**	9,000
	479,989	881,009

The aggregate of the emoluments of the highest paid director was £147,657 *(2010 £310,866)* and Company pension contributions of £9,000 *(2010 £nil)* were made to a money purchase scheme on his behalf

	Number of directors 2011	2010
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	**1**	1

Details of directors' advances, credits and guarantees are disclosed in note 26

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows

	Number of employees 2011	2010
Administration and management	**7**	5
IT development and support	**42**	33
Sales and marketing	**10**	9
	59	47

Notes *(continued)*

5 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows

	2011 £	2010 £
Wages and salaries	**4,457,390**	3,296,613
Social security costs	**513,768**	387 370
Pension contributions	**176,984**	106 411
	5,148,142	3,790,394

6 Interest receivable and similar income

	2011 £	2010 £
Bank interest	**2,168**	1,654

7 Interest payable and similar charges

	2011 £	2010 £
Interest on debenture loans	**254,592**	227,897

8 Taxation

	2011	2010
Analysis of charge in period	**£**	£
UK corporation tax		
Adjustments in respect of prior periods	**(14,195)**	(70,288)
Total current tax	**(14,195)**	(70,288)
Deferred tax		
Origination of timing differences	**186,377**	54,660
Effect of decreased tax rate from 28% to 26%	**113,313**	-
Adjustments in respect of prior periods	-	(1,827,423)
Total deferred tax	**299,690**	(1,772,763)
Tax charge / (credit) on profit on ordinary activities	**285,495**	(1,843,051)

Notes *(continued)*

8 Taxation *(continued)*

Factors affecting the tax charge for the current period

	2011	2010
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**732,110**	90,148
Current tax at 28 0% *(2010 28 0%)*	**204,991**	25,241
Effects of		
Expenses not deductible for tax purposes	**61,344**	23,078
Capital allowances for period in (excess) / deficit of depreciation	**318,529**	(77,748)
(Utilisation) / carry forward of tax losses	**(525,503)**	27,214
Adjustments in respect of prior periods	**(14,195)**	(70,288)
Foreign losses not deductible for UK tax	**51,821**	2,215
Enhanced expenditure relief on research and development	**(111,182)**	-
Total current tax credit	**(14,195)**	(70,288)

The recognised deferred tax assets movement is as follows

	2011	2010
	£	£
At beginning of year	**1,772,763**	-
(Debit) / credit to the profit and loss for the year	**(299,690)**	1,772 763
At end of year	**1,473,073**	1,772,763

The elements of recognised deferred tax assets are as follows

Effects of	2011	2010
	£	£
Difference between accumulated depreciation and capital allowances	**382,803**	94,185
Tax losses	**1,090,270**	1,678,578
Total deferred tax asset at end of year	**1,473,073**	1,772,763

Notes *(continued)*

9 Intangible fixed assets

	Development Costs	Intellectual Property	Total
	£	£	£
Group and Company			
Cost			
At beginning of year	-	30,941	30,941
Additions	86,365	-	86,365
At end of year	86,365	30,941	117,306
Amortisation			
At beginning of year	-	-	-
Charge for the year	7,197	9,798	16,995
At end of year	7,197	9,798	16,995
Net book value			
At 31 March 2011	**79,168**	**21,143**	**100,311**
At 31 March 2010	-	30,941	30 941

Notes *(continued)*

10 Tangible fixed assets

	Computer equipment £	Furniture and equipment £	Total £
Group			
Cost			
At beginning of year	3,638,973	176,255	3,815,228
Additions	2 167,304	122 584	2,289,888
Disposals	(6,387)	-	(6,387)
At end of year	5,799,890	298,839	6,098,729
Depreciation			
At beginning of year	1,543,817	88,655	1,632,472
Charge for year	2,093,567	92,576	2,186,143
Released on disposal	(3,726)	-	(3,726)
At end of year	3,633,658	181,231	3,814,889
Net book value			
At 31 March 2011	**2,116,232**	**117,608**	**2,283,840**
At 31 March 2010	2,095,156	87,600	2,182,756

