

Metaforic Limited

Directors' report and financial statements

Registered number SC300538

31 January 2012



Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditor's report to the members of Metaforic Limited	4
Consolidated Profit and Loss Account	6
Consolidated Balance Sheet	7
Company Balance Sheet	8
Consolidated Statement of Total Recognised Gains and Losses	9
Reconciliations of Movements in Shareholders' Funds	10
Notes	11

Directors' report

The directors present their directors' report and financial statements for the year ended 31 January 2012.

Principal activities and business review

Metaforic is a privately held, Venture Capital-backed company now shipping our second-generation software protection product. We market this software product to software creators in a variety of markets, ranging from device manufacturers to software publishers, financial institutions and games companies. We estimate the total annual market for our technology will be worth in excess of \$1bn per annum. The company has over 100 person-years invested and six patents granted and pending. As a result we are confident that we have important technology advantages over existing, or future, competitors.

Metaforic's core technology automatically embeds a protection system into software programs at build time, enabling those programs to constantly check themselves for integrity as they run, with no reliance on outside services or constant updates. Once a piece of software has been "hardened" with Metaforic's protection system it becomes very difficult for hackers to make modifications.

As an early-stage company, we spend more cash than we generate, so that we can build and improve the product, establish initial marketing outreach, and generate initial sales for relationships that should last many years.

Consequently, the principal risk we face concerns balancing those expenditures with incoming revenue and new investment, and to date our investors have ensured that we have enough operating capital to continue expanding the business. Winning well known customers is a strong endorsement of the product and when combined with the long term nature of the contracts, provides a stable revenue platform on which to build the business.

Directors

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

CB Anderson
FS Hallsworth
WA Krepick
AS McLellan
ASW Paterson (appointed 22 March 2011)
NW Stewart
D Stickel
LA MacKellar (resigned 22 March 2011)

Directors' report *(continued)*

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the year.

Disclosure of information to auditor

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

Auditor

During the year Gillespie & Anderson resigned as auditor and KPMG LLP was appointed. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



D Stickel
Director

146 West Regent Street
Glasgow
G2 2RQ

28 June 2012

..

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

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



KPMG LLP

191 West George Street
Glasgow
G2 2LJ
United Kingdom

Independent auditor's report to the members of Metaforic Limited

We have audited the financial statements of Metaforic Limited for the year ended 31 January 2012 set out on pages 6 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 January 2012 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – prior period financial statements

In forming our opinion on the financial statements, which is not modified, we note as explained further in note 1 to the financial statements, that the prior period consolidated financial information was not audited. Consequently, International Standards on Auditing (UK and Ireland) require the auditor to state that the corresponding figures contained within these consolidated financial statements are unaudited.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's and the parent company's ability to continue as a going concern. The group incurred a net loss of £2,925,000 during the year ended 31 January 2012. It is significantly dependent upon successfully concluding commercial agreements with a view to generating future revenues and, depending upon the extent and timing of future revenues generated, on securing sufficient additional funding. These matters, and the other factors set out in note 1, indicate the existence of a material uncertainty which may cast significant doubt on the group's and the parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the parent company were unable to continue as a going concern.

Independent auditor's report to the members of Metaforic Limited (*continued*)

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.



M Ross (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
29 June 2012

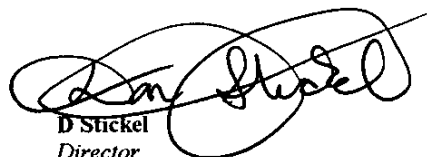
Consolidated Profit and Loss Account
for the year ended 31 January 2012

	<i>Note</i>	2012	2011
		£000	Unaudited £000
Turnover	2	721	559
Cost of sales		(428)	(447)
		<hr/>	<hr/>
Gross profit		293	112
Administrative expenses	3	(3,132)	(2,058)
Other operating income	6	59	14
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3	(2,780)	(1,932)
Tax on loss on ordinary activities	7	(145)	93
		<hr/>	<hr/>
Loss for the financial year		(2,925)	(1,839)
		<hr/>	<hr/>

