

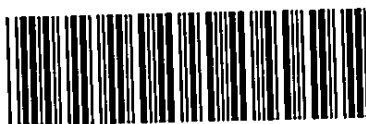
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## Report of the Directors and Consolidated Financial Statements

For the 14 months ended 31 March 2012

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# Annual Report and Financial Statements

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for the 14 months ended 31 March 2012

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## Company Information

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<b>Directors.</b>	S G Barrell B Wise
<b>Secretary</b>	S G Barrell
<b>Registered office:</b>	Wolfe Lodge Farnham Road Bordon Hampshire GU35 0NH
<b>Registered number</b>	06214926
<b>Auditors</b>	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
<b>Bankers</b>	Lloyds TSB 73 Parade Leamington Spa Warwickshire CV32 4BB
<b>Nominated Advisor and Broker</b>	Merchant Securities Ltd 51-55 Gresham Street London EC2V 7EL

## Chairman's Statement

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The 14 month period to 31 March 2012 has seen many changes within the Company and we have ended the financial year with a business much different to the one we started with

The results for the period show a loss of £596,365 (12 months to 31 January 2011 loss of £542,452) including exceptional items of £19,313 (31 January 2011 £23,819) The loss recorded for the year includes £432,286 relating to the discontinued business of Sure-Track Europe Limited The loss for the period for IBP Limited, the continuing operation (excluding head office costs) was £5,173 a significant improvement over the year ended 31 January 2011 (loss of £100,211)

At the period end the Group had cash resources of £228,930

### **IBP**

IBP has traded at a small loss of £5,173 (including exceptional costs of redundancies of £15,650) for the 14 months ended 31 March 2012 The reduced loss is largely attributable to the Eastern European Post office contract that was won and substantially completed during the period Some additional work was secured for stage one post the period end and we are currently tendering for stage two

IBP's trial of its products with a major high street retailer has been successful in reducing the level of robberies in those pilot stores and we are awaiting a decision by the retailer as to its next steps At present there is no indication on the likely timing of any decision from the retailer but we are hopeful for an indication within the next six months IBP continues to service its other existing blue chip customers with maintenance and new installations and will again be running its much hailed symposium in September 2012

The business is developing the next generation of smoke notes technology which it intends to launch at the time of the symposium

### **Sure-Track Europe Limited ("STE") trading and disposal**

During 2011 the Company continued to pursue the opportunity offered under the Ford agreement and in April 2011 the Company acquired the business and certain assets of a distributor of the MT2, Automotion Security Limited ("Automotion") to assist with this development Automotion's owner, Ian Platt, who was an executive board member of International Association of Auto Theft Investigators in the UK has, as part of the acquisition, joined SureTrack on a full time basis We considered that this move would enhance our business development activity and reduce the commissions paid by the Company

As we have previously reported at the half year we had less support from Ford than previously anticipated and we had invested heavily in meeting with and training the Ford dealers We took action at this stage to reduce the overheads by reducing our level of direct activity with the Ford dealers

Around the time of the half year we obtained an International Motors (IM) part number and achieved Thatcham 7 accreditation which we considered to be vital to gain more insurance business Unfortunately neither the IM business nor the accreditation significantly increased the level of business activity

We were approached by Will Hirons, the Company's CEO, late in 2011 for him to purchase the STE business and the Board considered that given the losses incurred and the cash drain on the business that the disposal of STE was the most appropriate way forward

Full details of the disposal were given in the circular to shareholders dated 16 February 2012 Will Hirons and Deborah Davis have purchased the STE business for £188,062 and the Company entered into a Call Option with Will Hirons and Deborah Davis to acquire their entire shareholding in the Company of 117,538,809 ordinary shares for approximately £188,062, the equivalent of 0.16p per share being the middle market closing price on 15 February 2012 the last practicable date before the entry into the agreement It is intended that the consideration arising on the sale of STE Limited will be satisfied by the transfer of the Call Option Shares to the Company in accordance with the Call Option and their subsequent cancellation

## Chairman's Statement

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continued

As outlined in the Notice of General Meeting dated 16 February 2012 the Company intends to undertake a capital reorganisation to enable this to be effected. Following advice from the Company's lawyers we have waited until the publication of these results before applying to the Courts to cancel the share premium account and the deferred shares. Once this has been effected and the share buy back has been completed the number of shares in issue will reduce by 117,538,809 to 618,808,861.

This disposal was a significant step in stemming the losses made by the Company and the cash drain on the business.

### Summary and outlook

The period has been one of great change for the business and we are now in a position to move forward with IBP. We have removed the trading losses relating to STE and the resultant cash drain. The Company is now entirely focused on developing the IBP business.

The current year has started as the Board expected it to. The final stage of phase one of the European Post Office contract was completed which enhanced the current trading results. We also await the outcome of the decision regarding phase two of the project and the next steps following a pilot with a large retailer. We continue to engage with our current and potential customers to assist them with their serious crime issues.

We remain cautiously optimistic as to trading in the current year and we will continue to actively seek to grow the business in order to increase shareholder returns.

  
S G Barrell

30 July 2012

# Directors' Report

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The directors present their report with the financial statements of the Company and the Group for the 14 months ended 31 March 2012

## Principal activity

The principal activity of the Group in the period under review was that of the provision of tracking devices, monitoring and recovery services to businesses for the enhancement of security of their moveable assets, and the supply, assembly and installation of other security equipment. On 5 March 2012 the Company sold the tracking device business and since that time the principal activity is that of the supply, assembly and installation of security equipment.

## Change of financial year end

The Company changed its financial year end from 31 January to 31 March. The Company has decided to change its year end in order to align its reporting period better with the trading cycles of its customers.

## Review of business

The results for the period and financial position of the Group are shown in the financial statements. In summary, the Group has made a loss for the period of £596,365 (2011: loss £542,452).

After conducting a review of the business at the end of 2011 the directors took the decision to sell the principal subsidiary Sure-track Europe Limited. This business was continuing to be loss making and utilising the Group's cash resources. The directors are generally satisfied with the performance of IBP Limited during the period and are continuing to explore various avenues to help improve the profitability of the Group in future years. The directors are aware of the risks and uncertainties facing the Group but are confident that these will be overcome. The directors are aware of the need to improve revenue in the Group as this is critical to help the Group be successful and believe they are now in a position whereby activity levels and hence revenue can be improved.

## Dividends

No dividends will be distributed for the period ended 31 March 2012.

## Research and development

The Group will continue to undertake research and development into products for security equipment in the cash handling businesses.

## Future developments

The directors are concentrating their efforts in trying to improve revenue of the Group and are confident of achieving this objective. The Group are strengthening their position within the market place.

## Directors

The directors shown below have held office during the period from 1 February 2011 to the date of this report.

