

**Company Registration No. 05674773**

**Tuxedo Money Solutions Limited**

**Annual report and consolidated financial statements**

**for the year ended 31 March 2011**

THURSDAY



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## **Tuxedo Money Solutions Limited**

### **Annual report and consolidated financial statements for the year ended 31 March 2011**

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**Annual report and consolidated financial statements for the year ended 31 March 2011**

**Officers and professional advisers**

**Directors**

Ali Reza Sankhani  
Peter Van Dijk  
David Dey  
Patrick Lems  
John Sharman  
Mark Holloway  
Darren P Veevers

**Secretary**

Darren P Veevers

**Registered Office**

Lakewood  
Chester Business Park  
Chester  
CH4 9HF

**Bankers**

Barclays Bank PLC

**Solicitors**

SJ Berwin LLP  
Salans

**Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester, United Kingdom

**Annual report and consolidated financial statements for the year ended 31 March 2011**

**Directors' Report**

The directors present their annual report on the affairs of Tuxedo Money Solutions Limited ('the Group'), together with the consolidated financial statements and independent auditor's report, for the year ended 31 March 2011. The comparative information stated in the financial statements covers the year to 31 March 2010.

The directors' report has been prepared in accordance with the provisions applied to companies entitled to the small companies exemption and in accordance with the Financial Reporting Standard for Smaller Entities.

**Principal activities**

The principal activity of the Group continues to be as a pre-paid solutions provider.

The Group provides prepaid payment solutions for consumer focused brands as well as tailored corporate solutions across a wide range of sectors. The Group has developed and maintains its own proprietary technology platform, *account@*, that supports all of our products and services.

**Chief Executive Officer's Report**

The year to 31 March 2011 was impacted by a significant amount of change at the Group. These changes addressed the fundamental challenges faced by the business and were essential in ensuring that the Group is positioned to deliver success in 2012 and beyond.

The changes that had the greatest impact in the year to 31 March 2011 were -

Change of Business Model

- The direct to market business model was suspended prior to this financial year as it was loss making and unsustainable.
- The partnership model which replaced it is both lower risk and more profitable. This has grown well during the year to 31 March 2011.
- Thanks to strong growth, the new partnerships business has gone some way to fill the hole left by the Group's direct business which declined sharply during the year.

Restructure

- Work on restructuring the Group's cost base began in earnest in the year to March 2010 and continued throughout the year to 31 March 2011.
- This culminated in relocating the operations of the business to Chester. As well as reducing our operating costs, the move to Chester provides access to a significant talent pool in the cards and payments sectors of Financial Services.
- Relocating the business generated a significant amount of exceptional and non-recurring costs during the year to 31 March 2011.
- Over 80% of the Group's employees have changed over the past two years. While this has been challenging, we have a strong team capable of delivering success going forward.
- Importantly, we retained the IT team that built our market leading *account@* platform.

The benefits flowing from these strategic changes are being recognised post year-end. The unaudited financial performance of the Group for the 8 months to 30 November 2011 shows - Turnover £3.9m, Gross Margin £1.2m, Other Operating Expense £1.9m resulting in operating losses of £0.7m.

**Annual report and consolidated financial statements for the year ended 31 March 2011****Directors' report (continued)****Chief Executive Officer's Report (continued)**

As well as a marked improvement in the financial performance of the business, there have been a number of positive developments since the year end including -

- Continuing investment from key shareholders into the business
- Conversion of Investor Loans to equity eliminating Tuxedo's net liabilities position
- Improved margins and reduced overheads in the unaudited results to date
- Significant new investment in our proprietary account platform
- Additional issuing capability secured with new issuer
- Secured a number of significant new contracts to provide prepaid products and services

We believe that the Group is now fit for purpose and well positioned to take advantage of future growth opportunities

**Results and dividends**

The Group made a loss on ordinary activities before tax of £2,936,820 for the year ended 31 March 2011 (2010 loss £2,628,988), all of which will be transferred to reserves. The directors are unable to pay any dividend for the year ended 31 March 2011 (2010 Nil)

**Going concern**

The directors have formed a judgement, at the time of approving the financial statements, that there is reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In making this assessment the directors have considered the uncertainties highlighted in note 2 to the financial statements and draw particular attention to the following -

