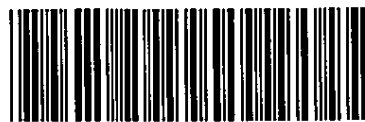


STRATEGIC COMMUNICATION LABORATORIES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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STRATEGIC COMMUNICATION LABORATORIES LIMITED

COMPANY INFORMATION

Directors	Mr N J Oakes Mr A W Oakes Mr A J A Nix Mr J Wheatland Mr R Gabb
Company secretary	Mr J M Bottomley
Company number	05514098
Registered office	Farringdon Place 20 Farringdon Road London EC1M 3AP
Auditor	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP

STRATEGIC COMMUNICATION LABORATORIES LIMITED

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STRATEGIC COMMUNICATION LABORATORIES LIMITED

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

The chairman presents his statement for the period

2010 was a challenging year for SCL, as it was for many companies with a presence in international defence markets

SCL is recognised as the leading player in the creation, implementation and evaluation of complete strategic communication campaigns for government and military organisations worldwide. The company provides audience research, communications solutions and training in international defence and other markets.

SCL's unique scientific approach focuses on creating real and measurable Behavioural Change and it is this factor that is now becoming recognised in our target markets as the differentiated impact of using SCL's services.

The core government defence business was adversely affected in the second half of the year due to the major budget cuts on both sides of the Atlantic, coupled with the Continuing Resolution in the United States creating a block on the commissioning of any new programmes. Strong demand was maintained for SCL Election Services and growth was seen in this sector.

During 2010, the company maintained turnover at over £8.0m and generated a net profit of £0.7m. Overall, SCL's performance in 2010 represents a satisfactory outcome, but caution in a challenging trading environment will be required in 2011.

Name **Julian Wheatland**
Chairman

Date 5 October 2011

STRATEGIC COMMUNICATION LABORATORIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report and the financial statements for the year ended 31 December 2010

Principal activities

The company's principal activity is that of the training, consultancy and supply of operational facilities in the field of strategic communication

Business review and future developments

The business review and future developments of the company has been presented by the chairman within his annual statement

Results

The profit for the year, after taxation, amounted to £693,613 (2009 - £2,230,830)

Directors

The directors who served during the year were

Mr N J Oakes
Mr A W Oakes
Mr A J A Nix
Mr J Wheatland
Mr R Gabb

Principal risks and uncertainties

The company generates a large proportion of its income in US dollars and some income in other currencies. It mitigates foreign currency fluctuation risk by the use of bank accounts in foreign currencies and also by converting currency regularly and avoiding currency speculation. The company's exposure to risk on credit, liquidity and cashflow is managed effectively through normal credit terms.

Research and development activities

The company carries out its own research and development projects so as to improve and extend the range of services they offer.

Acquisition of own shares

In 2010, the company bought back 6,253 ordinary shares from CMTC Nominee N V at a price of £100,048 increasing the individual shareholding of all the other shareholders pro rata.

STRATEGIC COMMUNICATION LABORATORIES LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

Provision of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing his report and to establish that the company's auditor is aware of that information.

This report was approved by the board and signed on its behalf


.....
Mr J Wheatland

Director

Date 5 October 2011

STRATEGIC COMMUNICATION LABORATORIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2010

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

STRATEGIC COMMUNICATION LABORATORIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRATEGIC COMMUNICATION LABORATORIES LIMITED

We have audited the financial statements of Strategic Communication Laboratories Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet, the cash flow statement 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 auditor

As explained more fully in the directors' responsibilities statement, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 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.

STRATEGIC COMMUNICATION LABORATORIES LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRATEGIC COMMUNICATION
LABORATORIES LIMITED**

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

PKF (UK) LLP

Jason Homewood (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
London, UK

Date *25 October 2011*

STRATEGIC COMMUNICATION LABORATORIES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
TURNOVER	1,2	8,072,624	8,171,118
Cost of sales		<u>(5,041,125)</u>	<u>(5,308,895)</u>
GROSS PROFIT		3,031,499	2,862,223
Administrative expenses		<u>(2,172,345)</u>	<u>(796,594)</u>
OPERATING PROFIT	3	859,154	2,065,629
Interest receivable		-	96
Interest payable	6	<u>-</u>	<u>(13,037)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		859,154	2,052,688
Tax on profit on ordinary activities	7	<u>(165,541)</u>	<u>178,142</u>
PROFIT FOR THE FINANCIAL YEAR	13	<u>693,613</u>	<u>2,230,830</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the profit and loss account

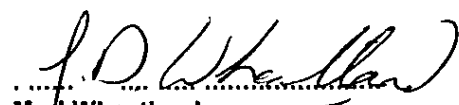
The notes on pages 10 to 17 form part of these financial statements