S G Barrell	
B Wise	
W Hirons	(Resigned 9 March 2012)
M Thompson	(Resigned 14 February 2011)
N G T Linacre	(Resigned 14 February 2011)
J Nicol	(Appointed 14 February 2011, Resigned 27 April 2011)

# Directors' Report

continued

The directors who held office at the end of the financial period have the following interests in shares of the Company

Name of Director	Role	Number of Shares
S G Barrell	Non Executive Director	2,500,001
B Wise	Non Executive Director	—

Mr Barrell's shares are held via his personal pension fund

## Directors' remuneration

Directors' remuneration is disclosed in note 3 of the financial statements

## Directors Share Options

As at 31 March 2012 directors retained the following rights to acquire shares

Director	Rights over shares	Option price	Expiry Date
S G Barrell	2,000,000	0 6p	03/08/2020
B Wise	1,000,000	0 6p	03/08/2020
S G Barrell	4,000,000	0 45p	13/02/2021
B Wise	3,000,000	0 45p	13/02/2021

## Group's policy on payment of creditors

The Group has a creditor payment policy of between 30-60 days. The trade creditor days during the period were 41 (2011 26)

## Risks and uncertainties

The Group faces a difficult time in an unstable economic environment, listed below are the key risks facing the company,

### Market risk

Market risk is the risk that the demand for the business products will not be as anticipated due to economic pressures on customers

The directors to assess the overall business environment to monitor the level of market risk on the trading performance of the Group

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers before entering contracts. Subject to this assessment, the group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer.

The directors determine concentrations of credit risk through a monthly review of trade receivables' ageing analysis. Customers placed as high risk are placed on a restricted customer list and future sales made on a prepayment basis, subject to the discretion of the directors and local management.

### Liquidity risk

Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

# Directors' Report

continued

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due

The directors receive rolling 12 month cash flow projections on a monthly basis as well as information regarding cash investments. At the period end these projections indicated that the group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to secure new facilities with the bank

Budgets are set at Group level by the directors, enabling the Group's cash requirements to be anticipated and any increase in facilities requires the approval of the Board of directors

## Corporate Governance Statement

The Board is accountable to the Company's shareholders for good governance and this statement describes how the relevant principles of governance are applied to the Group. The directors believe that good corporate governance is essential and set out below those principals which the Group has adopted since incorporation and the way they have been applied

The Board is responsible to the shareholders for the proper management of the Group. The board maintains full and effective control over appropriate strategic, financial, organisational and compliance issues

## Key performance indicators

The directors considered that the most relevant key performance indicator for the Group was the number of active units. As a result of the sale of Sure-Track Europe this is no longer an appropriate indicator for the Board to use. The Board therefore look at revenues and gross profit and as the key performance indicators

For the remaining business in the Group the key performance indicators were as follows

	14 Months ended 31 March 2012	12 Months ended 31 January 2011
Revenue	£466,399	£312,437
Gross Profit	£187,265	£158,781

## Statement of directors' responsibilities

The directors are responsible for preparing the Report of the Directors 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 International Financial Reporting Standards as adopted for use in the European Union. 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state that the financial statements comply with IFRS,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business



# Directors' Report

continued

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Review of Business on page 4, as is the financial position of the Group and its cash flows and liquidity position.

In addition, note 1 to the financial statements includes the Group's objectives, policies and processes for managing its capital and its exposures to credit and liquidity risk.

As described in the Directors' Report on page 4 the current economic environment is challenging and the Group has reported an operating loss for the period. The directors have taken action with the disposal of Sure-Track Europe Limited to reduce the cash outflows of the business. The directors consider that the outlook presents significant challenges in terms of sales volume and pricing but are very positive with potential new clients in the pipeline. But the directors have instituted measures to preserve cash until these opportunities come to a positive fruition. The directors have prepared detailed profit and cash flow forecasts to ensure they can project their working capital requirements and manage the business accordingly.

So after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

## Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) 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 in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

## Auditor

The auditor, Crowe Clark Whitehill LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the board

  
**S-G Barrell**

Date 30 July 2012

# **Report of the Independent Auditors**

to the Members of SureTrack Monitoring plc

## **Independent Auditor's Report to the members of SureTrack Monitoring plc**

We have audited the financial statements of SureTrack Monitoring plc for the period ended 31 March 2012 which comprise the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Comprehensive Income, the Group and Company Cash Flow Statements, the Group and Parent Company Statement of Changes in Equity and the related notes numbered 1 to 27

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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

## **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities, 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 Directors' Report and any other surrounding information 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 Group's and of the Parent company's affairs as at 31 March 2012 and of the Group's loss for the period then ended,
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements 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 period for which the financial statements are prepared is consistent with the financial statements.

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## Report of the Independent Auditors

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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 by the parent company, 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

*Nigel Bostock*

**Nigel Bostock**

Senior Statutory Auditor

For and on behalf of  
Crowe Clark Whitehill LLP  
Statutory Auditor  
St Brides House  
10 Salisbury Square  
London  
EC4Y 8EH

30 July 2012

## Consolidated Income Statement

for the 14 months ended 31 March 2012

		14 Months ended 31 March 2012 £	14 Months ended 31 March 2012 £	14 Months ended 31 March 2012 £	12 Months ended 31 January 2011 £	12 Months ended 31 January 2011 £	12 Months ended 31 January 2011 £
	Notes	Discontinued business	Continuing business	Total	Discontinued business	Continuing business	Total
Revenue		478,578	466,399	944,977	312,175	312,437	624,612
Cost of sales		(305,435)	(279,134)	(584,569)	(182,498)	(153,656)	(336,154)
<b>Gross profit</b>		<b>173,143</b>	<b>187,265</b>	<b>360,408</b>	<b>129,677</b>	<b>158,781</b>	<b>288,458</b>
Other operating income		—	—	—	225	2,159	2,384
Distribution costs		—	—	—		(4,976)	(4,976)
Administrative expenses		(605,429)	(332,130)	(937,559)	(418,351)	(384,657)	(803,008)
Exceptional items	4	—	(19,313)	(19,313)	—	(23,819)	(23,819)
<b>Operating loss</b>		<b>(432,286)</b>	<b>(164,178)</b>	<b>(596,464)</b>	<b>(288,449)</b>	<b>(252,512)</b>	<b>(540,961)</b>
Finance costs	5			—			(1 623)
Finance income	5			99			132
<b>Loss before income tax</b>				<b>(596,365)</b>			<b>(542,452)</b>
Income tax				—			—
<b>Loss for the period</b>				<b>(596,365)</b>			<b>(542,452)</b>
Loss attributable to Owners of the parent				<b>(596,365)</b>			<b>(542,452)</b>
Earnings per share expressed in pence per share							
Basic	9			(0 08)			(0 08)
Diluted	9			(0 08)			(0 08)