- The Group has consolidated Net Liabilities at the Balance Sheet date of -£2,379,199
- Since then the Group has continued to incur a reduced level of losses (approximately -£0.9m unaudited) to the date of approving these financial statements
- On 8 June 2011 the company issued Loan Notes and raised £750,000 of funding from existing shareholders
- On 28 October 2011 the company issued Loan Notes and raised £750,000 of funding from existing shareholders
- Loan Notes plus interest totalling £3,216,825 were converted to equity on 14 November 2011
- This has resulted in the Net Liabilities being cleared at the date of signing
- The Directors have obtained assurances of continued support from the principle investors

**Directors**

The directors, who served throughout the year and thereafter except as noted, were as follows

David Dey – Chairman	
John Sharman – Chief Executive Officer	
Ali Reza Sarikhani	
Patrick Lems	
Peter Van Dijk	
Mark Holloway	
Darren P. Veevers	(appointed on 28 July 2011)
Niels Nielsen	(resigned on 6 April 2011)
Marcus Rathatha	(resigned on 6 April 2011)
Gary Palmer	(resigned on 7 April 2011)

**Directors' indemnities**

Pursuant to the Articles of Association and subject to the provisions of the Companies Act, the directors and officers of the Group and the Company ("Tuxedo Money Solutions Limited") shall be indemnified by the Company, against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or the exercise of his powers or otherwise in relation thereto.

In addition the Company has purchased and maintains directors' and officers' insurance cover against certain legal liabilities and costs for claims incurred in respect of any act or omission in the execution of their duties.

**Annual report and consolidated financial statements for the year ended 31 March 2011**

**Directors' report (continued)**

**Auditor**

Each of the persons who is a director at the date of approval of this report confirms that

- a so far as each of the directors is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- b the director has taken all steps that he ought to have taken as director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting

By order of the Board



Darren P Veevers  
**Director**  
21 December 2011

Registered Office  
Lakewood  
Chester Business Park  
Chester  
CH4 9HF

**Annual report and consolidated financial statements for the year ended 31 March 2011**

**Directors' responsibilities statement**

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



Darren P. Veever  
Director  
21 December 2011

## **Independent auditor's report to the members of Tuxedo Money Solutions Limited**

We have audited the financial statements of Tuxedo Money Solutions Limited ("the company") for the year ended 31 March 2011, which comprise the Consolidated profit and loss account, Consolidated balance sheet, Company balance sheet, the Consolidated cash flow statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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

### **Respective responsibilities of directors and auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 2 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a net loss of £2,936,820 during the year ended 31 March 2011, and, at that date, the company's current liabilities exceeded its total assets by £187,741 and it had net current liabilities of £196,125. These conditions, along with other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.



**Independent auditor's report to the members of Tuxedo Money Solutions 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, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime or take advantage of the small companies exemption in preparing the directors' report



Peter Birch (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester, United Kingdom  
21 December 2011

## Annual report and consolidated financial statements for the year ended 31 March 2011

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

	Notes	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Turnover	3	7,579,456	5,327,934
Cost of Sales		(6,196,878)	(3,786,313)
<b>Gross profit</b>		<b>1,382,578</b>	<b>1,541,621</b>
Other operating expenses		(3,907,235)	(4,158,453)
<b>Operating loss</b>	4	<b>(2,524,657)</b>	<b>(2,616,832)</b>
Costs of a fundamental restructuring of continuing operations	8	(275,302)	-
<b>Loss on ordinary activities before finance charges</b>		<b>(2,799,959)</b>	<b>(2,616,832)</b>
Interest receivable	9	-	177
Interest payable	9	(136,861)	(12,333)
<b>Loss on ordinary activities before taxation</b>		<b>(2,936,820)</b>	<b>(2,628,988)</b>
Tax on loss on ordinary activities	10	-	-
<b>Loss for the financial year</b>	21	<b>(2,936,820)</b>	<b>(2,628,988)</b>

All transactions in the current year are derived from continuing operations

There are no recognised gains or losses in either the current year or previous year other than the loss for each year, as stated above. Therefore, no statement of total recognised gains and losses is required.