The net book value of computer equipment includes £171,830 *(2010 £274,928)* which are held as security for promissory notes (see notes 15 and 16) with a depreciation charge for the year of £103,098 *(2010 £34,366)*

Included in the total net book value of computer equipment is £217,979 *(2010 £nil)* in respect of assets held under finance leases Depreciation for the year on these assets was £53,165 *(2010 £nil)*

Notes *(continued)*

10 Tangible fixed assets *(continued)*

	Computer equipment £	Furniture and equipment £	Total £
Company			
Cost			
At beginning of year	3,638,973	157,961	3,796,934
Additions	2,167,304	113,299	2,280,603
Disposals	(6,387)	-	(6,387)
At end of year	5,799,890	271,260	6,071,150
Depreciation			
At beginning of year	1,543,817	83,055	1,626,872
Charge for year	2,093,567	80,580	2,174,147
Released on disposal	(3,726)	-	(3,726)
At end of year	3,633,658	163,635	3,797,293
Net book value			
At 31 March 2011	**2,116,232**	**107,625**	**2,273,857**
At 31 March 2010	2 095,156	74,906	2,170,062

The net book value of computer equipment includes £171,830 *(2010 £274,928)* which are held as security for promissory notes (see notes 15 and 16) with a depreciation charge for the year of £103,098 *(2010 £34,366)*

Included in the total net book value of computer equipment is £217,979 *(2010 £nil)* in respect of assets held under finance leases Depreciation for the year on these assets was £53,165 *(2010 £nil)*

Notes *(continued)*

11 Fixed asset investments

	Shares in group undertakings £
Company	
Cost	
At beginning of year	7
Additions	-
At end of year	7
Provision	
At beginning of year	-
At end of year	-
Net book value	
At 31 March 2011	**7**
At 31 March 2010	7

The principal subsidiaries in which the Company's interest at the year end is more than 20% are as follows

Company Name	Country of incorporation	Principal Activity	Description of Shares held	Percentage of shares held
Fixnetix Inc	USA	Provides low latency software development services	$0 001 Ordinary Shares	100%

12 Stocks

	Group 2011 £	Group 2010 £	**Company 2011 £**	Company 2010 £
Finished goods and goods for resale	**147,177**	17,471	**147,177**	17,471

Notes *(continued)*

13 Debtors

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Trade debtors	**1,716,969**	1 549,874	**1,701,164**	1,549 874
Amounts owed by group undertakings	**-**	-	**323,216**	26,033
Other debtors	**218,003**	191,784	**214,848**	188,431
Deferred tax assets (note 8)	**1,473,073**	1,772,763	**1,473,073**	1,772,763
Prepayments and accrued income	**732,002**	550,256	**709,040**	540,683
	4,140,047	4,064,677	**4,421,341**	4,077,784

14 Investments (held as current assets)

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Fixed term deposits	**7,201,571**	1,570	**7,201,571**	1,570

The investments are fixed term deposits which mature on a weekly basis and during this period the deposits cannot be accessed by the company without incurring an interest penalty

15 Creditors. amounts falling due within one year

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Debenture loans and promissory notes	**940,242**	1,115,820	**940,242**	1,115,820
Obligations under finance leases and hire purchase contracts	**89,526**	-	**89,526**	-
Trade creditors	**571,120**	852,811	**566,358**	852,811
Other creditors	**47,882**	50,115	**47,657**	37,866
Taxation and social security	**1,505,729**	450,099	**1,505,694**	443,612
Accruals and deferred income	**7,581,061**	2,625,543	**7,528,903**	2,625,543
	10,735,560	5,094,388	**10,678,380**	5,075,652

Notes *(continued)*

16 Creditors: amounts falling due after more than one year

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Debenture loans and promissory notes	545,479	659,545	545,479	659,545
Obligations under finance leases and hire purchase contracts	171,527	-	171,527	-
	717,006	659,545	717,006	659,545