The accompanying notes on pages 18 to 39 are an integral part of these financial statements

# Consolidated Statement of Comprehensive Income

for the 14 months ended 31 March 2012

	Group		Company	
	14 Months ended 31 March 2012 £	12 Months ended 31 January 2011 £	14 Months ended 31 March 2012 £	12 Months ended 31 January 2011 £
Loss for the period	(596,365)	(542,452)	(3,432,322)	(966,124)
Other comprehensive income	—	—	—	—
<b>Total comprehensive income for the period</b>	<b>(596,365)</b>	<b>(542,452)</b>	<b>(3,432,322)</b>	<b>(966,124)</b>
Total comprehensive income attributable to Owners of the parent	<b>(596,365)</b>	<b>(542,452)</b>	<b>(3,432,322)</b>	<b>(966,124)</b>

The accompanying notes on pages 18 to 39 are an integral part of these financial statements

# Consolidated Statement of Financial Position

As at 31 March 2012

Company number 06214926

	Notes	As at 31 March 2012 £	As at 31 January 2011 £
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	10	885,028	885,028
Intangible assets	11	3,970	45,470
Property, plant and equipment	12	13,646	53,304
Long term loan note	15	188,062	—
		<b>1,090,706</b>	<b>983,802</b>
<b>Current assets</b>			
Inventories	14	25,444	104,068
Trade and other receivables	15	54,961	256,024
Cash and cash equivalents	16	228,930	520,962
		<b>309,335</b>	<b>881,054</b>
<b>Total assets</b>		<b>1,400,041</b>	<b>1,864,856</b>
<b>Equity</b>			
<b>Shareholders' equity</b>			
Called up share capital	17	4,170,844	4,133,344
Share premium	18	2,091,897	1,879,858
Other reserves	18	—	(2,148,000)
Retained earnings	18	(5,006,961)	(2,273,917)
<b>Total equity</b>		<b>1,255,780</b>	<b>1,591,285</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	144,261	273,458
Tax payable		—	113
		<b>144,261</b>	<b>273,571</b>
<b>Total liabilities</b>		<b>144,261</b>	<b>273,571</b>
<b>Total equity and liabilities</b>		<b>1,400,041</b>	<b>1,864,856</b>

The financial statements were approved and authorised for issue by the Board of Directors on 30 July 2012 and were signed on its behalf by

S G Barrell – Director



The accompanying notes on pages 18 to 39 are an integral part of these financial statements

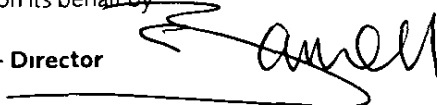
# Company Statement of Financial Position

As at 31 March 2012

	Notes	As at 31 March 2012 £	As at 31 January 2011 £
<b>Non-current assets</b>			
Investments	13	885,048	3,033,028
Long term loan	15	188,062	—
		1,073,110	3,033,028
<b>Current assets</b>			
Trade and other receivables	15	450,770	1,272,917
Cash and cash equivalents	16	81,960	429,952
<b>Total assets</b>		<b>1,605,840</b>	<b>4,735,897</b>
<b>Equity</b>			
<b>Shareholders' equity</b>			
Called up share capital	17	4,170,844	4,133,344
Share premium	18	2,091,897	1,880,022
Retained earnings	18	(4,762,667)	(1,341,666)
<b>Total equity</b>		<b>1,500,074</b>	<b>4,671,700</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	105,766	64,197
<b>Total liabilities</b>		<b>105,766</b>	<b>64,197</b>
<b>Total equity and liabilities</b>		<b>1,605,840</b>	<b>4,735,897</b>

The financial statements were approved and authorised for issue by the Board of Directors on 30 July 2012 and were signed on its behalf by

S G Barrell – Director



The accompanying notes on pages 18 to 39 are an integral part of these financial statements

## Consolidated Statement of Changes in Equity

for the 14 months ended 31 March 2012

	Called up share capital £	Profit and loss account £	Share premium £	Other reserves £	Total equity £
<b>Balance at 1 February 2010</b>	4,001,430	(1,735,465)	756,458	(2,148,000)	874,423
<b>Changes in equity</b>					
Issue of share capital	131,914	—	1,123,400	—	1,255,314
Total comprehensive income	—	(542,452)	—	—	(542,452)
Share based payment charge	—	4,000	—	—	4,000
<b>Balance at 31 January 2011</b>	4,133,344	(2,273,917)	1,879,858	(2,148,000)	1,591,285
<b>Changes in equity</b>					
Issue of share capital	37,500	—	212,039	—	249,539
Total comprehensive income	—	(596,365)	—	—	(596,365)
Disposal of subsidiary	—	(2,148,000)	—	2,148,000	—
Share based payment charge	—	11,321	—	—	11,321
<b>Balance at 31 March 2012</b>	<b>4,170,844</b>	<b>(5,006,961)</b>	<b>2,091,897</b>	<b>—</b>	<b>1,255,780</b>

The accompanying notes on pages 18 to 39 are an integral part of these financial statements



## Company Statement of Changes in Equity

for the 14 months ended 31 March 2012

	Called up share capital £	Profit and loss account £	Share premium £	Total equity £
<b>Balance at 1 February 2010</b>	4,001,430	(379,542)	756,622	4,378,510
<b>Changes in equity</b>				
Issue of share capital	131,914	—	1,123,400	1,255,314
Total comprehensive income	—	(966,124)	—	(966,124)
Share based payment charge	—	4,000	—	4,000
<b>Balance at 31 January 2011</b>	4,133,344	(1,341,666)	1,880,022	4,671,700
<b>Changes in equity</b>				
Issue of share capital	37,500	—	211,875	249,375
Total comprehensive income	—	(3,432,322)	—	(3,432,322)
Share based payment charge	—	11,321	—	11,321
<b>Balance at 31 March 2012</b>	4,170,844	(4,762,667)	2,091,897	1,500,074

The accompanying notes on pages 18 to 39 are an integral part of these financial statements

## Consolidated Statement of Cash Flows

for the 14 months ended 31 March 2012

	Notes	Group 2012 £	Group 2011 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	(465,382)	(716,348)
Interest paid		—	(6,323)
Net cash from operating activities		(465,382)	(722,671)
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(17,150)	(13,825)
Purchase of tangible fixed assets		(9,860)	(52,172)
Acquisition of business assets		(30,000)	—
Proceeds from sale of fixed assets		10,136	—
Cash disposed off with subsidiary		(29,250)	—
Interest received		99	132
Net cash used by investing activities		(76,025)	(65,865)
<b>Cash flows from financing activities</b>			
Share issues net of expenses		249,375	1,255,313
Net cash from financing activities		249,375	1,255,313
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(292,032)</b>	<b>466,777</b>
<b>Cash and cash equivalents at beginning of periods</b>	22	<b>520,962</b>	<b>54,185</b>
<b>Cash and cash equivalents at end of period</b>	22	<b>228,930</b>	<b>520,962</b>

