Company Registration No. 05674773

Tuxedo Money Solutions Limited

Annual report and consolidated financial statements

for the year ended 31 March 2012

Tuxedo Money Solutions Limited

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Contents

Officers and professional advisers

Directors

David Dey	Chairman
John Sharman	Chief Executive Officer
Darren P Veevers	Chief Financial Officer
Ali Reza Sarikhani	
Nima Sarikhani	
Niels Nielsen	

Secretary

Darren P Veevers

Registered Office

Lakewood
Heronsway
Chester Business Park
Chester
CH4 9HF

Bankers

Barclays Bank PLC
Lloyds TSB

Solicitors

SJ Berwin LLP
Locke Lord

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

Annual report and consolidated financial statements for the year ended 31 March 2012

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 2012 The comparatives information stated in the financial statements covers the year to 31 March 2011

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, eccount®, that supports all of our products and services

Chief Executive Officer's Report

As previously reported, 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 was positioned to deliver success in 2012 and beyond

I am pleased to confirm that the benefit of those changes is being realised and can be seen in the improvement in the financial performance for the year ended 31 March 2012 This level of improvement was as expected by the Board and in line with our budget for the year

Overall, the group made a loss on ordinary activities before tax of £1,432,699 for the year ended 31 March 2012 (2011 loss £2,936,820) an improvement of £1,504,121

The changes that had the greatest impact in the year to 31 March 2012 were -

- The change of business model (as reported last year) resulted in an increase in gross profit for the year to £1,909,561 (2011 - £1,382,578) and an increase in gross profit margin to 33 8% for the year (2011 - 18 2%)

- The restructure and relocation to Chester resulted in a reduction in other operating expenses to £3,105,980 (2011 - £3,907,235) a reduction of 20 5%

In addition, the financial position of the balance sheet has improved As at 31 March 2012 the group had net liabilities of £595,073 (2011 - net liabilities of £2,379,199)

This improvement is as a result of the major shareholders and investors injecting £1,500,000 into the group during the year in the form of loan notes and then subsequently converting all of their loan notes into shares (see note 19), demonstrating their continued support for the business

I would like to take this opportunity to thank the investors, on behalf of the Board, for their continuing commitment and support

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

- A marked increase in activity in the UK Prepaid market, as demonstrated by numerous major organisations and brands issuing "Requests for Proposals" / "Invitations to Tender" for Prepaid Cards and Services,
- Additional issuing capability secured with a new, proactive issuing partner, and
- A number of new significant contracts signed for the provision of affinity prepaid products and services

While we expect the year to March 2013 to be challenging, we are confident that the current strategy for the business will deliver growth, profitability and efficiency

We are pleased with the progress being made by our prepaid business and we are now looking to add to this growth by diversifying Tuxedo's business and leveraging our core capabilities, assets and expertise

Diversification is being focussed on three areas -

- Enhancing our market leading, proprietary technology platform, eccount® During the year we invested in enhancing our platform and in-sourcing our entire platform development and support operation with a view to licencing our technology platform in the Financial Technology sector

- Launching our new alternative to a basic bank account Having developed and successfully piloted our product during the year, we have subsequently launched a direct to market brand,"eccount® money" We have also adopted an affinity / white label approach to this new product and have signed several white label contracts since the year end

- Developing and launching our Retail Cashback rewards scheme Our rewards scheme generates generous levels of cashback (online and in-store) with major high street retailers We anticipate this scheme augmenting both our prepaid cards and eccount® money propositions and has the potential to be a standalone business in its own right

In spite of investing in diversification, our strategy continues to deliver improvements in financial performance post year-end The unaudited financial performance of the Group for the 3 months to 30 June 2012 shows an operating loss of £0 2m

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

Chief Executive Officer's Report (continued)

Results and dividends

The Group made a loss on ordinary activities before tax of £1,432,699 for the year ended 31 March 2012 (2011 loss £2,936,820), all of which will be transferred to reserves The directors are unable to pay any dividend for the year ended 31 March 2012 (2011 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 £595,073 (2011 - net liabilities of £2,379,199) The Group has consolidated net current liabilities of £2,300 (2011 - net current liabilities of £196,125)
- The Group has continued to incur a reduced level of losses (approximately £0 2m unaudited in Q1 2012/13) to the date of approving these financial statements
- Since the year end the company have secured a funding facility of up to £350,000 via the principal investors, the terms of which are, in the directors opinion, favourable
- The unaudited forecasts for the year ending 2013 continue the year on year improvement in results with an expectation by the Directors that the Group will break even for the year ending 31 March 2013
- The Directors have obtained assurances of continued support from the principal investors (Note The principal investors have provided financing during the year ended 31 March 2012 of £1,500,000 - see Notes 19 and 23)