Consolidated Balance Sheet
at 31 January 2012

	<i>Note</i>	2012 £000	2011 Unaudited £000
Fixed assets			
Tangible assets	8	68	32
Current assets			
Debtors (including £nil (2011: £145,000) due after more than one year)	10	289	382
Cash at bank and in hand		493	427
Creditors: amounts falling due within one year	11	782 (533)	809 (548)
Net current assets		249	261
Total assets less current liabilities		317	293
Net assets		317	293
Capital and reserves			
Called up share capital	12	152	92
Share premium account	13	7,010	4,126
Profit and loss account		(6,845)	(3,925)
Shareholders' funds		317	293


These financial statements were approved by the board of directors on 28 June 2012 and were signed on its behalf by:


 D Stickel
 Director

Company Balance Sheet
at 31 January 2012

	<i>Note</i>	2012 £000	2011 £000
Fixed assets			
Tangible assets	8	60	28
Investments	9	-	503
		<hr/> 60	<hr/> 531
Current assets			
Debtors (including £nil (2011: £2,604,000) due after more than one year)	10	106	2,770
Cash at bank and in hand		364	276
		<hr/> 470	<hr/> 3,046
Creditors: amounts falling due within one year	11	(435)	(253)
		<hr/> 35	<hr/> 2,793
Net current assets			
		<hr/> 95	<hr/> 3,324
Total assets less current liabilities			
		<hr/> 95	<hr/> 3,324
Net assets			
		<hr/> 95	<hr/> 3,324
Capital and reserves			
Called up share capital	12	152	92
Share premium account	13	7,010	4,126
Profit and loss account	13	(7,067)	(894)
		<hr/> 95	<hr/> 3,324
Shareholders' funds			
		<hr/> 95	<hr/> 3,324

These financial statements were approved by the board of directors on 28 June 2012 and were signed on its behalf by:


D Stickel
Director

Company registered number: Registered number SC300538

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 January 2012

	2012	2011
	£000	Unaudited £000
Loss for the financial year	(2,925)	(1,839)
Foreign currency retranslation	5	-
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	(2,920)	(1,839)
	<hr/>	<hr/>

Reconciliations of Movements in Shareholders' Funds
for the year ended 31 January 2012

	Group		Company	
	2012	2011	2012	2011
	£000	Unaudited £000	£000	£000
Loss for the financial year	(2,925)	(1,839)	(6,173)	(288)
Share capital issued	2,944	3,072	2,944	3,072
Foreign exchange differences	5	(10)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to /(reduction in) shareholders' funds	24	1,223	(3,229)	2,784
	<hr/>	<hr/>	<hr/>	<hr/>
Opening shareholders' funds/ (deficit)	293	(930)	3,324	540
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	317	293	95	3,324
	<hr/>	<hr/>	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

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

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Going concern

The directors have prepared the financial statements on the going concern basis for the following reasons:

The group generates revenues primarily from licensing and receiving royalties on software it has developed and is developing. The group is continually investing in the research and development of new products and during 2011-12 the group's expenditure was in excess of revenues generated from existing products: the group's net loss for the year ended 31 January 2012 was £2,899,000.

The directors have carried out a detailed review of the trading position and cash flow projections for the foreseeable future and have, based on the results of this review, determined that the group may require further cash injections to continue to develop its suite of products and to generate new customers and, hence, new revenue streams. If the company was unable to raise sufficient additional finance and the company and the group was unable to conclude appropriate commercial arrangements with a view to generating cash flows in line with those cash flow projections, this could cast doubt over the ability of the company and group to continue to meet the company's and group's liabilities as they fall due.

Subsequent to 31 January 2012, the directors have secured additional equity funding of £2 million, of which £1.25 million was received in April 2012, with the balance of £0.75 million being receivable in October 2012 subject to compliance with certain conditions, all of which are considered to be within the control of the company. The directors are in discussions with a number of potential customers and have a reasonable expectation that these discussions will be successful in increasing group revenues, however, if the anticipated revenue generation is achieved later than anticipated, the directors would seek to take appropriate steps to reduce the level of cash outflow and/or accelerate the securing of additional funding. The directors are also in the process of discussing additional strategic investment by a number of parties interested in investing in the company.

The directors are therefore confident that sufficient financial resources will be available to enable the company and group to meet the medium term cash requirements as set out in the relevant cash flow projections. However, there can be no certainty in relation to these matters, and uncertainty in relation to the potential failure to generate the required level of revenue and/or cost savings may cast doubt on the group's and parent company's ability to continue realising their assets and discharging their liabilities in the normal course of business.