The accompanying notes on pages 18 to 39 are an integral part of these financial statements

## Company Statement of Cash Flows

for the 14 months ended 31 March 2012

	Notes	Company 2012 £	Company 2011 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	(597,466)	(825,493)
<b>Cash flows from investing activities</b>			
Interest received		99	132
Net cash from investing activities		99	132
<b>Cash flows from financing activities</b>			
Share issues net of expenses		249,375	1,255,313
Net cash from financing activities		249,375	1,255,313
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(347,992)</b>	<b>429,952</b>
Cash and cash equivalents at beginning of period	16	429,952	—
Cash and cash equivalents at end of period	16	81,960	429,952

The accompanying notes on pages 18 to 39 are an integral part of these financial statements

# Notes to the Consolidated Financial Statements

for the 14 months ended 31 March 2012

## 1 Accounting policies

### Background information

SureTrack Monitoring plc is the Groups ultimate parent company. It is incorporated and domiciled in Great Britain. The address of SureTrack Monitoring plc's registered office is Wolfe Lodge, Farnham Road, Bordon, Hampshire GU35 0NH which is also the Group's principal place of business. SureTrack Monitoring plc's shares are listed on the AIM of the London Stock Exchange.

### Change of financial year end.

The Company changed its financial year end from 31 January to 31 March. The Company has decided to change its year end in order to align its reporting period better with the trading cycles of its customers.

### Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except that they have been modified to include the presentation of certain non-current financial assets and liabilities at fair value.

The consolidated financial statements of SureTrack Monitoring plc are presented in pounds sterling. The functional currency of the parent and subsidiary entity is pounds sterling.

### Going Concern

The financial statements have been prepared on a going concern basis as outlined in the Directors Report. The directors have taken action with the disposal of Sure-Track Europe Limited to reduce the cash outflows of the business. The directors consider that the outlook presents significant challenges in terms of sales volume and pricing but are positive with potential new clients in the pipeline. The directors have instituted measures to preserve cash until these opportunities come to a positive fruition. The directors have prepared detailed profit and cash flow forecasts to ensure they can project their working capital requirements and manage the business accordingly.

After making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

### Basis of consolidation

The group financial statements consolidate the accounts of SureTrack Monitoring plc and all of its subsidiary undertakings made up to 31 March 2012. The group income statement includes the results of all subsidiary undertakings for the period from the date of their acquisition and up to the date of disposal.

Inter-company transactions and balances between group companies are eliminated.

### IFRS Changes

As at the date of approval of these financial statements some standards and interpretations were in issue but not yet effective. The Directors expect that the adoption of these standards and interpretations in future accounting periods will not have a material impact on the Group or Company's results.

# Notes to the Consolidated Financial Statements

continued

## 1 Accounting policies continued

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of VAT. Monitoring income where invoiced annually in advance is recognised over the period to which it relates.

Sales of goods are recognised when goods are delivered and title has passed. Interest income is recognised on an accruals basis.

### Investments

Investments held as fixed assets are shown at cost less any provision for impairment.

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

### Customer database

The customer database is valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal instalments over their estimated useful life of 5 years. Amortisation costs are included within administrative expenses.

### Development Costs

Development costs are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal instalments over the estimated useful life of 5 years. Amortisation costs are included within administration expenses.

### Patents and licenses

Patents and licenses are recognised at historical cost. The patents and licences have an indefinite useful life and are reviewed for an impairment annually.

### Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Plant & machinery	– 25% on reducing balance
Furniture and equipment	– 20% on reducing balance and – 20% on cost
Motor vehicles	– 25% on cost
Computer equipment	– 25% on cost

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

# Notes to the Consolidated Financial Statements

continued

## 1 Accounting policies *continued*

### **Inventories**

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

### **Financial Instruments**

Financial instruments are initially recognised at fair value. Fair value is the amount at which such an instrument could be exchanged in an arm's-length transaction between informed and willing parties.

Unquoted investments with no reliable measure of fair value are stated at cost less impairment. Income from these investments is recognised in the income statement when entitlement is established.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each statement of financial position date whether or not there is objective evidence that a financial asset is impaired.

Trade and other receivables are recognised initially at fair value and subsequently restated for any impairment. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents comprise cash at bank and in hand as well as short term bank deposits.

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the company becomes party to the contractual provisions of the instrument. All financial liabilities are recorded initially at fair value, net of direct issue costs and subsequently measured at amortised cost using the effective interest method, less settlement payments. Interest related charges are recognised as an expense in finance costs in the income statement.

Finance charges, including premiums payable on settlement or redemption and direct issue costs are charged to the income statement on an accruals basis using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables are obligations to pay for goods, services and fees that have been either acquired or incurred in the ordinary course of business. Amounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

A financial liability is derecognised only when the obligation is discharged, cancelled or expires.

### **Income Tax**

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and laws that have been enacted and substantively enacted by the period end date.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

# Notes to the Consolidated Financial Statements

continued

## 1 Accounting policies *continued*

Deferred tax is recognised using the balance sheet method, providing temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: The initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investment in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### Research and development

Expenditure on research is written off in the year in which it is incurred. Development expenditure is written off in the same year unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised within administration costs over the period from which the company is expected to benefit.

### Leases

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the period end date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

### Share based payments

The Group operates equity settled share based compensation plans for remuneration of its Directors and employees. All share-based payment arrangements are recognised in the financial statements in accordance with IFRS 2 'Share based payments'.

All services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to equity.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate, share premium.

Where the equity settled award is cancelled it is treated as if it had vested on the date of cancellation and any cost not recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award is deducted from equity with any excess over fair value being treated as an expense in the income statement.

# Notes to the Consolidated Financial Statements

continued

## 1 Accounting policies continued

### Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of turnover, expenses, assets and liabilities. The estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and constitute management's best judgement at the date of the financial statements. In the future, actual experience could differ from those estimates.

The principal estimates and assumptions that could have a significant effect upon the Company's financial results relate to impairment matters of group goodwill and parent investments.

Further details of estimates and assumptions are set out in each of the relevant accounting policies and detailed notes to the financial statements.

The principal judgements made by management that could have a significant impact upon the Company's financial results relate to the following:

- the assertions in the preparation of the financial statements on a going concern basis,
- the assessment of goodwill, investments and receivables for impairment,
- the assessment and appropriateness of recognition of deferred tax assets.