The Directors believe that the Group therefore will have adequate access to appropriate levels of financing and that the Group will have sufficient cash to fund its activities and continue its operations

In addition, the directors have taken steps to increase income by securing a number of new contracts and continued to manage 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

Directors

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

David Dey – Chairman	
John Sharman – Chief Executive Officer	
Darren P Veevers - Chief Financial Officer	(appointed on 28 July 2011)
Ali Reza Sarikhani	
Nima Sarikhani	(appointed 22 December 2011)
Niels Nielsen	(resigned on 6 April 2011, re-appointed 22 December 2011)
Patrick Lems	(resigned on 22 December 2011)
Peter Van Dijk	(resigned on 22 December 2011)
Mark Holloway	(resigned on 22 December 2011)
Marcus Raithatha	(resigned on 6 April 2011)
Gary Palmer	(resigned on 7 April 2011)

Directors' report (continued)

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

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 Company'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

John Sharman
Director
3 September 2012

Registered Office
Lakewood
Heronsway
Chester Business Park
Chester
CH4 9HF

Annual report and consolidated financial statements for the year ended 31 March 2012
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, and
- 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

John Sharman
Director

3 September 2012

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 2012, 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

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

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

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 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 £1,432,699 during the year ended 31 March 2012, and, at that date, the company's net liabilities totalled £595,073 and it had net current liabilities of £2,300 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

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

3 September 2012

Consolidated profit and loss account for the year ended 31 March 2012

	Notes	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Turnover	3	5,650,634	7,579,456
Cost of sales		(3,741,073)	(6,196,878)
Gross profit		1,909,561	1,382,578
Other operating expenses		(3,105,980)	(3,907,235)
Operating loss	4	(1,196,419)	(2,524,657)
Costs of a fundamental restructuring of continuing operations	8	-	(275,302)
Loss on ordinary activities before finance charges		(1,196,419)	(2,799,959)
Interest payable	9	(236,280)	(136,861)
Loss on ordinary activities before taxation		(1,432,699)	(2,936,820)
Tax on loss on ordinary activities	10	-	-
Loss for the financial year	21	(1,432,699)	(2,936,820)

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 separate statement of total recognised gains and losses is required

Annual report and consolidated financial statements for the year ended 31 March 2012
Consolidated balance sheet as at 31 March 2012

	Notes	31-March 2012 £	31-March 2011 £
Fixed assets			
Tangible fixed assets	12	81,675	8,384
Current assets			
Stock	14	49,540	33,718
Debtors			
– due within one year	15	565,092	1,139,524
– due after one year	15	600,000	600,000
Cash at bank and in hand	16	267,958	296,223
		1,482,590	2,069,465
Creditors Amounts falling due within one year	18	(1,484,890)	(2,265,590)
Net current liabilities		(2,300)	(196,125)
Total assets less current liabilities		79,375	(187,741)
Creditors Amounts falling due after one year	19	(674,448)	(2,191,458)
Net liabilities		(595,073)	(2,379,199)
Capital and reserves			
Share capital	20	17,335,986	16,276,250
Share premium account	21	3,627,089	1,470,000
Profit and loss account	21	(21,558,148)	(20,125,449)
Shareholders deficit	21	(595,073)	(2,379,199)

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 3 September 2012 They were signed on its behalf by

John Sharman
Director

3 September 2012

Annual report and consolidated financial statements for the year ended 31 March 2012
Company balance sheet as at 31 March 2012

	Notes	31-March 2012 £	31-March 2011 £
Fixed assets			
Tangible assets	12	81,675	8,384
Investment in subsidiaries	13	4	4
		81,679	8,388
Current assets			
Debtors			
– due within one year	15	97,114	41,234
– due after one year	15	2,716,083	2,089,841
Cash at bank and in hand	16	239,292	268,029
		3,052,489	2,399,104
Creditors Amounts falling due within one year	18	(507,560)	(939,390)
Net current assets		2,544,929	1,459,714
Total assets less current liabilities		2,626,608	1,468,102
Creditors Amounts falling due after one year	19	(674,448)	(2,155,649)
Net assets / (liabilities)		1,952,160	(687,547)
Capital and reserves			
Share capital	20	17,335,986	16,276,250
Share premium account	21	3,627,089	1,470,000
Profit and loss account	21	(19,010,915)	(18,433,797)
Shareholders funds / (deficit)	21	1,952,160	(687,547)

