

# Financial Statements

## Process Systems Enterprise Limited

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**For the year ended 31 December 2011**

## Company Information

**Directors**

K Guy  
B McKenzie (appointed 28 February 2011)  
C Pantelides  
B J Waldron  
R Whitby-Smith  
E Pistikopoulos (appointed 26 April 2012)

**Joint Secretaries**

B McKenzie (appointed 10 May 2011)

**Company number**

03307708

**Registered office**

6th Floor East  
26-28 Hammersmith Grove  
London  
W6 7HA

**Auditor**

Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditor  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

**Solicitors**

Mayer Brown Rowe & Maw LLP  
54 Lombard Street  
London  
EC3P 3AH

# Contents

|   | Page    |
|---|---------|
| <b>Directors' report</b>                              | 1 - 2   |
| <b>Independent auditor's report</b>                   | 3 - 4   |
| <b>Consolidated profit and loss account</b>           | 5       |
| <b>Statement of total recognised gains and losses</b> | 6       |
| <b>Consolidated balance sheet</b>                     | 7       |
| <b>Company balance sheet</b>                          | 8       |
| <b>Consolidated cash flow statement</b>               | 9       |
| <b>Notes to the financial statements</b>              | 10 - 20 |

# Directors' Report

For the year ended 31 December 2011

The directors present their annual report on the affairs of the company and its subsidiaries (the "Group") together with the financial statements and auditors' report for the year ended 31 December 2011.

## Principal activities and review of the business

The principal activity of the group is to provide advanced process modelling technology and related model-based engineering and innovation services to the process industries around the world.

The Group helps its customers to apply advanced process models based on its gPROMS platform technology; enabling them to explore the process decision space rapidly, reduce uncertainty and make better, faster and safer design and operating decisions through deeper understanding of their processes. This results in accelerated innovation with faster time-to-market, improved process and product design, enhanced operations, more efficient and effective R&D and experimental programmes, and better-managed risk. The Group's technology and services are transforming the way the process industries design and operate; by bringing new ways to create and capture sustainable value with rapid returns on investment; and by providing new ways to deal with complexity, uncertainty and risk.

Turnover for the year was £6.9m which was a 38% pro rata increase on the previous period (2010: £7.1m for 17 months, pro rated to 12 months £5.0m). The loss for the year was £77k (2010: £19k).

The Group continues to invest profits from software licence revenues and consulting services into building presence in new markets, enhancing its sales and marketing expertise, product development and expanding its product portfolio. The increase in revenues, strengthening of a number of key account, and overall profitability at or just below the break even level is a reflection of this.

Since the year end, the Group has raised additional capital of £500k via a rights issue to its existing shareholders. The issue was over-subscribed.

## Results and dividends

The results for the period are set out on page 5.

The directors do not recommend payment of a final dividend.

## Directors

The directors who served during the year were:

K Guy  
B McKenzie (appointed 28 February 2011)  
C Pantelides  
B J Waldron  
R Whitby-Smith

Since the year end E Pistikopoulos has been appointed a director.

## Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

# Directors' Report

For the year ended 31 December 2011

## Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditor in connection with preparing its report and to establish that the company and the group's auditor is aware of that information.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on

and signed on its behalf.

**B McKenzie**  
Director

# Independent Auditor's Report to the Members of Process Systems Enterprise Limited

We have audited the financial statements of Process Systems Enterprise Limited for the year ended 31 December 2011, which comprise the group Profit and loss account, the group and company Balance sheets, the group Cash flow statement, the group Statement of total recognised gains and losses and the related notes. 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**

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 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.

## **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.

# Independent Auditor's Report to the Members of Process Systems Enterprise Limited

## **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 and take advantage of the small companies' exemption in preparing the Directors' report.

Christopher Smith (Senior statutory auditor)

for and on behalf of

**Grant Thornton UK LLP**

Chartered Accountants  
Statutory Auditor

London (Euston)

Date:

# Consolidated Profit and Loss Account

For the year ended 31 December 2011

|  |      | Year Ended<br>31 December<br>2011<br>£ | 17 Months<br>Ended<br>31 December<br>2010<br>£ |
|--|------|--|--|
|  | Note |  |  |
| <b>Turnover</b>                                    | 1    | <b>6,868,543</b>                       | 7,058,113                                      |
| Cost of sales                                      |      | <b>(3,078,849)</b>                     | (4,078,825)                                    |
| <b>Gross profit</b>                                |      | <b>3,789,694</b>                       | 2,979,288                                      |
| Administrative expenses                            |      | <b>(4,036,568)</b>                     | (3,024,001)                                    |
| <b>Operating loss</b>                              | 2    | <b>(246,874)</b>                       | (44,713)                                       |
| Interest receivable and similar income             | 4    | <b>1,104</b>                           | 1,280  |
| Interest payable and similar charges               |      | <b>(18,823)</b>                        | (26,649)                                       |
| <b>Loss on ordinary activities before taxation</b> |      | <b>(264,593)</b>                       | (70,082)                                       |
| Tax on loss on ordinary activities                 | 5    | <b>187,468</b>                         | 50,703   |
| <b>Loss for the financial year</b>                 | 16   | <b>(77,125)</b>                        | (19,379)                                       |

The notes on pages 10 to 20 form part of these financial statements.



# Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 December 2011

|  |             | Year Ended<br>31 December<br>2011<br>£ | As restated<br>17 Months<br>Ended<br>31 December<br>2010<br>£ |
|--|-------------|--|---|
| <b>Loss for the financial year</b>                                       | <b>Note</b> | <b>(77,125)</b>                        | <b>(19,379)</b>   |
| Currency translation differences   |             | <u>(14,580)</u>                        | <u>19,069</u>   |
| <b>Total recognised gains and losses relating to the year</b>            |             | <b>(91,705)</b>                        | <b>(310)</b>  |
| Prior year adjustment  | 17          | <u>(366,393)</u>                       |   |
| <b>Total gains and losses recognised since last financial statements</b> |             | <b><u>(458,098)</u></b>                |   |

The notes on pages 10 to 20 form part of these financial statements.

# Consolidated Balance Sheet

As at 31 December 2011

|  | Note | £                | 2011<br>£               | £                | 2010<br>£               |
|--|------|------------------|-------------------------|------------------|-------------------------|
| <b>Fixed assets</b>  |      |                  |                         |                  |                         |
| Intangible assets  | 6    |                  | -                       |                  | -                       |
| Tangible assets  | 7    |                  | 172,984                 |                  | 199,869                 |
| Investments  | 8    |                  | 11                      |                  | 11                      |
|  |      |                  | <u>172,995</u>          |                  | <u>199,880</u>          |
| <b>Current assets</b>  |      |                  |                         |                  |                         |
| Debtors  | 10   | 2,169,771        |                         | 1,305,253        |                         |
| Cash at bank and in hand                                       |      | 668,071          |                         | 1,080,433        |                         |
|  |      | <u>2,837,842</u> |                         | <u>2,385,686</u> |                         |
| <b>Creditors:</b> amounts falling due within one year          | 11   | (1,486,953)      |                         | (969,977)        |                         |
| <b>Net current assets</b>                                      |      |                  | <u>1,350,889</u>        |                  | <u>1,415,709</u>        |
| <b>Total assets less current liabilities</b>                   |      |                  | <u>1,523,884</u>        |                  | <u>1,615,589</u>        |
| <b>Creditors:</b> amounts falling due after more than one year | 12   |                  | (375,000)               |                  | (375,000)               |
| <b>Net assets</b>  |      |                  | <u><u>1,148,884</u></u> |                  | <u><u>1,240,589</u></u> |
| <b>Capital and reserves</b>                                    |      |                  |                         |                  |                         |
| Called up share capital  | 14   |                  | 105,890                 |                  | 105,890                 |
| Share premium account  | 16   |                  | 1,351,489               |                  | 1,351,489               |
| Profit and loss account  | 16   |                  | (308,495)               |                  | (216,790)               |
| <b>Shareholders' funds</b>                                     |      |                  | <u><u>1,148,884</u></u> |                  | <u><u>1,240,589</u></u> |

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

**C Pantelides**  
Director

**B McKenzie**  
Director

The notes on pages 10 to 20 form part of these financial statements.

# Company Balance Sheet

As at 31 December 2011

|  | Note | £                | 2011<br>£               | £                | 2010<br>£               |
|--|------|------------------|-------------------------|------------------|-------------------------|
| <b>Fixed assets</b>  |      |                  |                         |                  |                         |
| Intangible assets  | 6    |                  | -                       |                  | -                       |
| Tangible assets  | 7    |                  | 99,356                  |                  | 136,646                 |
| Investments  | 8    |                  | 27,213                  |                  | 27,213                  |
|  |      |                  | <u>126,569</u>          |                  | <u>163,859</u>          |
| <b>Current assets</b>  |      |                  |                         |                  |                         |
| Debtors  | 10   | 2,260,045        |                         | 1,347,312        |                         |
| Cash at bank and in hand                                       |      | 524,593          |                         | 952,083          |                         |
|  |      | <u>2,784,638</u> |                         | <u>2,299,395</u> |                         |
| <b>Creditors:</b> amounts falling due within one year          | 11   | (1,455,693)      |                         | (914,482)        |                         |
| <b>Net current assets</b>                                      |      |                  | <u>1,328,945</u>        |                  | <u>1,384,913</u>        |
| <b>Total assets less current liabilities</b>                   |      |                  | <u>1,455,514</u>        |                  | <u>1,548,772</u>        |
| <b>Creditors:</b> amounts falling due after more than one year | 12   |                  | (375,000)               |                  | (375,000)               |
| <b>Net assets</b>  |      |                  | <u><u>1,080,514</u></u> |                  | <u><u>1,173,772</u></u> |
| <b>Capital and Reserves</b>                                    |      |                  |                         |                  |                         |
| Called up share capital  | 14   |                  | 105,890                 |                  | 105,890                 |
| Share premium account  | 16   |                  | 1,351,489               |                  | 1,351,489               |
| Profit and loss account  | 16   |                  | (376,865)               |                  | (283,607)               |
| <b>Shareholders' funds</b>                                     |      |                  | <u><u>1,080,514</u></u> |                  | <u><u>1,173,772</u></u> |