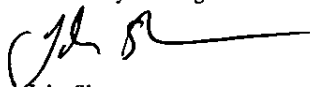
## Annual report and financial statements for the year ended 31 March 2011

## Consolidated balance sheet as at 31 March 2011

	Notes	31-March 2011 £	31-March 2010 £
<b>Fixed assets</b>			
Tangible fixed assets	12	8,384	342,189
<b>Current assets</b>			
Stock	14	33,718	33,609
Debtors			
– due within one year	15	1,139,524	1,010,935
– due after one year	15	600,000	600,000
Cash at bank and in hand	16	296,223	513,598
		2,069,465	2,158,142
<b>Creditors</b> Amounts falling due within one year	18	(2,265,590)	(1,442,710)
<b>Net current (liabilities) / assets</b>		(196,125)	715,432
<b>Total assets less current liabilities</b>		(187,741)	1,057,621
<b>Creditors</b> Amounts falling due after one year	19	(2,191,458)	(500,000)
<b>Net (liabilities) / assets</b>		(2,379,199)	557,621
<b>Capital and reserves</b>			
Share capital	20	16,276,250	16,276,250
Share premium account	21	1,470,000	1,470,000
Profit and loss account	21	(20,125,449)	(17,188,629)
<b>Equity Shareholders (deficit) / funds</b>	21	(2,379,199)	557,621

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements of Tuxedo Money Solutions Limited were approved by the Board of Directors and authorised for issue on 21 December 2011. They were signed on its behalf by



John Sharman  
Director

21 December 2011

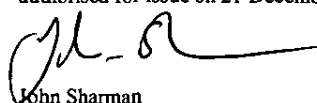
## Annual report and financial statements for the year ended 31 March 2011

## Company balance sheet as at 31 March 2011

	Notes	31-March 2011 £	31-March 2010 £
<b>Fixed assets</b>			
Tangible assets	12	8,384	342,189
Investment in subsidiaries	13	4	4
		<u>8,388</u>	<u>342,193</u>
<b>Current assets</b>			
Debtors			
– due within one year	15	41,234	87,694
– due after one year	15	2,089,841	610,360
Cash at bank and in hand	16	268,029	95,396
		<u>2,399,104</u>	<u>793,450</u>
<b>Creditors</b> Amounts falling due within one year	18	(939,390)	(391,067)
<b>Net current assets</b>		<u>1,459,714</u>	<u>402,383</u>
<b>Total assets less current liabilities</b>		1,468,102	744,576
<b>Creditors</b> Amounts falling due after one year	19	(2,155,649)	(500,000)
<b>Net (liabilities) / assets</b>		<u>(687,547)</u>	<u>244,576</u>
<b>Capital and reserves</b>			
Share capital	20	16,276,250	16,276,250
Share premium account	21	1,470,000	1,470,000
Profit and loss account	21	(18,433,797)	(17,501,674)
<b>Equity Shareholders (deficit) / funds</b>	21	<u>(687,547)</u>	<u>244,576</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements of Tuxedo Money Solutions Limited, registered number 05674773, were approved by the Board of Directors and authorised for issue on 21 December 2011. They were signed on its behalf by



John Sharman

Director

21 December 2011

## Annual report and consolidated financial statements for the year ended 31 March 2011

## Consolidated cash flow statement for the year ended 31 March 2011

	Notes	Year ended 31 March 2011 £	Year ended 31 March 2010 £
<b>Net cash outflow from operating activities</b>	22	(1,626,072)	(1,283,335)
Returns on investments and servicing of finance	23	-	(12,156)
Capital expenditure and financial investment	23	(91,302)	(92,886)
<b>Cash outflow before management of liquid resources and financing</b>		(1,717,375)	(1,388,377)
Financing	23	1,500,000	600,000
<b>Decrease in cash in the year</b>	24	(217,375)	(788,377)

**Annual report and consolidated financial statements for the year ended 31 March 2011****Notes to the consolidated financial statements for the year ended 31 March 2011****1 General information**

Tuxedo Money Solutions Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the Directors' Report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

**2 Accounting policies****Basis of accounting**

The financial statements have been prepared under the historical cost convention, in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008). These accounts have been prepared in accordance with the special provisions in Part 15 of the Companies Act 2006 relating to small companies.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries - see note 12) made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

**Revenue recognition**

Turnover is stated net of VAT and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due.

**Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Annual report and consolidated financial statements for the year ended 31 March 2011****Notes to the consolidated financial statements for the year ended 31 March 2011 (continued)****2. Accounting policies (continued)****Going concern**

The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. In reaching this judgement the directors considered the following -

- The Group has consolidated Net Liabilities at the Balance Sheet date of -£2,379,199
- Since then the Group has continued to incur a reduced level of losses (approximately -£0.9m unaudited) to the date of approving these financial statements
- On 8 June 2011 the company issued Loan Notes and raised £750,000 of funding from existing shareholders
- On 28 October 2011 the company issued Loan Notes and raised £750,000 of funding from existing shareholders
- Loan Notes plus interest totalling £3,216,825 were converted to equity on 14 November 2011
- This has resulted in the Net Liabilities being cleared at the date of signing
- The Directors have obtained assurances of continued support from the principle investors
- The Group has secured a number of significant new contracts to provide prepaid products and services

In addition, the directors have taken steps to increase income by securing a number of new contracts and continued to reduce the cost base of the Group. The Directors are confident that these steps, together with the continued support of its shareholders will be sufficient to support the activities of the Group and to steer it to profitability in the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

This position will be regularly reviewed by the directors and necessary actions will be taken if the funding outlook for the Group deteriorates. Such actions may include a combination of raising additional capital and reappraisal of the operating expenditure plans so as to reduce or defer planned expenditure.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

**Annual report and consolidated financial statements for the year ended 31 March 2011****Notes to the consolidated financial statements for the year ended 31 March 2011 (continued)****2 Accounting policies (continued)****Fixed asset investments**

Fixed asset investments are shown at cost less provision for impairment

**Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

**Convertible loan notes**

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component in accordance with the substance of the contracted arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity and is not subsequently remeasured.

The finance costs of the financial liability are recognised over the term of the debt at a constant rate on the carrying amount.

**Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Fixtures and fittings	3 years
Computer equipment	3-5 years
Computer software	3-5 years (or to an actual date for end of useful life if known)

Computer software development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised over their expected useful life.

**Stocks**

Stock comprises finished packs and work in progress. Packs consist of a number of elements and those individual elements are held in stock at various stages of completeness. Stock is stated at the lower of cost or net realisable value.

**Interest income and expense**

Interest income and expense is recognised on an accruals basis in the profit and loss account.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.



## Annual report and consolidated financial statements for the year ended 31 March 2011

## Notes to the consolidated financial statements for the year ended 31 March 2011 (continued)

**3 Turnover**

An analysis of the Group's turnover is as follows

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Pack sales	2,755,065	1,479,115
Fee income	4,759,115	3,848,819
Other income	65,276	-
	<u>7,579,456</u>	<u>5,327,934</u>

All income is generated in the United Kingdom

**4 Operating loss**

Operating loss is stated after charging

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Operating lease rentals – office property and equipment	302,708	431,899
Depreciation of property, plant and equipment	238,775	398,920
Impairment losses	186,332	-
Write down of inventories recognised as an expense	-	37,205
	<u></u>	<u></u>

**5 Auditor's remuneration**

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Fees payable to the company's auditors for -		
the audit of the company's annual accounts	17,500	20,000
the audit of the company's subsidiaries pursuant to legislation	12,500	17,500
<b>Total audit fees</b>	<u>30,000</u>	<u>37,500</u>
Tax compliance services	5,000	5,500
<b>Total non-audit fees</b>	<u>5,000</u>	<u>5,500</u>

**6 Staff costs**

The average monthly number of employees, including executive directors, during the year was 30 (2010 – 30)

Their aggregate remuneration comprised

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Wages and Salaries	1,524,432	1,872,092
Compensation for loss of office	84,366	97,525
Social security costs	183,045	202,733
	<u>1,791,843</u>	<u>2,172,350</u>

## Annual report and consolidated financial statements for the year ended 31 March 2011

## Notes to the consolidated financial statements for the year ended 31 March 2011 (continued)

**7 Directors' remuneration**

The directors' aggregate emoluments were

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Salaries	289,331	285,000
Compensation for loss of office	29,988	-
Social security costs	45,000	34,285
	<u>364,319</u>	<u>319,285</u>

No directors are accruing benefits under defined benefit or contribution schemes (2010 - Nil)

The remuneration of the highest paid director

Emoluments	<u>153,750</u>	<u>150,000</u>
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**8 Exceptional Items reported after operating profit**

The costs of a fundamental restructuring of continuing operations arose in respect of the relocation of the principle trading premises to Chester from London which has had a material effect on the nature and focus of the Group's operations

**9 Interest receivable and payable**

Interest receivable represents interest earned on deposit with bank Interest payable represents interest payable on loan notes

**10 Tax on profit on ordinary activities**

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

Corporation tax is calculated at 21% (2010 21%) of the estimated assessable profit for the year