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 3 September 2012 They were signed on its behalf by

John Sharman
Director

3 September 2012

Consolidated cash flow statement for the year ended 31 March 2012

	Notes	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Net cash outflow from operating activities	22	(1,428,026)	(1,626,072)
Returns on investments and servicing of finance	23	-	-
Capital expenditure and financial investment	23	(100,239)	(91,302)
Cash outflow before management of liquid resources and financing		(1,528,265)	(1,717,374)
Financing	23	1,500,000	1,500,000
Decrease in cash in the year	24	(28,265)	(217,374)

Notes to the consolidated financial statements for the year ended 31 March 2012

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

Notes to the consolidated financial statements for the year ended 31 March 2012 (continued)

2 Accounting policies (continued)

Going concern

The Group incurred a net loss of £1,432,699 during the year ended 31 March 2012, and, at that date, the company's net liabilities totalled £595,073 and it had net current liabilities of £2,300 These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a 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 £595,073 (2011 - net liabilities of £2,379,199) The Group has consolidated net current liabilities of £2,300 (2011 - net current liabilities of £196,125)
- The Group has continued to incur a reduced level of losses (approximately £0 2m unaudited in Q1 2012/13) to the date of approving these financial statements
- Since the year end the company have secured a funding facility of up to £350,000 via the principal investors, the terms of which are, in the directors opinion, favourable
- The unaudited forecasts for the year ending 2013 continue the year on year improvement in results with an expectation by the Directors that the Group will break even for the year ending 31 March 2013
- The Directors have obtained assurances of continued support from the principal investors (Note The principal investors have provided financing during the year ended 31 March 2012 of £1,500,000 - see Notes 19 and 23)
- The Group has secured a number of significant new contracts to provide prepaid products and services

The Directors believe that the Group therefore will have adequate access to appropriate levels of financing and that the Group will have sufficient cash to fund its activities and continue its operations

In addition, the directors have taken steps to increase income by securing a number of new contracts and continued to manage 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

Notes to the consolidated financial statements for the year ended 31 March 2012 (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 Pack sales represent consideration received for the sale of prepaid cards 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

Share based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions Fair value is measured by use of established option pricing models The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments

Notes to the consolidated financial statements for the year ended 31 March 2012 (continued)

3 Turnover

An analysis of the Group's turnover is as follows

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Pack sales	421,472	2,755,065
Fee income	4,676,148	4,759,115
Other income	553,014	65,276
	5,650,634	7,579,456

All income is generated in the United Kingdom

4 Operating loss

Operating loss is stated after charging

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Operating lease rentals – office property and equipment	329,113	302,708
Depreciation of property, plant and equipment	9,131	238,775
Impairment losses	17,817	186,332

5 Auditor's remuneration

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Fees payable to the company's auditor for -		
the audit of the company's annual accounts	17,500	17,500
the audit of the company's subsidiaries pursuant to legislation	12,500	12,500
Total audit fees	30,000	30,000
Tax compliance services	5,000	5,000
Total non-audit fees	5,000	5,000

6 Staff costs

The average monthly number of employees, including executive directors, during the year was 32 (2011 – 30)
Their aggregate remuneration comprised

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Wages and salaries	1,327,301	1,524,432
Compensation for loss of office	-	84,366
Social security costs	137,161	183,045
	1,464,462	1,791,843

Notes to the consolidated financial statements for the year ended 31 March 2012 (continued)

7 Directors' remuneration

The directors' aggregate emoluments were

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Salaries	270,846	289,331
Compensation for loss of office	-	29,988
Social security costs	35,112	45,000
	305,958	364,319

No directors are accruing benefits under defined benefit or contribution schemes (2011 - Nil)

The remuneration of the highest paid director

Emoluments	153,750	153,750

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

The tax charge comprises

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Current tax	-	-
Deferred tax	-	-
	-	-

Corporation tax is calculated at 20% (2011 21%) of the estimated assessable profit for the year