The debenture loans are secured by a first fixed charge over the company's property (any future freehold or leasehold property), intellectual property, shares and goodwill The debenture loans are also secured by a floating charge over all of the company's other assets The company has also secured £171,830 *(2010 £274,839)* of its promissory notes over certain of its fixed assets (see note 10)

Loan maturity analysis

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Within one year	940,242	1,115,820	940,242	1,115,820
In the second to fifth years	545,479	659,545	545,479	659,545
	1,485,721	1,775,365	1,485,721	1,775,365

The obligations under finance leases and hire purchase contracts are secured over the assets to which they relate The net book value of assets secured is stated at note 10

The maturity of obligations under finance leases and hire purchase contracts is as follows

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Within one year	89,526	-	89,526	-
In the second to fifth years	171,527	-	171,527	-
	261,053	-	261,053	-

Notes (continued)

17 Called up share capital

	2011 £	2010 £
Authorised		
1,127,945 *(2010 1,127,945)* Ordinary Shares of £0 0001 each	**113**	113
6,472,055 *(2010 6,472,055)* 'A' Ordinary Shares of £0 0001 each	**647**	647
8,609,060 *(2010 8,609,060)* 'A' Preferred Shares of £1 each	**8,609,060**	8,609,060
	8,609,820	8,609,820
Allotted, called up, fully and partly paid		
1,000,000 *(2010 1,000,000)* Ordinary Shares of £0 0001 each	**100**	100
2,342,627 *(2010 2,342,627)* 'A' Ordinary Shares of £0 0001 each	**234**	234
7,839,998 *(2010 7,839,998)* 'A' Preferred Shares of £1 each	**7,839,998**	7,839,998
	7,840,332	7,840,332

The 'A' Ordinary Shares rank pari passu in all respects with the Ordinary Shares issued by the company

18 Share premium and reserves

	Share premium account £	Profit and loss account £	Total £
Group			
At beginning of year	159,768	(5,393,106)	(5,233,338)
Profit for the year	-	446,615	446,615
Credit in relation to share based payments	-	52,472	52,742
At end of year	**159,768**	**(4,894,019)**	**(4,734,251)**

	Share premium account £	Profit and loss account £	Total £
Company			
At beginning of year	159,768	(5,385,197)	(5,225,429)
Profit for the year	-	631,696	631,696
Credit in relation to share based payments	-	52,472	52,472
At end of year	**159,768**	**(4,701,029)**	**(4,541,261)**

Notes *(continued)*

19 Capital commitments

	2011	2010
	£	£
Contracted for at year end but not provided for	**120,902**	600,105

20 Other financial commitments

Annual commitments under non-cancellable operating leases are as follows

	Group		**Company**	
	2011	2010	**2011**	2010
	Land and buildings	Land and buildings	**Land and buildings**	Land and buildings
	£	£	**£**	£
Operating leases which expire				
Within one year	**381,357**	443,190	**381,357**	369,688
In the second to fifth years inclusive	**73,314**	-	**-**	-
	454,671	443,190	**381,357**	369,688

21 Pension scheme

The group operates a defined contribution pension scheme The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £176,984 *(2010 £106,411)*

Contributions amounting to £41,845 *(2010 £15,832)* were payable to the scheme at the year end and are included in creditors

Notes *(continued)*

22 Reconciliation of operating profit to operating cash flows

	2011	2010
	£	£
Operating profit	**984,534**	316,391
Depreciation and amortisation charge	**2,203,138**	1,017,636
Share based payment charge	**52,472**	-
Profit on disposal of fixed assets	**(4,839)**	-
Increase in stocks	**(129,706)**	(17,471)
Increase in debtors	**(384,179)**	(1,133,857)
Increase in creditors	**5,727,225**	2,175,770
Net cash inflow from operating activities	**8,448,645**	2,358,469