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
<b>Reconciliation of profit and loss tax charge</b>		
Loss on ordinary activities before tax	(2,936,820)	(2,628,988)
Tax charge at 21% thereon	-	-
Current tax charge for year	<u>-</u>	<u>-</u>

**11 Loss attributable to the Company**

The loss for the financial year dealt with in the financial statements of the parent Company was £932,123 (2010 £18,115,984 loss) As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent Company

## Annual report and consolidated financial statements for the year ended 31 March 2011

## Notes to the consolidated financial statements for the year ended 31 March 2011 (continued)

## 12 Tangible fixed assets

	Computer software £	Fixtures and fittings £	Computer equipment £	Total £
<b>Group and Company</b>				
<b>Cost</b>				
31 March 2010	1,296,094	36,428	105,574	1,438,096
Additions	85,928	-	5,374	91,302
31 March 2011	<u>1,382,022</u>	<u>36,428</u>	<u>110,948</u>	<u>1,529,398</u>
<b>Accumulated depreciation</b>				
31 March 2010	970,530	36,427	88,950	1,095,907
Charge for the year	225,160	1	13,614	238,775
Impairment losses	186,332	-	-	186,332
31 March 2011	<u>1,382,022</u>	<u>36,428</u>	<u>102,564</u>	<u>1,521,014</u>
<b>Net book value</b>				
31 March 2011	<u>-</u>	<u>-</u>	<u>8,384</u>	<u>8,384</u>
31 March 2010	<u>325,564</u>	<u>1</u>	<u>16,624</u>	<u>342,189</u>

## 13 Fixed asset investments

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Subsidiary undertakings	<u>4</u>	<u>4</u>

	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Holding</b>	<b>%</b>
<b>Subsidiary undertakings</b>				
Tuxedo MoneyPlus Limited	England	Prepaid Cards	Direct	100
Tuxedo Money Card Limited	England	Dormant	Direct	100
Tuxedo Money Terminal Limited	England	Dormant	Direct	100
Tuxedo Money Remittance Limited	England	Dormant	Direct	100
				<b>£</b>
<b>Cost</b>				
At 31 March 2010 and 31 March 2011				<u>18,336,254</u>
<b>Provisions for impairment</b>				
At 31 March 2010 and 31 March 2011				<u>18,336,250</u>
<b>Net book value</b>				
At 31 March 2010 and 31 March 2011				<u>4</u>

## Annual report and consolidated financial statements for the year ended 31 March 2011

## Notes to the consolidated financial statements for the year ended 31 March 2011 (continued)

## 14 Stocks

All stocks comprise finished card packs

## 15 Debtors

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<i>Amounts falling due within one year</i>				
Trade debtors	1,073,610	812,442	-	1,050
Other debtors	25,967	-	8,682	-
Prepayments and accrued income	39,947	198,493	32,552	86,644
	<u>1,139,524</u>	<u>1,010,935</u>	<u>41,234</u>	<u>87,694</u>
	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<i>Amounts falling due after more than one year</i>				
Amounts owed by Group undertakings	-	-	1,489,841	10,360
Issue of delayed ordinary shares	600,000	600,000	600,000	600,000
	<u>600,000</u>	<u>600,000</u>	<u>2,089,841</u>	<u>610,360</u>
Total Debtors	<u>1,739,524</u>	<u>1,610,935</u>	<u>2,131,075</u>	<u>698,054</u>

## 16 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less

## 17 Deferred tax

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
<b>Reconciliation of profit and loss tax charge</b>		
Loss on ordinary activities before tax	(2,936,820)	(2,628,988)
Tax on group losses at small company tax rate of 21% (2010 - 21%)	616,732	552,087
Prior year adjustment	-	102,835
Expenses not deductible for tax purposes	(6,544)	(6,544)
Fixed asset and other timing differences	(70,099)	(69,406)
Unutilised tax losses	(540,089)	(578,972)
Current tax charge for the year	<u>-</u>	<u>-</u>

At the balance sheet date, the group has an unrecognised deferred tax asset of £3,885,392 being unutilised tax losses of £18,501,866 at 21% (2010 £3,345,303, being £15,930,013 at 21%) relating to tax losses available for offset against future profits

In addition the group had an unrecognised deferred tax asset of £286,137 (2010 £216,038) relating to accelerated capital allowances