STRATEGIC COMMUNICATION LABORATORIES LIMITED
REGISTERED NUMBER: 05514098

BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Tangible assets	8		110,964		63,469
CURRENT ASSETS					
Debtors	9	860,698		3,328,153	
Cash at bank		2,531,111		1,956,375	
		<u>3,391,809</u>		<u>5,284,528</u>	
CREDITORS: amounts falling due within one year	10	(642,803)		(3,081,592)	
NET CURRENT ASSETS			<u>2,749,006</u>		<u>2,202,936</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,859,970</u>		<u>2,266,405</u>
CAPITAL AND RESERVES					
Called up share capital	12		8,888		9,513
Share premium account	13		2,993,238		2,993,238
Capital redemption reserve	13		625		-
Profit and loss account	13		(142,781)		(736,346)
SHAREHOLDERS' FUNDS	14		<u>2,859,970</u>		<u>2,266,405</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Mr J Wheatland
 Director

Date 5 October 2011

The notes on pages 10 to 17 form part of these financial statements

STRATEGIC COMMUNICATION LABORATORIES LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
Net cash flow from operating activities	15	779,299	1,846,314
Returns on investments and servicing of finance	16	-	(12,941)
Capital expenditure and financial investment	16	(104,515)	(57,359)
CASH INFLOW BEFORE FINANCING		674,784	1,776,014
Financing	16	(100,048)	-
INCREASE IN CASH IN THE YEAR		574,736	1,776,014

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 £	2009 £
Increase in cash in the year	574,736	1,776,014
MOVEMENT IN NET FUNDS IN THE YEAR	574,736	1,776,014
Net funds at 1 January 2010	1,956,375	180,361
NET FUNDS AT 31 DECEMBER 2010	2,531,111	1,956,375

The notes on pages 10 to 17 form part of these financial statements

STRATEGIC COMMUNICATION LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

Following a review of the company's financial position, its budgets, plans and ability to expand or contract as the market dictates, the director's have concluded that sufficient financial resources will be available to meet the company's current and foreseeable working capital requirements, this being a period of not less than twelve months from the date of signing the financial statements. On this basis, the director's it appropriate to prepare the financial statements on the going concern basis

1.2 Turnover

Turnover represents supply of goods and services, including royalties, net of value added tax. Turnover is recognised as contract activity progresses by reference to the value of work performed

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Other fixed assets	-	25% reducing balance
Computer equipment	-	25-66% straight line
Fixtures & fittings	-	25% straight line

1.4 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

STRATEGIC COMMUNICATION LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES (continued)

1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

1.7 Research and development

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

1.8 Long-term contracts

Amounts recoverable on long term contracts, which are included within debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account

2. TURNOVER

A geographical analysis of turnover is as follows

	2010 £	2009 £
United Kingdom	161,452	193,001
Rest of the World	7,911,172	7,978,117
	<u>8,072,624</u>	<u>8,171,118</u>

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2010 £	2009 £
Depreciation of tangible fixed assets		
- owned by the company	57,270	29,783
Auditors' remuneration	13,500	13,000
Auditors' remuneration - non-audit	1,500	-
Research and development expenditure written off	137,106	-
Foreign exchange loss/(gain)	46,420	(30,172)
	<u>255,796</u>	<u>132,611</u>

STRATEGIC COMMUNICATION LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2010	2009
	£	£
Wages and salaries	1,848,766	859,892
Social security costs	210,299	97,120
	<u>2,059,065</u>	<u>957,012</u>

The average monthly number of employees, including the directors, during the year was as follows

	2010	2009
	No.	No
	<u>36</u>	<u>10</u>

5. DIRECTORS' REMUNERATION

	2010	2009
	£	£
Emoluments	<u>373,449</u>	<u>277,730</u>

The highest paid director received remuneration of £150,000 (2009 - £120,029)

6. INTEREST PAYABLE

	2010	2009
	£	£
On bank loans and overdrafts	<u>-</u>	<u>13,037</u>

7. TAXATION

	2010	2009
	£	£
Analysis of tax charge in the year		
Deferred tax (see note 11)		
Origination and reversal of timing differences	<u>165,541</u>	<u>(178,142)</u>
Tax on profit on ordinary activities	<u>165,541</u>	<u>(178,142)</u>

STRATEGIC COMMUNICATION LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

7. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2009 - lower than) the standard rate of corporation tax in the UK of 20% (2009 - 21%) The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before tax	859,154	2,052,688
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2009 - 21%)	171,831	431,064
Effects of:		
Expenses not deductible for tax purposes	6,230	7,777
Capital allowances for year in excess of depreciation	(8,827)	(6,386)
Utilisation of tax losses	(148,668)	(432,455)
Adjustment in research and development tax credit leading to a decrease in the tax charge	(20,566)	-
Current tax charge for the year (see note above)	-	-