## 2 Segmental reporting

The Group had two key operating segments which are overseen by distinct management teams and reported to the Board. These are the provision of tracking devices, monitoring and recovery services thereon and the supply, assembly and installation of security equipment. The former was conducted through its subsidiary company, Sure-Track Europe Limited and latter through its subsidiary IBP Limited. Sure-Track Europe Limited was disposed of on 5 March 2012 and since that time there has only been one reportable segment.

Segmental analysis by reportable segments\*

	Sure-Track Europe		IBP		Central adjustments*		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	£	£	£	£	£	£	£	£
Revenue from UK	478,578	312,175	276,755	263,119	—	—	755,333	575,294
Revenue from Europe	—	—	189,644	49,318	—	—	189,644	49,318
Total revenue	478,578	312,175	466,399	312,437	—	—	944,977	624,612
Interest revenue	—	—	—	—	99	132	99	132
Interest expenses	—	15	—	6,308	—	—	—	6,323
Depreciation	9,857	3,424	5,711	2,050	—	—	15,568	5,474
Amortisation	30,005	25,492	—	—	—	—	30,005	25,492
Loss before tax	411,153	288,359	5,173	100,211	180,039	153,882	596,365	542,452
Total External Liabilities	—	1,125,814	38,495	339,257	105,766	(1,191,500)	144,261	273,571
Total External Assets	—	431,983	224,215	100,133	1,175,826	1,332,740	1,400,041	1,864,856

\* The measurement of information in the table above that is reported to the Board does not include consolidation adjustments or central costs.

During the period both Sure-Track Europe and IBP made sales to individual customers that exceed 10% of the total revenue. Sure-Track Europe made sales to one individual customer of £100,015 (2011: £72,423). IBP made sales to two customers of £124,235 and £123,957 (2011: one customer £51,062).



# Notes to the Consolidated Financial Statements

continued

## 3 Employees and directors

	2012 £	2011 £
Wages and salaries	448,463	397,513
Social security costs	43,435	31,784
	491,898	429,297

The average monthly number of employees during the period was as follows

	2012 No	2011 No
Directors	3	4
Administration	9	8
Sales	3	2
	15	14

	£	£
Directors' remuneration	142,575	87,017
Directors' pension contributions to money purchase schemes	—	—

The following table provides details of the remuneration and fees excluding share options of all the directors holding office at 31 March 2012

	2012 £	2011 £
<b>Executive Directors</b>		
W Hirons	62,000	42,933
<b>Non executive Directors</b>		
S Barrell*	29,825	15,050
B Wise**	14,000	10,968
N G T Linacre	2,000	9,250
M Thompson	2,500	4,166
J Nicol (including £18,000 loss of office)	32,250	—
M G Fairbotham	—	4,650
	142,575	87,017
<b>Key Management</b>	128,513	97,958

\* The services of S Barrell are provided through a consultancy agreement with SGB Consulting dated 3 August 2010. Mr Barrell does not receive any fees as a director of the Company.

\*\* The services of B Wise are provided through a consultancy agreement with Belton Consulting Limited dated 3 August 2010. Mr Wise does not receive any fees as a director of the Company.

Mr Barrell and Mr Wise's fees for the period were accrued and are still outstanding.

## Notes to the Consolidated Financial Statements

continued

### 4 Exceptional costs

	2012 £	2011 £
Profit on sale of Sure-Track Europe Limited	19,337	—
Compensation for loss of office (see note 3)	(18,000)	—
Redundancy costs	(20,650)	(23,819)
	(19,313)	(23,819)

### 5 Finance income and finance costs

	2012 £	2011 £
<b>Finance income</b>		
Deposit account interest	99	132
<b>Finance costs</b>		
Loan Interest	—	1,608
Bank interest	—	15
	—	1,623

### 6 Loss before income tax

The loss before income tax is stated after charging/(crediting)

	2012 £	2011 £
Cost of inventories recognised as expense	578,164	336,154
Other operating leases	15,775	8,742
Depreciation – owned assets	15,568	5,475
Customer database amortisation	13,143	8,000
Development costs amortisation	16,862	17,492
Auditors' remuneration	11,000	11,000
The auditing of accounts of associates of the company pursuant to legislation	7,000	7,000
Foreign exchange differences	980	2,553
Research and development	—	(13,557)

# Notes to the Consolidated Financial Statements

continued

## 7 Income tax

### Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the period ended 31 March 2012 nor for the year ended 31 January 2011

### Factors affecting the tax charge

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2012 £	2011 £
Loss on ordinary activities before tax	(596,365)	(542,452)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20 % (2011 – 20%)	(119,273)	(108,490)
Effects of		
Disallowed items	47	—
Depreciation in excess of capital allowances on qualifying assets	(255)	—
Losses utilised	40	—
Other tax adjustments	119,441	108,490
Total income tax	—	—

### Factors that may affect future tax charges

There is an unrecognised deferred tax asset of £153,000 (2011 £211,433). This relates to estimated surplus trading losses carried forward which are available to be relieved against future profits of the same trade amounting to £763,921 (2011 £1,107,169).

## 8 Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial period was £3,432,322 (2011 £966,124), which includes the loss on the disposal of Sure-Track Europe Limited, (2011 included an impairment of the carrying value of investments as shown in note 13 of the financial statements).

# Notes to the Consolidated Financial Statements

continued

## 9 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period

The diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares

The diluted loss per share is the same as the basic loss per share as the conversion of share options decreases the basis loss per share, thus being anti-dilutive

Reconciliations are set out below

2012			
	Earnings £	Weighted average number of shares	Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders from continuing operations	(164,079)	704,331,161	(0 02)
Earnings attributable to ordinary shareholders from discontinued operations	(432,286)	704,331,161	(0 06)
Effect of dilutive options	—	—	—
<b>Diluted EPS</b>			
Adjusted earnings	(596,365)	704,331,161	(0 08)
2011			
	Earnings £	Weighted average number of shares	Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders from continuing operations	(254,003)	661,347,670	(0 04)
Earnings attributable to ordinary shareholders from discontinued operations	(288,449)	661,347,670	(0 04)
Effect of dilutive options	—	—	—
<b>Diluted EPS</b>			
Adjusted earnings	(542,452)	661,347,670	(0 08)

# Notes to the Consolidated Financial Statements

continued

## 10 Goodwill

### Group

	£
<b>Cost</b>	
At 31 January 2010	1,753,190
Additions	—
At 31 January 2011	1,753,190
Acquired through business combinations	20,000
Disposal of with subsidiary company	(20,000)
<b>At 31 March 2012</b>	<b>1,753,190</b>
<b>Amortisation</b>	
At 31 January 2010	868,162
Impairments	—
At 31 January 2011	868,162
Impairments	—
<b>At 31 March 2012</b>	<b>868,162</b>
<b>Net book value</b>	
At 31 January 2011	885,028
<b>At 31 March 2012</b>	<b>885,028</b>