No deferred tax asset has been recognised due to the unpredictability of future profit streams. All of the tax losses may be carried forward indefinitely

## Annual report and consolidated financial statements for the year ended 31 March 2011

## Notes to the consolidated financial statements for the year ended 31 March 2011 (continued)

## 18 Creditors – Amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade creditors	1,558,723	654,948	438,414	235,303
Other taxation and social security	180,334	57,881	180,334	44,847
Other creditors	55,057	220,331	1,341	-
Accruals and deferred income	471,476	509,550	319,301	110,917
	<u>2,265,590</u>	<u>1,442,710</u>	<u>939,390</u>	<u>391,067</u>

Included within accruals is £206,656 (2010 - £nil) in relation to the restructuring of continuing operations

## 19 Creditors – Amounts falling due after more than one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<b>Other creditors</b>				
Secured convertible PIK loan notes				
- principal amount	2,000,000	500,000	2,000,000	500,000
- interest amount	155,649	-	155,649	-
Deferred Income	35,809	-	-	-
	<u>2,191,458</u>	<u>500,000</u>	<u>2,155,649</u>	<u>500,000</u>

On 7 November 2011, £1,457,719 of the secured convertible PIK loan notes principal amounts of £2,000,000 that were outstanding liabilities at the Balance Sheet date, were converted to share capital. As such, at the date of approval of these financial statements, these are no longer loans and are now equity in the Company.

On 17 November 2009, the Company issued £500,000 secured convertible PIK loan notes 2013. These loan notes can be converted by the loan note holders to 'B' ordinary shares of £0.20 at a price of £0.40 or redeemed on or before 31 October 2013. The loan notes attract an interest rate of 10% per annum up to 17 November 2011 and 15% per annum thereafter and are secured by a fixed and floating charge over the assets of the Company.

On 21 July 2010, the Company issued £750,000 secured convertible PIK loan notes 2013. These loan notes can be converted by the loan note holders to 'C' ordinary shares of £0.10 at a price of £0.15 or redeemed on or before 31 October 2013. The loan notes attract an interest rate of 10% per annum up to 17 November 2011 and 15% per annum thereafter and are secured by a fixed and floating charge over the assets of the Company.

On 16 December 2010, the Company issued £750,000 secured convertible PIK loan notes 2013. These loan notes can be converted by the loan note holders to 'D' ordinary shares of £0.01 at a price of £0.05 or redeemed on or before 31 October 2013. The loan notes attract an interest rate of 15% per annum and are secured by a fixed and floating charge over the assets of the Company.

## 20 Share capital

	31 March 2011	31 March 2010
	£	£
<b>Allotted, called up and fully paid</b>		
14,206,250 ordinary shares of £1 each (2009 – 14,206,250),	14,206,250	14,206,250
7,350,000 'B' ordinary shares of £0.20 each (2009 – 7,100,000)	1,470,000	1,470,000
	<u>15,676,250</u>	<u>15,676,250</u>
<b>Allotted, called up and unpaid</b>		
600,000 delayed ordinary shares of £1 each (2009 – 1,056,250)	600,000	600,000
	<u>600,000</u>	<u>600,000</u>
<b>Total Share capital</b>	<u>16,276,250</u>	<u>16,276,250</u>

## Annual report and consolidated financial statements for the year ended 31 March 2011

## Notes to the consolidated financial statements for the year ended 31 March 2011 (continued)

## 21 Equity Shareholders (deficit) / funds

	Share capital	Share premium	Profit and loss account	Total
	£	£	£	£
<b>Group</b>				
At 31 March 2010	16,276,250	1,470,000	(17,188,629)	557,621
Loss for the financial year	-	-	(2,936,820)	(2,936,820)
At 31 March 2011	<u>16,276,250</u>	<u>1,470,000</u>	<u>(20,125,449)</u>	<u>(2,379,199)</u>

	Share capital	Share premium	Retained earnings	Total
	£	£	£	£
<b>Company</b>				
At 31 March 2010	16,276,250	1,470,000	(17,501,674)	244,576
Loss for the financial year	-	-	(932,123)	(932,123)
At 31 March 2011	<u>16,276,250</u>	<u>1,470,000</u>	<u>(18,433,797)</u>	<u>(687,547)</u>