After making enquiries, and having regard to all of the foregoing, the directors have a reasonable expectation that the group and the company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 January 2012. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

In previous financial years, the company took the exemption under section 399 of the Companies Act 2006, as an entity subject to the small company regime, not to prepare consolidated financial statements and so no audited consolidated financial statements exist for those previous financial years. However, although the company is still subject to the small company regime, as permitted under section 398 of the Companies Act 2006, for these financial statements the directors have prepared consolidated financial statements for the first time.

Notes (continued)

1 Accounting policies (continued)

Basis of consolidation (continued)

The source of the comparative financial information for the year ended 31 January 2011 included in these consolidated financial statements for the company is its audited financial statements for that year. The amounts included in these consolidated financial statements for the subsidiary undertakings is taken from their unaudited financial statements for the year ended 31 January 2011. Consequently, the comparative figures included in the consolidated profit and loss account, balance sheet, statement of total recognised gains and losses, reconciliation of movements in shareholders' funds and related notes are disclosed as 'unaudited'.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less any provision for impairment.

Tangible fixed assets and depreciation

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

Plant and machinery	-	3 to 4 years
---------------------	---	--------------

Foreign currencies

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

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Gains and losses arising on these translations are taken to reserves.

Government grants

Revenue based government grants are credited to the profit and loss account over the period to which they relate.

Taxation

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. A net deferred tax asset is recognised to the extent that directors consider that future relevant profits are expected to arise to allow the net asset to be recovered.

Revenue

Revenue is measured at the fair value of the consideration received or receivable net of trade discounts, volume rebates and excluding value added tax. Revenue comprises royalty income, license fees and other revenue earned during the year, excluding sales taxes.

Royalty income : Revenue relating to royalties is recognised on an accruals basis in accordance with the provisions of relevant agreements.

License fees : The Group sells licenses for their software to customers for a set fee. This is recognised evenly over the term of the licence as this is the period over which the group satisfies its obligations under the sales contracts.

Other Revenue : Other revenue is recognised in full once the significant risks and rewards of ownership have been transferred to the customer, which is generally when the software master has been delivered to the customer.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Notes (continued)

1 Accounting policies (continued)

Share based payments

The company operates a share option programme allowing eligible employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

Leasing

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

2 Turnover

Turnover by destination can be analysed as follows:

	2012	2011
	£000	Unaudited £000
UK	117	97
Europe	110	99
Rest of World	494	363
	<u>721</u>	<u>559</u>

3 Notes to the profit and loss account

	2012	2011
	£000	Unaudited £000

Loss on ordinary activities before taxation is stated after charging:

Depreciation and other amounts written off tangible fixed assets	28	14
Hire of other assets - operating leases	114	84

Auditor's remuneration:

	2012	2011
	£000	Unaudited £000
Audit of these financial statements	8	-
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	7	14
Other services relating to taxation	10	-

The majority of the group's administrative expenses incurred relates to research and development activity.

4 Remuneration of directors

	2012	2011
	£000	Unaudited £000
Directors' emoluments	488	384

The aggregate of emoluments of the highest paid director was £189,174.

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was 32 (2011: 20):

The aggregate payroll costs of these persons were as follows:

	2012	2011
	£000	Unaudited £000
Wages and salaries	2,023	1,173
Social security costs	158	167
Share based payments charges	7	-
	<hr/> 2,188 <hr/>	<hr/> 1,340 <hr/>

6 Other operating income

	2012	2011
	£000	Unaudited £000
Grant income	59	14
	<hr/>	<hr/>

7 Taxation

Analysis of charge in period

	2012	2011
	£000	Unaudited £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	49
	<hr/>	<hr/>
Total current tax	-	49
<i>Deferred tax (see note 14)</i>		
Origination/reversal of timing differences	(2)	44
Adjustment in respect of previous years	(143)	-
	<hr/> (145) <hr/>	<hr/> 44 <hr/>
Total deferred tax	(145)	44
	<hr/>	<hr/>
Tax on loss on ordinary activities	(145)	93
	<hr/>	<hr/>

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax credit for the period is lower (2011: higher) than the standard rate of corporation tax applicable to small companies in the UK of 20%, (2011: 20 %). The differences are explained below.