Notes *(continued)*

23 Analysis of cash flows

	2011		2010	
	£	£	£	£
Returns on investment and servicing of finance				
Interest received	**2,168**		1,654	
Interest paid	**(251,345)**		(227,897)	
Interest element of finance lease rental payments	**(3,247)**		-	
		(252,424)		(226,243)
Capital expenditure				
Purchase of intangible fixed assets	**(86,365)**		-	
Purchase of tangible fixed assets	**(1,989,302)**		(2,222,677)	
Sale of tangible fixed assets	**7,500**		34,070	
		(2,068,167)		(2,188,607)
Acquisitions				
Purchase of business		-		(46,411)
Management of liquid resources				
Cash (placed on) / withdrawn from 7 day deposit		**(7,200,001)**		249,130
Financing				
Shares issued in the period	-		950,000	
Repayment of loans	**(1,371,782)**		(845,190)	
New loans	**1,082,138**		800,000	
Capital element of finance lease rental payments	**(39,533)**		-	
		(329,177)		904,810

Notes *(continued)*

24 Analysis of net debt

	At beginning of year	Cash flow	At end of year
	£	£	£
Cash at bank	2,063,512	(1,377,811)	**685,701**
Debt due			
in less than one year	(1,115,820)	175,578	**(940,242)**
in greater than one year	(659,545)	114,066	**(545,479)**
Finance leases	-	(261,053)	**(261,053)**
Total	288,147	(1,349,220)	**(1,061,073)**

25 Share based payments – Group and Company

During the year options existed under an approved Enterprise Management Incentive (EMI) scheme and an unapproved scheme on the ordinary shares The terms and conditions of grants are as follows

Grant date and nature of scheme	Method of settlement accounting	Number of instruments	Conditions	Contractual life of options
Brought forward number of options	Equity	447,363	No performance conditions have to be met before the options become exercisable	19/12/2016 to 30/09/2019
Equity settled award to employees in the approved EMI scheme granted by parent on 30/09/2010	Equity	59,000	No performance conditions have to be met before the options become exercisable	30/09/2020
Equity settled award to employees in the unapproved scheme granted by parent on 30/09/2010	Equity	5,000	No performance conditions have to be met before the options become exercisable	30/09/2020
		511,363		

The vesting periods of the options are five years Upon each anniversary of the date of the grant 20% of such options shall become exercisable The latest date for the exercise of the options is the tenth anniversary of the date of the grant

Share-based payment charge

The total expense recognised in the year arising from share based payments was £52,472

Notes *(continued)*

25 Share based payments *(continued)*

The number and weighted average exercise prices of share options in issue are as follows

	2011 Weighted average exercise price £	2011 Number of options
Outstanding at the beginning of the year	0 0908	452,463
Granted during the year	0 0908	64,000
Forfeited during the year	-	-
Exercised during the year	-	-
Lapsed during the year	0.0908	(5,100)
Outstanding at the end of the year	0.0908	511,363
Exercisable at the end of the year	0 0908	203,547

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted The fair value of the services received is measured using a Black Scholes model Measurement inputs and assumptions are as follows

	2011 Approved EMI scheme	2011 Unapproved scheme
Fair value at measurement date (£)	7.42	7.42
Weighted average share prices (£)	7 50	7.50
Exercise price (£)	0 0908	0.0908
Exercise option life (years)	5 0	5 0
Employee retention rate (%)	100 0	100 0
Expected volatility (%)	30.0	30 0
Dividend yield (%)	0 0	0 0
Risk free interest rate based on national government bonds (%)	2 5	2 5

All of the options granted during the year had an exercise price of £0 0908 but management consider the market value of a share during the year ended 31 March 2011 to be £7 50 based on transactions that have taken place

No dividends are anticipated

The expected volatility is based on historic volatility adjusted for any expected changes to future volatility

Notes *(continued)*

26 Related parties

Included in other debtors is £6,532 *(2010 £7,142)* due from Mr P R Ellis, director The advance is interest free and repayable on demand During the year the maximum amount outstanding was £10,000 *(2010 £10,000)*

During the year fees of £47,500 relating to consultancy services provided were paid to Mr R D Fuller, director

27 Ultimate controlling party

In the directors' opinion, the Group has no ultimate controlling party