## 22 Reconciliation of operating profit to operating cash flows

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Operating loss	(2,524,657)	(2,616,832)
Depreciation, amortisation and impairment	425,107	398,920
(Increase) / Decrease in stocks	(109)	73,355
(Increase) / Decrease in debtors	(128,589)	203,788
Increase in creditors	877,478	657,434
Costs of a fundamental restructuring of continuing operations	(275,302)	-
<b>Net cash outflow from operating activities</b>	<u>(1,626,072)</u>	<u>(1,283,335)</u>

## Annual report and consolidated financial statements for the year ended 31 March 2011

## Notes to the consolidated financial statements for the year ended 31 March 2011 (continued)

## 23 Analysis of cash flows

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
<i>Returns on investments and servicing of finance</i>		
Interest received	-	177
Interest paid	-	(12,333)
Net cash outflow	<u>-</u>	<u>(12,156)</u>
<i>Taxation</i>		
UK corporation tax paid	-	-
Foreign tax paid	-	-
Net cash outflow	<u>-</u>	<u>-</u>
<i>Capital expenditure and financial investment</i>		
Development costs capitalised	(85,928)	(88,671)
Purchase of tangible fixed assets	(5,374)	(4,215)
Net cash outflow	<u>(91,302)</u>	<u>(92,886)</u>
<i>Financing</i>		
Issue of ordinary share capital	-	100,000
Issue of convertible loan notes	1,500,000	500,000
Net cash inflow	<u>1,500,000</u>	<u>600,000</u>

## 24 Analysis and reconciliation of net debt

	1 April 2010 £	Cash flow £	Other non-cash changes £	31 March 2011 £
Cash in hand, at bank	513,598	(217,375)	-	296,223
Debt due after 1 year	(500,000)	(1,500,000)	(155,649)	(2,155,649)
Net debt	<u>13,598</u>	<u>(1,717,375)</u>	<u>(155,649)</u>	<u>(1,859,426)</u>

## 25 Financial commitments

	31 March 2011 £	31 March 2010 £
<b>Group and Company</b>		
Annual commitments under non-cancellable operating leases are as follows		
Expiry date		
- within one year	32,940	91,622
- between two and five years	71,972	-
	<u>104,912</u>	<u>91,622</u>

Operating lease payments represent rentals payable by the Group and company for its office property and equipment

## Annual report and consolidated financial statements for the year ended 31 March 2011

## Notes to the consolidated financial statements for the year ended 31 March 2011 (continued)

## 26 Events after the balance sheet date

On 8 June 2011, the Company issued £750,000 secured convertible PIK loan notes 2013. These loan notes can be converted by the loan note holders to 'D' ordinary shares of £0.01 at a price of £0.05 or redeemed on or before 31 October 2013. The loan notes attract an interest rate of 15% per annum and are secured by a fixed and floating charge over the assets of the Company.

On 28 October 2011, the Company issued £750,000 secured convertible PIK loan notes 2013. These loan notes can be converted by the loan note holders to 'D' ordinary shares of £0.01 at a price of £0.05 or redeemed by the company on or before 31 October 2013. The loan notes attract an interest rate of 15% per annum and are secured by a fixed and floating charge over the assets of the Company.

On 7th November 2011, Loan Notes with an issue value of £2,949,943 (£3,216,825 including interest) were converted to share capital. This resulted in the issue of 914,497 "B" Ordinary shares of £0.20, 4,380,441 "C" Ordinary Shares of £0.10 and 43,879,201 "D" Ordinary Shares of £0.01.

## 27 Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There are no other transactions with related parties that require disclosure.

## 28 Share-based payments

The company has a share option scheme for eligible employees of the company. Options are exercisable at a price fixed equal to or greater than the estimated fair value of the company's shares at the date of grant. If the options remain unexercised after a period of ten years from date of grant the options expire. Options are forfeited if the employee leaves the company before the options vest unless otherwise agreed.

Details of the share options outstanding during the year are as follows:

	Year ended 31 March 2011		Year ended 31 March 2010	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of year	2,352,367	0.82	372,909	1.00
Granted during the year	-	-	2,054,458	0.80
Forfeited during the year	-	-	(75,000)	1.00
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	<u>2,352,367</u>	<u>0.82</u>	<u>2,352,367</u>	<u>0.82</u>
Number of individuals holding options	<u>12</u>		<u>12</u>	

## 29 Ultimate Controlling Party

The Directors consider Tuxedo Money Solutions Limited to be the ultimate parent company and ultimate controlling party. This is the largest and smallest group into which the company is consolidated.