	2012	2011
	£000	Unaudited £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(2,780)	(1,932)
	<hr/>	<hr/>
Current tax at 20% (2011: 20%)	(556)	(386)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	11	10
Deferred tax charge	(2)	44
Tax losses not recognised	547	283
	<hr/>	<hr/>
Total current tax credit (see above)	-	(49)
	<hr/>	<hr/>

8 Tangible fixed assets

	Plant and machinery £000
Group	
<i>Cost</i>	
At beginning of year	60
Additions	65
	<hr/>
At end of year	125
	<hr/>
<i>Depreciation</i>	
At beginning of year	
Charge for year	28
On disposals	29
	<hr/>
At end of year	57
	<hr/>
<i>Net book value</i>	
At 31 January 2012	68
	<hr/>
At 31 January 2011	32
	<hr/>

Notes (continued)

8 Tangible fixed assets (continued)

	Plant and machinery £000
Company	
<i>Cost</i>	
At beginning of year	55
Additions	59
	<hr/>
At end of year	114
	<hr/>
<i>Depreciation</i>	
At beginning of year	27
Charge for year	27
	<hr/>
At end of year	54
	<hr/>
<i>Net book value</i>	
At 31 January 2012	60
	<hr/>
At 31 January 2011	28
	<hr/>

9 Fixed asset investments

	Shares in group undertakings £000
Company	
<i>Cost</i>	
At beginning of year	503
Additions	40
	<hr/>
At end of year	543
	<hr/>
<i>Provisions</i>	
At beginning of year	-
Impairment provision during the year	543
	<hr/>
At end of year	543
	<hr/>
<i>Net book value</i>	
At 31 January 2012	-
	<hr/>
At 31 January 2011	503
	<hr/>

Notes (continued)

9 Fixed asset investments (continued)

During the year, the directors reviewed the carrying value of the company's shares in group undertakings. As a result of this, a provision of £543,000 has been made against the company's investments.

The addition in the year relates to the acquisition of 100% of the share capital of Metaforic KK.

	Country of incorporation	Principal activity	Class and percentage of shares held Company
<i>Subsidiary undertakings</i>			
Metaforic Inc	United States of America	Provision of security software	100%
Metaforic KK	Japan	Provision of security software	100%

10 Debtors

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
<i>Amounts falling due within one year</i>				
Trade debtors	216	103	88	87
Other debtors	36	52	4	76
Prepayments and accrued income	37	7	14	3
Corporation tax	-	49	-	-
Other taxes and social security	-	26	-	-
	<u>289</u>	<u>237</u>	<u>106</u>	<u>166</u>
<i>Amounts falling due after more than one year</i>				
Amounts owed by subsidiary undertakings	-	-	-	2,459
Deferred tax asset	-	145	-	145
	<u>-</u>	<u>145</u>	<u>-</u>	<u>2,604</u>

As a result of the group being in the early stages of its development, with a consequential degree of uncertainty over the extent and timing of future revenue and cash flow generation, the directors have determined that the amounts owed from subsidiary undertakings at 31 January 2012 should be fully provided against and, accordingly, a provision of £5.1 million has been made in this regard.

11 Creditors: amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£000	Unaudited £000	£000	£000
Trade creditors	20	97	20	87
Taxation and social security	36	24	36	24
Accruals and deferred income	477	427	227	142
Amounts due to group undertakings	-	-	152	-
	<u>533</u>	<u>548</u>	<u>435</u>	<u>253</u>

Notes (continued)

12 Called up share capital

Group and Company	2012	2011
	£000	Unaudited £000
<i>Allotted, called up and fully paid</i>		
2,500,000 (2011: 2,500,000) Ordinary shares of £0.01 each	25	25
6,677,430 (2011: 6,677,430) A Ordinary shares of £0.01 each	67	67
6,000,000 (2011: nil) B Ordinary shares of £0.01 each	60	-
	<hr/>	<hr/>
	152	92
	<hr/>	<hr/>

During the year, the company issued 6,000,000 ordinary class B as part of its funding requirement from equity shareholders.

The rights attached to each share vary by class.

In the event of liquidation, dissolution or winding up or other return of capital by the company B Ordinary shareholders are paid first, followed by the A Ordinary shareholders. The balance of any proceeds remaining is distributed among shareholders on a pro rata basis to the number of shares held.