### Group

#### Impairment

During the financial period ended January 2010 the company acquired the entire issued share capital of IBP Limited. The brought forward goodwill arising on consolidation amounted to £1,753,190 less an impairment to goodwill of £868,162

On 6 May 2011 the company's subsidiary, Sure-Track Europe Limited, acquired certain assets of a distributor of the MT2 Automotion Security Limited ("Automotion"). The assets purchased were Customer Database and website and name and Goodwill of £20,000. The directors have estimated the value of the customer database at £10,000. The assets were disposed of with the sale of Sure-Track Europe Limited on 5 March 2012 and therefore no impairment has been recognised

The carrying amount of goodwill is allocated to the cash generating units (CGU's) as follows

	2012 £	2011 £
Supply, assembly, install of security equipment	885,028	885,028

# Notes to the Consolidated Financial Statements

continued

## 10 Goodwill continued

The recoverable amounts of the above CGU's have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a ten year period to 31 March 2022. Other major assumptions are as follows

	Security installation and supply %
Discount rate	9%
Operating margin*	18.3%
Growth rate**	3%

\* Operating margin for year 2 onwards

\*\* Growth rate set at 3% represents a more modest uplift in future years following projected operating cash flows for the two years to March 2014 which have been increased more substantially to reflect specific current pipeline and activities

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's beta adjusted to reflect management assessment of specific risks related to the cash generating unit. Growth rates are based on economic data relating to the CGU concerned.

The Group has considered the assumptions used and has conducted sensitivity analysis on the impairment test of the CGU's carrying value. This has not resulted in any impairment of the carrying value at 31 March 2012 as the CGU's recoverable amount exceeds its carrying value. The underlying assumptions for the discount rate would need to increase to approximately 14% or the forecast for operating margin or growth would need to reduce substantially for a potential impairment to the recoverable amount to be triggered. A combination of these factors could also trigger impairment in the future.

## 11 Intangible assets

Group	Customer database £	Development costs £	Patents and licences £	Total £
<b>Cost</b>				
Balance at 1 February 2010	40,000	81,545	3,970	125,515
Additions – externally acquired	—	13,825	—	13,825
Acquired through business combinations	—	—	—	—
Balance at 31 January 2011	40,000	95,370	3,970	139,340
Balance at 1 February 2011	40,000	95,370	3,970	139,340
Additions – externally acquired	37,150	—	—	37,150
Acquired through business combinations	10,000	—	—	10,000
Disposed of with sale of business	(87,150)	(95,370)	—	(182,520)
<b>Balance at 31 March 2012</b>	<b>—</b>	<b>—</b>	<b>3,970</b>	<b>3,970</b>
<b>Accumulated amortisation</b>				
Balance at 1 February 2010	24,000	44,378	—	68,378
Amortisation charge for the period	8,000	17,492	—	25,492
Balance at 31 January 2011	32,000	61,870	—	93,870
Balance at 1 February 2011	32,000	61,870	—	93,870
Amortisation charge for the period	13,143	16,862	—	30,005
Disposed of with sale of business	(45,143)	(78,732)	—	(123,875)
<b>Balance at 31 March 2012</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net book value</b>				
At 1 February 2010	16,000	37,167	3,970	57,137
At 31 January 2011	8,000	33,500	3,970	45,470
<b>At 31 March 2012</b>	<b>—</b>	<b>—</b>	<b>3,970</b>	<b>3,970</b>

# Notes to the Consolidated Financial Statements

continued

## 12 Property, plant and equipment

Group	Plant & machinery £	Furniture and equipment £	Motor vehicles £	Computer equipment £	Totals £
<b>Cost</b>					
At 1 February 2010	990	9,587	2,700	7,505	20,782
Additions	—	4,307	45,000	2,865	52,172
At 31 January 2011	990	13,894	47,700	10,370	72,954
Additions	—	5,860	4,000	—	9,860
Disposed	—	—	(14,700)	—	(14,700)
Disposed of with sale of business	—	(15,733)	(21,000)	—	(36,733)
At 31 March 2012	990	4,021	16,000	10,370	31,381
<b>Depreciation</b>					
At 1 February 2010	486	6,448	675	6,567	14,176
Charges for period	126	1,261	3,672	415	5,474
At 31 January 2011	612	7,709	4,347	6,982	19,650
Charge for period	110	2,448	11,969	1,041	15,568
Disposed	—	—	(4,179)	—	(4,179)
Disposed of with sale of business	—	(6,221)	(7,083)	—	(13,304)
At 31 March 2012	722	3,936	5,054	8,023	17,735
<b>Net book value</b>					
At 31 February 2010	504	3,139	2,025	938	6,606
At 31 January 2011	378	6,185	43,353	3,388	53,304
At 31 March 2012	268	85	10,946	2,347	13,646

# Notes to the Consolidated Financial Statements

continued

## 13 Investments

Company	Shares in group undertakings £
<b>Cost</b>	
At 1 February 2010	3,845,272
Additions	—
At 31 January 2011	3,845,272
Disposal	(2,148,000)
<b>At 31 January 2012</b>	<b>1,697,272</b>
<b>Impairment</b>	
At 1 February 2010	—
Charges	812,224
At 31 January 2011	812,224
Charges	—
<b>At 31 January 2012</b>	<b>812,224</b>
<b>Net book value</b>	
<b>At 31 March 2012</b>	<b>885,048</b>
At 31 January 2011	3,033,028
At 31 January 2010	3,845,272

The Group or the Company's investments at the balance sheet date in the share capital of companies include the following

Name	Incorporated in	Percentage Holding	Nature of Business
IBP Limited	UK	100%	Supply, assembly, install of security equipment

### Disposal of subsidiary undertaking

The net assets disposed of were as follows

	£
Intangible assets	58,645
Tangible assets	23,429
	82,074
Current assets	
Stock	97,072
Debtors	175,823
Cash	29,250
Net liabilities	(215,494)
Total assets disposed of	168,725
Proceeds – loan payable	188,062
Profit on disposal	19,337



# Notes to the Consolidated Financial Statements

continued

## 13 Investments continued

On 5 March 2012 the Company disposed of Sure-Track Europe Limited to Will Hiron and Deborah Davis (the Buyers") for a consideration of £188,062. The consideration is due by 31 December 2016. In addition, the Company has entered into a Call Option with the Buyers to acquire their entire shareholding in the Company of 117,538,809 ordinary shares for approximately £188,062, the equivalent of 0.16p per share being the middle market closing price on 15 February 2012 the last practicable date before the entry into the agreement.