Reconciliation of profit and loss tax charge

Loss on ordinary activities before tax	(1,432,699)	(2,936,820)
Tax on group losses at small company tax rate of 20% (2011 - 21%)	286,540	616,732
Prior year adjustment	(26,204)	-
Expenses not deductible for tax purposes	-	(6,544)
Fixed asset and other timing differences	15,391	(70,099)
Unutilised tax losses	(275,727)	(540,089)
Current tax charge for the year	-	-

11 Loss attributable to the Company

The loss for the financial year dealt with in the financial statements of the parent Company was £577,118 (2011 £932,123 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

Notes to the consolidated financial statements for the year ended 31 March 2012 (continued)

12 Tangible fixed assets

	Computer software £	Fixtures and fittings £	Computer equipment £	Total £
Group and Company				
Cost				
31 March 2011	1,382,022	36,428	110,948	1,529,398
Additions	95,485	-	4,754	100,239
Disposals	-	(36,428)	(73,738)	(110,166)
31 March 2012	1,477,507	-	41,964	1,519,471
Accumulated depreciation				
31 March 2011	1,382,022	36,428	102,564	1,521,014
Charge for the year	-	-	9,131	9,131
Impairment losses	17,817	-	-	17,817
Disposals	-	(36,428)	(73,738)	(110,166)
31 March 2012	1,399,839	-	37,957	1,437,796
Net book value				
31 March 2012	77,668	-	4,007	81,675
31 March 2011	-	-	8,384	8,384

13 Fixed asset investments

	Company 2012 £	Company 2011 £
Subsidiary undertakings	4	4

Subsidiary undertakings	Country of incorporation	Principal activity	Holding	%
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

	£
Cost	
At 31 March 2011 and 31 March 2012	18,336,254
Provisions for impairment	
At 31 March 2011 and 31 March 2012	18,336,250
Net book value	
At 31 March 2011 and 31 March 2012	4

14 Stocks

All stocks comprised finished card packs

15 Debtors

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Amounts falling due within one year				
Trade debtors	327,550	1,073,610	-	-
Other debtors	120,717	25,967	31,613	8,682
Prepayments and accrued income	116,825	39,947	65,501	32,552
	565,092	1,139,524	97,114	41,234

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Amounts falling due after more than one year				
Amounts owed by Group undertakings	-	-	2,116,083	1,489,841
Issue of delayed ordinary shares	600,000	600,000	600,000	600,000
	600,000	600,000	2,716,083	2,089,841
Total debtors	1,165,092	1,739,524	2,813,197	2,131,075

16 Cash and cash equivalents

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

17 Deferred tax

At the balance sheet date, the group has an unrecognised deferred tax asset of £4,161,119 being unutilised tax losses of £19,934,565 at 20% (2011 £3,885,392, being £18,501,866 at 21%) relating to tax losses available for offset against future profits

In addition the group had an unrecognised deferred tax asset of £271,875 (2011 £287,266) 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

Notes to the consolidated financial statements for the year ended 31 March 2012 (continued)

18 Creditors – Amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade creditors	750,347	1,558,723	139,759	438,414
Other taxation and social security	54,482	180,334	54,482	180,334
Other creditors	328,300	55,057	21,498	1,341
Accruals and deferred income	351,761	471,476	291,821	319,301
	1,484,890	2,265,590	507,560	939,390

Included within accruals is £nil (2011 - £206,656) in relation to the restructuring of continuing operations

19 Creditors – Amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Other creditors				
Secured convertible PIK loan notes				
- principal amount	627,830	2,000,000	627,830	2,000,000
- interest amount	46,618	155,649	46,618	155,649
Deferred Income	-	35,809	-	-
	674,448	2,191,458	674,448	2,155,649

On 8th 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 31 October 2011 the company issued additional notes to note holders in satisfaction of any interest accrued to that point

On 28th 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 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 31 October 2011 the company issued additional notes to note holders in satisfaction of any interest accrued to that point

On 7 November 2011, £3,216,825 of the secured convertible PIK loan notes, including interest accrued, were converted to share capital (see note 21)

<u>Prior to the current financial year.</u>

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 2012 and 15% per annum thereafter and are secured by a fixed and floating charge over the assets of the Company On 31 October 2010 and 31 October 2011 the company issued additional notes to note holders in satisfaction of any interest accrued to that point