8. TANGIBLE FIXED ASSETS

	Other fixed assets £	Computer equipment £	Fixtures & fittings £	Total £
Cost				
At 1 January 2010	7,596	115,560	2,769	125,925
Additions	2,606	102,159	-	104,765
At 31 December 2010	10,202	217,719	2,769	230,690
Depreciation				
At 1 January 2010	5,485	56,890	81	62,456
Charge for the year	1,290	55,426	554	57,270
At 31 December 2010	6,775	112,316	635	119,726
Net book value				
At 31 December 2010	3,427	105,403	2,134	110,964
At 31 December 2009	2,111	58,670	2,688	63,469

STRATEGIC COMMUNICATION LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

9. DEBTORS

	2010	2009
	£	£
Prepayments and accrued income	42,735	7,230
Amounts recoverable on long term contracts	421,414	2,833,566
Deferred tax asset (see note 11)	12,601	178,142
VAT recoverable	33,223	45,090
Other debtors	350,725	264,125
	<hr/> 860,698 <hr/>	<hr/> 3,328,153 <hr/>

Included within other debtors is an amount of £15,923 due from Mr A Nix, a director of the company. The balance has been repaid in full since the year end.

**10. CREDITORS:
Amounts falling due within one year**

	2010	2009
	£	£
Trade creditors	102,134	53,171
Payments received on account	-	1,976,153
Accruals and deferred income	540,669	1,027,268
Other creditors	-	25,000
	<hr/> 642,803 <hr/>	<hr/> 3,081,592 <hr/>

11. DEFERRED TAX ASSET

	2010	2009
	£	£
At beginning of year	178,142	178,142
Released during the year	(165,541)	-
	<hr/> 12,601 <hr/>	<hr/> 178,142 <hr/>

The deferred tax asset is made up as follows:

	2010	2009
	£	£
Accelerated capital allowances	(14,839)	-
Tax losses carried forward	27,440	178,142
	<hr/> 12,601 <hr/>	<hr/> 178,142 <hr/>

A deferred tax asset has been recognised on the basis that it will be reversed against future taxable profits.

STRATEGIC COMMUNICATION LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

12. SHARE CAPITAL

	2010	2009
	£	£
Allotted, called up and fully paid		
88,880 (2009 - 95,133) Ordinary shares shares of £0 10 each	8,888	9,513

On 23 August 2010 the company repurchased 6,253 of its ordinary share capital for a consideration of £100,048

13. RESERVES

	Share premium account £	Capital redemption reserve £	Profit and loss account £
At 1 January 2010	2,993,238	-	(736,346)
Profit for the year	-	-	693,613
Purchase of own shares	-	-	(99,423)
Transfer to capital redemption reserve	-	625	(625)
At 31 December 2010	2,993,238	625	(142,781)

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010	2009
	£	£
Opening shareholders' funds	2,266,405	35,575
Profit for the year	693,613	2,230,830
Purchase of own shares	(100,048)	-
Closing shareholders' funds	2,859,970	2,266,405

15. NET CASH FLOW FROM OPERATING ACTIVITIES

	2010	2009
	£	£
Operating profit	859,154	2,065,629
Depreciation of tangible fixed assets	57,020	29,783
Decrease/(increase) in debtors	2,301,914	(2,902,681)
(Decrease)/increase in creditors	(2,438,789)	2,653,583
Net cash inflow from operating activities	779,299	1,846,314

STRATEGIC COMMUNICATION LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

16. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2010	2009
	£	£
Returns on Investments and servicing of finance		
Interest received	-	96
Interest paid	-	(13,037)
	<hr/>	<hr/>
Net cash from returns on investments and servicing of finance	-	(12,941)
	<hr/>	<hr/>
	2010	2009
	£	£
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(104,515)	(57,359)
	<hr/>	<hr/>
	2010	2009
	£	£
Financing		
Purchase of own shares	(100,048)	-
	<hr/>	<hr/>

17. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2010	Cash flow	31 December 2010
	£	£	£
Cash at bank and in hand	1,956,375	574,736	2,531,111
	<hr/>	<hr/>	<hr/>
Net funds	1,956,375	574,736	2,531,111
	<hr/>	<hr/>	<hr/>

18. OPERATING LEASE COMMITMENTS

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other
	2010	2009	2010
	£	£	2009
			£
Expiry date:			
Within 1 year	-	59,250	-
	<hr/>	<hr/>	<hr/>

STRATEGIC COMMUNICATION LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

19. RELATED PARTY TRANSACTIONS

Included in other debtors is an amount of £23,966 (2009 - £23,966) due from Boldnote Limited. Boldnote Limited is controlled by certain directors of Strategic Communication Laboratories Limited.

Included in other creditors is £NIL (2009 - £25,000) due to Consensus Business Group Limited ("Consensus"), a company that is a significant shareholder of Strategic Communication Laboratories Limited. During the current accounting period the Consensus creditor was reduced to zero as the related party no longer considered the balance payable due to services rendered in prior years.

20. CONTROLLING PARTY

There is no one individual ultimate controlling party.