It is intended that the consideration arising on the sale of Sure-Track Europe Limited will be satisfied by the transfer of the Call Option Shares to the Company in accordance with the Call Option and their subsequent cancellation.

The Buyers acquired the entire issued share capital of Sure-Track Europe Limited comprising 2,148 ordinary shares of 1p each and assumed all assets, liabilities and TUPE obligations of Sure-Track Europe Limited. Prior to completion of the Disposal, an intercompany loan amounting to approximately £1,294,140 owed by Sure-Track Europe Limited to SureTrack Monitoring plc was written off which together with the investment value of £2,148,000 less consideration of £188,062 resulted in a loss to the parent entity on disposal of £3,254,078.

The cash flows relating to Sure-Track Europe Limited are as follows:

	2012 £	2011 £
Operating cash flows	(329,235)	(421,091)
Investing cash flows	(35,680)	(51,133)
Financing cash flows	331,562	510,129
Total cash flows	(33,353)	37,905

## 14 Inventories

	2012 £	2011 £
Raw materials	—	17,091
Finished goods	25,444	86,977
	25,444	104,068

## 15 Trade and other receivables

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
<b>Non Current</b>				
Long term loan (note 13)	188,062	—	188,062	—
	Group		Company	
	2012 £	2011 £	2012 £	2011 £
<b>Current</b>				
Trade receivables	22,431	114,375	—	—
Amounts owed by group undertakings	—	—	430,013	1,255,608
Other receivables	3,142	—	13,516	—
VAT	17,245	8,709	7,241	8,709
Directors' current accounts	—	4,887	—	—
Prepayments and accrued income	12,143	128,053	—	8,600
	54,961	256,024	450,770	1,272,917

# Notes to the Consolidated Financial Statements

continued

## 15 Trade and other receivables *continued*

### Disclosure of credit risk

The directors consider that the carrying amount of trade and other receivables approximates to their value

On 5 March 2012 the Company disposed of Sure-Track Europe Limited, to Will Hiron and Deborah Davis for a consideration of £188,062. The consideration is due by 31 December 2016 and is shown as a long term loan

The ageing of the trade receivables as at 31 March 2012 is detailed below

	2012 Gross	2012 Allowance	2011 Gross	2011 Allowance
0 to 30 days	26,286	—	88,134	—
30 to 60 days	5,905	—	25,256	—
60 to 90 days	—	—	6,767	5,391
Over 90 days	(8,172)	1,588	(391)	—
	24,019	1,588	119,766	5,391

The movement in allowance for doubtful debts in respect of trade receivables is detailed below

	2012 £	2011 £
Opening Balance	5,391	8,313
Additional Provisions	—	—
Utilised in Period	(3,803)	(2,922)
Closing balance	1,588	5,391

## 16 Cash and cash equivalents

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Cash in hand	—	72	—	—
Bank accounts	228,930	520,890	81,960	429,952
	228,930	520,962	81,960	429,952

## 17 Called up share capital

### Ordinary Shares

	Number of ordinary share £	Nominal Value £	Total Value £
Issued at 1 February 2011	661,347,670	0.0005	330,674
Placing August 2011	75,000,000	0.0005	37,500
Issued at 31 March 2012	736,347,670	0.0005	368,174

The shares issued on 1 August 2011 were issued at 0.0035p creating a premium credited to the share premium account of £211,875 net of expenses of £13,125

# Notes to the Consolidated Financial Statements

continued

## 17 Called up share capital *continued*

### Prior year

Issued and fully paid ordinary shares of 1 pence each

	Number of ordinary share £	Nominal Value £	Total Value £
Issued at 31 January 2010	400,143,000	0 01	4,001,430
Placing – June 2010	138,000	0 01	1,380
	400,281,000	0 01	4,002,810

On 31 July 2010 the Company undertook a capital reorganisation whereby each 1 pence ordinary shares was split into 1 new ordinary share of £0 0005 and 1 new deferred share of £0 0095

	Number of ordinary share £	Nominal Value £	Total Value £
Capital Reorganisation 31 July 2010	400,281,000	0 0005	200,141
Placing August 2010	236,066,670	0 0005	118,033
Debt Capitalisation August 2010	25,000,000	0 0005	12,500
	661,347,670	0 0005	330,674

### Deferred shares

Since 31 July 2010 there have been 400,281,000 deferred shares at a nominal value of £0 0095

### Total ordinary and deferred shares

The issued share capital as at 31 March 2012 is as follows

	Number of shares £	Nominal Value £	Total Value £
Deferred shares	400,281,000	0 0095	3,802,670
Ordinary shares	736,347,670	0 0005	368,174
			4,170,844

On flotation to AIM, the Company issued 261,066,670 shares with a nominal value of £130,533 for a consideration of £1,566,400. The premium of £1,435,867 was credited to the share premium account.

Transaction costs of £312,467 were incurred on the issue of shares which were settled in cash. These costs have been deducted from the share premium account.

# Notes to the Consolidated Financial Statements

continued

## 18 Reserves

### Group

	Retained earnings £	Share premium £	Other reserves £	Totals £
At 1 February 2010	(1,735,465)	756,458	(2,148,000)	(3,127,007)
Share premium issue of equity	—	1,123,400	—	1,123,400
Deficit for period	(542,452)	—	—	(542,452)
Share based payment charge	4,000	—	—	4,000
At 31 January 2011	(2,273,917)	1,879,858	(2,148,000)	(2,542,059)
Share premium issue of equity	—	212,039	—	212,039
Sale of subsidiary company	(2,148,000)	—	2,148,000	—
Deficit for the period	(596,365)	—	—	(596,365)
Share based payment charge	11,321	—	—	11,321
At 31 March 2012	(5,006,961)	2,091,897	—	(2,915,064)

### Company

	Retained earnings £	Share premium £	Other reserves £	Totals £
At 1 February 2010	(379,542)	756,622	—	377,080
Share premium issue of equity	—	1,123,400	—	1,123,400
Deficit for the period	(966,124)	—	—	(966,124)
Share based payment charge	4,000	—	—	4,000
At 31 January 2011	(1,341,666)	1,880,022	—	538,356
Share premium issue of equity	—	211,875	—	211,875
Deficit for the period	(3,432,322)	—	—	(3,432,322)
Share based payment charge	11,321	—	—	11,321
At 31 March 2012	(4,762,667)	2,091,897	—	(2,670,770)

The following describes the nature and purpose of each reserve within equity -

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value
Other reserves	Amounts arising out of share issues as consideration for business combinations for a period before transition to IFRS
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement and consolidated statement of comprehensive income