Voting rights amounts to one vote per share.

13 Share premium and reserves

Group	Share premium account £000	Profit and loss account £000
At beginning of year	4,126	(3,925)
Loss for the year	-	(2,925)
Exchange adjustments	-	5
On additional shares issued	2,884	-
	<hr/>	<hr/>
At end of year	7,010	(6,811)
	<hr/>	<hr/>
 Company	 Share premium account £000	 Profit and loss account £000
At beginning of year	4,126	(894)
Loss for the year	-	(6,173)
On additional shares issued	2,884	-
	<hr/>	<hr/>
At end of year	7,010	(7,067)
	<hr/>	<hr/>

Notes (continued)

14 Deferred tax asset/(liability)

Group and Company

	Accelerated capital allowances £000	Other timing differences £000	Total £000
At beginning of year	(6)	151	145
Charge for the year	6	(151)	(145)
	<hr/>	<hr/>	<hr/>
At end of year	-	-	-
	<hr/>	<hr/>	<hr/>

During the year, the directors re-assessed the carrying value of the deferred tax asset. Given uncertainty over the quantum and timing of sufficient relevant profits against which such losses can be utilised, the directors do not consider it appropriate to recognise an asset in relation to accumulated tax losses at the present time.

The unrecognised deferred tax asset as at 31 January 2012 amounts to £244,000.

15 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2012 Buildings £000	2011 Unaudited Buildings £000
Group		
Operating leases which expire:		
Within one year	144	84
In the second to fifth years inclusive	30	-
Over five years	-	-
	<hr/>	<hr/>
	174	84
	<hr/>	<hr/>
Company		
Operating leases which expire:		
Within one year	-	49
In the second to fifth years inclusive	30	-
Over five years	-	-
	<hr/>	<hr/>
	30	49
	<hr/>	<hr/>

16 Related party disclosures

The Company has taken advantage of the exemptions contained within FRS 8: Related Party Transactions not to disclose transactions (but not balances) with companies which are wholly owned subsidiaries.

The shareholders of the company, who are considered to be related parties, are SEP111, Scottish Enterprise, Pentech Fund Limited Partnership and Slam Games Limited. There were no related party transactions in the year except for the issue of shares which at the year end stand at 4,500,000 B ordinary shares (SEP), 2,689,960 A ordinary and 1,000,000 B ordinary shares (Scottish Enterprise), 3,797,570 A ordinary shares and 500,000 B ordinary shares (Pentech) and 189,900 ordinary shares (Slam Games Limited) respectively.

Fees paid to investors for the year amounted to £32,000, being £16,000 to each of Scottish Enterprise and Pentech.

Notes (continued)

17 Share option scheme

During the year 2,428,313 share options were granted. As a result, there are 2,678,270 UK share options in existence at an unrestricted value of £0.01 each, vesting over a four year period. The directors consider the fair value of the share options to be £0.01 per option, resulting in a fair value of options granted of £7,000.

18 Government grants

In 2008, the company was conditionally awarded Regional Selective Assistance of £200,000 to be paid in four tranches of £50,000 dependent on job creation targets. Up to 31 January 2010 two tranches of £50,000 were received. The conditions for the third tranche were met after the end of the year to 31 January 2011 and a further £50,000 was received. The conditions for the payment of the fourth tranche have not yet been met.

In addition to the above, the company received various marketing and other grants totalling £8,602 (2011: £7,843).

The grants could be repayable in the event that numbers employed at the relevant site are below target levels during the specific monitoring periods.

19 Post balance sheet events

On 11 April 2012, the company increased its authorised share capital such that at that date it comprised £73,784 being 7,378,370 Ordinary shares, £94,898 being 9,489,782 A Ordinary shares of £0.01 each, £90,203 being 9,020,320 B ordinary shares of £0.01 each, £119,572 being 11,957,186 C ordinary shares of £0.01 each, £87 being 873,585 A Growth shares of £0.0001 each, £33 being 326,070 B Growth shares of £0.001 per share, £34 being 346,197 being C Growth shares of £0.0001 each and £12 being 115,882 D Growth shares of £0.0001 each. The total cash received for the issue of shares issued in April 2012 was £1.25 million.