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 31 October 2010 and 31 October 2011 the company issued additional notes to note holders in satisfaction of any interest accrued to that point

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 On 31 October 2011 the company issued additional notes to note holders in satisfaction of any interest accrued to that point

Annual report and consolidated financial statements for the year ended 31 March 2012

Notes to the consolidated financial statements for the year ended 31 March 2012 (continued)

20 Share capital

	31 March 2012	31 March 2011
	£	£
Allotted, called up and fully paid		
14,206,250 ordinary shares of £1 each (2011 – 14,206,250)	14,206,250	14,206,250
8,264,498 'B' ordinary shares of £0 20 each (2011 – 7,350,000)	1,652,900	1,470,000
4,380,441 'C' ordinary shares of £0 10 each (2011 – nil)	438,044	-
43,879,201 'D' ordinary shares of £0 01 each (2011 – nil)	438,792	-
	16,735,986	15,676,250
Allotted, called up and unpaid		
600,000 delayed ordinary shares of £1 each (2011 – 600,000)	600,000	600,000
Total Share capital	17,335,986	16,276,250

During the year, the company allotted

21 Shareholders deficit

	Share capital	Share premium	Profit and loss account	Total
	£	£	£	£
Group				
At 31 March 2011	16,276,250	1,470,000	(20,125,449)	(2,379,199)
Share Issues	1,059,736	2,157,089	-	3,216,825
Loss for the financial year	-	-	(1,432,699)	(1,432,699)
At 31 March 2012	17,335,986	3,627,089	(21,558,148)	(595,073)

	Share capital	Share premium	Retained earnings	Total
	£	£	£	£
Company				
At 31 March 2011	16,276,250	1,470,000	(18,433,797)	(687,547)
Share Issues	1,059,736	2,157,089	-	3,216,825
Loss for the financial year	-	-	(577,118)	(577,118)
At 31 March 2012	17,335,986	3,627,089	(19,010,915)	1,952,160

22 Reconciliation of operating profit to operating cash flows

	Year ended 31 March 2012	Year ended 31 March 2011
	£	£
Operating loss	(1,196,419)	(2,524,657)
Depreciation and impairment	26,948	425,107
Increase in stocks	(15,821)	(109)
Decrease / (increase) in debtors	574,432	(128,589)
(Decrease) / increase in creditors	(817,166)	877,478
Costs of a fundamental restructuring of continuing operations	-	(275,302)
Net cash outflow from operating activities	(1,428,026)	(1,626,072)

Notes to the consolidated financial statements for the year ended 31 March 2012 (continued)

23 Analysis of cash flows

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Returns on investments and servicing of finance		
Interest received	-	-
Interest paid	-	-
Net cash outflow	-	-
Taxation		
UK corporation tax paid	-	-
Foreign tax paid	-	-
Net cash outflow	-	-
Capital expenditure and financial investment		
Development costs capitalised	(95,485)	(85,928)
Purchase of tangible fixed assets	(4,754)	(5,374)
Net cash outflow	(100,239)	(91,302)
Financing		
Issue of ordinary share capital	-	-
Issue of convertible loan notes	1,500,000	1,500,000
Net cash inflow	1,500,000	1,500,000

24 Analysis and reconciliation of net debt

	1 April 2011 £	Cash flow £	Other non-cash changes £	31 March 2012 £
Cash in hand, at bank	296,223	(28,265)	-	267,958
Debt due after 1 year	(2,155,649)	(1,500,000)	2,981,201	(674,448)
Net debt	(1,859,426)	(1,528,265)	2,981,201	(406,490)

25 Financial commitments

	31 March 2012 £	31 March 2011 £
Group and Company		
Annual commitments under non-cancellable operating leases are as follows		
Expiry date		
- within one year	52,800	32,940
- between two and five years	69,096	71,972
	121,896	104,912

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

Notes to the consolidated financial statements for the year ended 31 March 2012 (continued)

26 Events after the balance sheet date

There are no non-adjusting events after the balance sheet date that are material and require disclosure

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 2012		Year ended 31 March 2011	
	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	2,352,367	0 82
Granted during the year	3,375,000	0 10	-	-
Forfeited during the year	(821,125)	0 71	-	-
Exercised during the year	-	-	-	-
Expired during the year	(222,909)	1 00	-	-
Outstanding at the end of the year	4,683,333	0 31	2,352,367	0 82
Number of individuals holding options	10		12	

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