# Notes to the Consolidated Financial Statements

continued

## 19 Trade and other payables

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
<b>Current</b>				
Trade payables	98,100	66,913	79,794	22,829
Social security and other taxes	1,924	40,093	—	31,868
Other payables	—	—	—	—
Accruals and deferred income	44,237	145,173	25,972	9,500
VAT	—	21,279	—	—
	<b>144,261</b>	<b>273,458</b>	<b>105,766</b>	<b>64,197</b>

The ageing of the trade payables as at 31 January 2012 is detailed below

	2012 £	2011 £
0 to 30 days	65,990	31,067
30 to 60 days	12,765	18,054
60 to 90 days	(475)	13,710
Over 90 days	19,820	4,082
	<b>98,100</b>	<b>66,913</b>

## 20 Share based payment plans

The expense recognised for employee services received during the period is shown in the following table

	2012 £	2011 £
Expenses arising from equity settled share-based		
Payment transactions	11,321	4,000

Share options held by directors, employees and third parties are as follows

Outstanding 1 February 2011	Granted During period	Exercised during period	Lapsed during period	Outstanding 31 March 2012	Date of Grant	Final date of Grant
26,000,000	—	—	8,000,000	18,000,000*	03/08/2010	03/08/2020
6,000,000	—	—	—	6,000,000	03/08/2010	08/07/2013
13,226,953	—	—	—	13,226,953	03/08/2010	03/08/2014
—	7,000,000	—	—	7,000,000	13/02/2011	13/02/2011
—	13,226,950	—	6,613,475	6,613,475	14/02/2011	26/04/2012
—	12,000,000	—	12,000,000	—	01/12/2011	05/03/2012

\*15 000,000 of the options outstanding gave been re-designated to have a final date of grant as 5 March 2016

A modified Black-Scholes model has been used to determine the fair value of the share options on the date of grant. The fair value is expensed to the income statement on a straight line basis over the vesting period, which is determined annually. The model assesses a number of factors in calculating the fair value. These include the market price on the date of grant, the exercise price of the share options, the expected share price volatility of the market sector in which the Group operates, the expected life of the options, the risk free rate of interest and the expected level of dividends in future periods.

# Notes to the Consolidated Financial Statements

continued

## 20 Share based payment plans *continued*

The inputs into the model were as follows

Granted	2012
Weighted average share price	0.45p
Expected volatility	40%
Expected life	5 years
Risk-free rate	2.5%
Expected dividend yield	0%

## 21 Reconciliation of loss before income tax to cash generated from operations

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Loss before income tax	(596,365)	(3,432,322)	(542,452)	(966,124)
Depreciation and amortisation charges	45,573	—	30,967	—
Impairment of goodwill	—	—	—	812,243
Loss on sale of fixed assets	385	—	—	—
(Profit)/loss on disposal of subsidiary	(19,337)	3,254,060	—	—
Share based payment cost	11,321	11,321	—	—
Finance costs	—	—	6,323	—
Finance income	(99)	(99)	(132)	(132)
	(558,522)	(167,040)	(505,294)	(154,013)
(Increase) in inventories	(18,448)	—	(24,811)	—
(Increase)/Decrease in trade and other receivables	25,240	(471,995)	(116,932)	(670,356)
Increase/(Decrease) in trade and other payables	86,348	41,569	(69,311)	(1,124)
<b>Cash used by operations</b>	<b>(465,382)</b>	<b>(597,466)</b>	<b>(716,348)</b>	<b>(825,493)</b>

# Notes to the Consolidated Financial Statements

continued

## 22 Cash and cash equivalents

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amount

### Period ended 31 March 2012

	31 March 2012 £	1 February 2011 £
Cash and cash equivalents	228,930	590,962

### Year ended 31 January 2011

	31 January 2011 £	1 February 2010 £
Cash and cash equivalents	520,962	54,185

## 23 Related party transactions

During the period the Company paid fees to its directors of £nil as all directors fees (2011 £29,057) which are included within directors remuneration as disclosed in note 3 Included in accountancy services is £nil (2011 £29,057) paid to MGF, an entity controlled by M Fairbotham, a former director of the Company

The Company had the following amounts outstanding with its subsidiaries at the period end

	2012 £	2011 £
Sure-Track Europe Limited*	—	962,578
IBP Limited	430,013	293,030
	430,013	1,255,608

### Transactions with directors

The following loan to directors subsisted during the period ended 31 March 2012 and 31 January 2011

	2012 £	2011 £
<b>W Hiron</b>		
Balance outstanding at start of period	4,887	603
Amounts advanced	—	4,284
Disposed of with subsidiary undertaking	(4,887)	—
Balance outstanding at end of period	—	4,887

No Interest was charged on this loan

\* See note 13 regarding the disposal of the subsidiary undertaking to W Hiron and D Davis

# Notes to the Consolidated Financial Statements

continued

## 24 Operating lease arrangements

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2012 £	2011 £
Within one year	—	6,557
In the second to fifth years inclusive	5,748	—
After five years	—	—
	5,748	6,557

## 25 Risk management

### General objectives, policies and procedures

The directors have overall responsibility for the determination of the Group's risk management objectives and operating processes that ensure effective implementation of the policies set out below. Directors receive monthly reports through which they review the effectiveness of the processes put in place and the appropriateness of the objectives and policies they set.

The overall objective of the directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details of these policies are set out below -

### Financial risk management

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to the following risks:

- Credit risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is group policy to assess the credit risk of new customers before entering contracts. Subject to this assessment, the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer.

The directors determine concentrations of credit risk through a monthly review of trade receivables' ageing analysis. Customers placed as high risk are placed on a restricted customer list and future sales made on a prepayment basis, subject to the discretion of the directors and local management. Further quantitative disclosures are included in note 15 of the financial statements.



# Notes to the Consolidated Financial Statements

continued

## 25 Risk management continued

### Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

The directors receive rolling 12 month cash flow projections on a monthly basis as well as information regarding cash investments. At the period end these projections indicated that the group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to secure new facilities with the bank.

Budgets are set at group level by the directors, enabling the group's cash requirements to be anticipated and any increase in facilities requires the approval of the board of directors. More details in regard to the line items (including contractual maturities) are included in note 19 entitled Trade and other payables.

### Capital disclosures

The group monitors "adjusted capital" which comprises all components of equity. The group's objectives when maintaining capital are:

- to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for their stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments in the light of changes in economic circumstances and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt to adjusted capital ratio. Net debt is calculated as total debt (as shown in the consolidated statement of financial position) less cash and cash equivalents. The Group had net funds as at the period ended 31 March 2012 and 31 January 2011.

## 26 Controlling interest

There is no overall controlling party.

## 27 Events after the balance sheet date

There are no significant post balance sheet events.