Company registration number 04646508

Virtalis Limited

Abbreviated accounts

for the year ended 28th February 2011

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Independent auditors' report to Virtalis Limited under Section 449 of the Companies Act 2006

We have examined the abbreviated accounts set out on pages 2 to 7, together with the financial statements of Virtalis Limited for the year ended 28th February 2011 prepared under section 396 of the Companies Act 2006

This report is made solely to the company in accordance with Chapter 10 of Part 15 the Companies Act 2006 Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special auditors' 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, for our work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
The directors are responsible for preparing the abbreviated accounts in accordance with section 444 of the Companies Act 2006 It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you

Basis of audit opinion
We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared

Opinion
In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 444(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the regulations made under that section

Jason Selig (Senior Statutory Auditor)
for and on behalf of Lopian Gross Barnett & Co.

9/12/11

Chartered Accountants
Statutory Auditor

Chartered Accountants
6th Floor Cardinal House
20 St Mary's Parsonage
Manchester
M3 2LG

Abbreviated balance sheet as at 28th February 2011

	Note	2011 £	2011 £	2010 £ As restated (see Note 5)	2010 £ As restated (see Note 5)
Fixed assets					
Tangible assets	2		**111,530**		129,704
Investments	2		**1,006**		671
			112,536		130,375
Current assets					
Stock		**78,603**		83,139	
Debtors – due within one year		**1,004,768**		1,022,642	
Cash at bank and in hand		**397,079**		219,440	
		1,480,450		1,325,221	
Creditors - amounts falling due within one year	3	**(1,132,062)**		(1,150,483)	
Net current assets			**348,388**		174,738
Total assets less current liabilities			**460,924**		305,113
Creditors - amounts falling due after more than one year			**(18,355)**		(18,355)
Provisions for liabilities and charges			**(15,000)**		(2,067)
Net assets			**427,569**		284,691
Capital and reserves					
Called up share capital	4	**80,329**		80,329	
Share premium account		**26,868**		26,868	
Profit and loss account		**320,372**		177,494	
Shareholders' funds			**427,569**		284,691
Analysis of shareholders' funds					
Funds attributable to ordinary shareholders			**380,372**		237,494
Funds attributable to ordinary 'A'shareholders			**47,197**		47,197
			427,569		284,691

These abbreviated accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006

Approved by the Board and authorised for issue on 9th December 2011

David Cockburn-Price
Director

Virtalis Limited

Notes to the abbreviated accounts for the year ended 28th February 2011

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom

Accounting convention
The financial statements are prepared under the historical cost convention

The company meets its day to day working capital requirements through an overdraft facility which is repayable on demand The nature of the company's business is such that there can be considerable variations in the timing of cash inflows The directors have prepared projected cash flow information for the period ending 12 months from the date of their approval of these financial statements On the basis of this cash flow information and discussions with the company's bankers, the directors consider that the company will continue to operate within the facility currently agreed and within that which they expect will be agreed in February 2012, when the Group's bankers are due to consider renewing the facility for a further year Hence, the directors consider it appropriate to prepare the financial statements on the going concern basis

The company has taken advantage of the exemption in FRS 1 from the requirement to produce a cash flow statement on the grounds that it is a small company

Turnover, profit recognition and long term contracts
Turnover represents amounts receivable for goods and services net of VAT and trade discounts

Revenue and profits are recognised at the date of despatch of goods or provision of services

Developments of applications and installations of systems are not normally treated as long-term contracts as they are relatively short in duration and consist of a mixture of supplying goods and providing installation and consultancy services Revenue and profits are recognised at the date of achieving contractually agreed milestones with customers

When developments are of sufficient duration or materiality to be accounted for as long term contracts, revenue is recognised when contractually agreed milestones are achieved with attributable costs in line with the total anticipated profit Costs include all goods and labour costs incurred in bringing a contract to its state of completion at the period end, including an appropriate portion of indirect expenses Any provisions required for estimated losses on contracts are made in the period in which such losses are foreseen Long-term work in progress is stated net of payments received on account

In the case of maintenance and support contracts, revenue is included in turnover by matching to external warranties from original manufacturers and in equal monthly amounts over the support period of each contract with costs being charged as incurred

Deferred income represents the portion of contract income invoiced relating to future accounting periods

Goodwill
Acquired goodwill is written off in equal annual instalments over its estimated useful economic life

Tangible fixed assets
Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Computers	Straight line over 3 years
Leasehold improvements	Straight line over 5 years

Leasing
Rentals payable under operating leases are charged against income on a straight line basis over the lease term

1 Accounting policies (continued)

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

Financial liabilities
Financial liabilities with no maturity date are initially recognised, and subsequently measured, at fair value less transaction costs Fair value is calculated at the present value of discounted cash flows

Research and development
Research expenditure is written off to the profit and loss account in the year in which it is incurred Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit

Stocks
Work in progress is stated at the lower of cost and net realisable value

Deferred taxation
Deferred tax is provided on all timing differences that result in an obligation at the balance sheet date to pay more tax in the future or a right to pay less tax in the future at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Foreign currencies
Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the year end Transactions in foreign currencies are translated at the rate ruling at the date of the transaction Profits or losses on exchange are included in the profit and loss account in the year in which they are incurred

Pension costs
The company contributes to a defined contribution pension scheme, which is financially independent from the company Amounts payable to the scheme are charged to the profit and loss account in the year in which they arise

Group accounts
The financial statements present information about the company as an individual undertaking and not about its group The company and its subsidiary undertakings comprise a small-sized group The company has therefore taken advantage of the exemptions provided by section 398 of the Companies Act 2006 not to prepare group accounts

2 Tangible assets

	Total £
Cost or valuation	
At 1st March 2010	216,264
Additions	37,678
Disposals	(15,597)
At 28th February 2011	**238,345**
Accumulated depreciation	
At 1st March 2010	86,560
Charge for the year	44,189
Eliminated on disposal	(3,934)
At 28th February 2011	**126,815**
Net book value	
At 28th February 2011	**111,530**
At 28th February 2010	129,704

Investments

	Shares in group undertakings and participating interests £	Investment in associate £	Total £
Cost			
At 1st March 2010	671	-	671
Additions	-	335	335
At 28th February 2011	**671**	**335**	**1,006**

3 Creditors – Amounts falling due within one year

Other creditors includes an amount of £68 (2010 £7,790) drawn down under the factoring arrangement, which is secured against trade debtors and a personal guarantee provided by the directors Further security has been given against a loan of £265,000 (2010 £265,000)

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4 Called up share capital

	2011 £	2010 £
Authorised		
100,000 ordinary shares of £1 each	**100,000**	100,000
30,000 ordinary 'A' shares of £1 each	**30,000**	30,000
	130,000	130,000
Allotted, called up and fully paid		
60,000 ordinary shares of £1 each	**60,000**	60,000
28,235 ordinary 'A' shares of £1 each	**28,235**	28,235
	88,235	88,235

		As restated (see Note 5)
Amounts presented in equity:		
60,000 ordinary shares of £1 each	**60,000**	60,000
20,329 ordinary 'A' shares of £1 each	**20,329**	20,329
	80,329	80,329
Amounts presented in liabilities:		
7,906 ordinary 'A' shares of £1 each	**7,906**	7,906

7,906 ordinary 'A' shares have been presented as debt as required under GAAP The premium allocated to those shares is £14,494 and associated issue costs totalled £4,045

The ordinary shares and ordinary 'A' shares carry identical voting rights of one vote each

The rights to dividends are as follows

Ordinary 'A' Shares

- A fixed dividend 7% of subscription price each year cumulative from date of subscription payable half yearly commencing 31st August 2004
- A participating dividend of 7% of group profit each year cumulative from date of subscription
- A compensatory dividend equal to any amount the managers draw in excess benefit over and above the agreed limits

Ordinary Shares

Any amounts approved by the members but not exceeding the total amount of fixed plus participating dividends payable on ordinary 'A' shares providing

- All dividends are up to date
- Retained profits in the company remain in excess of £200,000
- The total of all dividends and excess benefits paid in the year are less than $^1/_3$ of the profit after tax

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Ordinary 'A' Shares and Ordinary Shares

Any further dividends on both shares as though the same class with the consent of the 'A' shareholders

For capital repayment, the shares, providing all dividends have first been paid, rank as follows

1st Ordinary 'A' shares at subscription price paid

2nd Ordinary shares at subscription price paid

3rd Ordinary 'A' shares and ordinary shares as though same class

5 Adjustment to prior year reserves

Following a reconsideration under UK GAAP of the accounting treatment of the ordinary 'A' shares, particularly in light of the requirements of FRS 25, adjustments have been made to the prior year figures to recognise the ordinary 'A' shares as a compound financial instrument, comprising equity and debt elements

Consequently, the fixed dividends payable on those shares are now included within "Interest payable and similar charges" rather than as finance costs, and provision has been made for the participating dividends on those shares The effect on opening shareholders' funds as at 1st March 2010 is

	1st March 2010 £
Opening shareholders' funds as previously stated	**372,935**
Fixed and participating dividends on ordinary 'A' shares – as at 28th February 2010	**(69,889)**
Share capital reclassified as debt instruments	**(18,355)**
Opening shareholders' funds as restated	**284,691**

6 Transactions with directors

The company purchased public relations services during the period costing £35,500 (2010 £30,000) from Cockburn-Price & Carter, a partnership in which the director, David Cockburn-Price, had a 1% interest At the balance sheet date, there was an amount owing to Cockburn-Price & Carter of £3,000 (2010 £2,500)

The company paid consultancy fees to non-executive directors Fees paid to Glyn Read amounted to £30,000 (2010 £30,000)