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

**C Pantelides**  
Director

**B McKenzie**  
Director

The notes on pages 10 to 20 form part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2011

|  | Year Ended<br>31 December<br>2011 | 17 Months Ended<br>31 December<br>2010 |
|--|-----------------------------------|--|
|  | £                                 | £                                      |
| <b>Cash generated from operations</b>                              |                                   |  |
| <b>Operating loss</b>  | (246,874)                         | (44,713)                               |
| Depreciation of tangible fixed assets                              | 90,422                            | 115,351                                |
| Increase in trade debtors  | (349,332)                         | (227,075)                              |
| (Increase)/decrease in other debtors                               | (515,185)                         | 21,703                                 |
| Increase in trade creditors  | 193,857                           | 84,733                                 |
| Increase in other creditors  | 323,119                           | 113,311                                |
| Currency translation differences                                   | (15,326)                          | 12,892                                 |
|  | <b>(519,319)</b>                  | <b>76,202</b>                          |
| <b>Cash from other sources</b>                                     |                                   |  |
| Interest received  | 1,104                             | 1,280                                  |
|  | <b>1,104</b>                      | <b>1,280</b>                           |
| <b>Application of cash</b>   |                                   |  |
| Interest paid  | (18,823)                          | (26,649)                               |
| Tax paid   | 187,467                           | 52,301                                 |
| Purchase of tangible fixed assets                                  | (62,791)                          | (32,453)                               |
|  | <b>105,853</b>                    | <b>(6,801)</b>                         |
| <b>Net increase in cash</b>  | <b>(412,362)</b>                  | <b>70,681</b>                          |
| Cash at bank and in hand less overdrafts at beginning of the year  | <b>1,080,433</b>                  | <b>1,009,752</b>                       |
| <b>Cash at bank and in hand less overdrafts at end of the year</b> | <b>668,071</b>                    | <b>1,080,433</b>                       |
| Consisting of:   |                                   |  |
| Cash at bank and in hand   | <b>668,071</b>                    | <b>1,080,433</b>                       |
|  | <b>668,071</b>                    | <b>1,080,433</b>                       |

The notes on pages 10 to 20 form part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 1. Accounting Policies

### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

### 1.2 Going concern

The Directors have a reasonable expectation that the Company has sufficient resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### 1.3 Basis of consolidation

The financial statements consolidate the accounts of Process Systems Enterprise Limited and all of its subsidiary undertakings ('subsidiaries').

The company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own Profit and loss account.

The profit and loss account for the year/period dealt with in the accounts of the company was a loss of £93,258 (2010 - Profit of £44,997).

### 1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT.

In addition to the main technology deliverable, software licences are generally sold including an element of post-sales support, maintenance and upgrade performance obligations. The accounting policy in respect of licences is to recognise revenue as the individual performance obligations are met. Revenues from product support agreements are recognised over the support period.

Revenue associated with time and materials contracts is recognised as the costs are incurred. Revenue in relation to fixed price consulting projects is recognised on a percentage completion basis.

### 1.5 Intellectual property

Intellectual property rights are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life of three years.

### 1.6 Tangible fixed assets and depreciation

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:

|                                |   |                          |
|--------------------------------|---|--------------------------|
| Land and Buildings             | - | 5-15 years straight line |
| Computer equipment             | - | 2-5 years straight line  |
| Fixtures, fittings & equipment | - | 4-10 years straight line |

# Notes to the Financial Statements

For the year ended 31 December 2011

## 1. Accounting Policies (continued)

### 1.7 Investments

- (i) Subsidiary undertakings  
Investments in subsidiaries are valued at cost less provision for impairment.
- (ii) Unlisted investments  
Investments held as fixed assets are shown at cost less provision for impairment.

### 1.8 Operating leases

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

### 1.9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

The results of overseas operations are translated at the average rate of exchange during the period and their balance sheets at the rate ruling at the balance sheet date. Exchange differences arising on the translation of the opening net assets and the results for the period are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

### 1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

## 2. Operating loss

The operating loss is stated after charging:

|  | Year Ended<br>31 December<br>2011<br>£ | 17 Months<br>Ended<br>31 December<br>2010<br>£ |
|--|--|--|
| Depreciation of tangible fixed assets: |  |  |
| - owned by the group                   | 89,996                                 | 115,351  |
| Auditors' remuneration                 | 12,000                                 | 12,500   |
| Auditors' remuneration - non-audit     | 3,500                                  | 2,250  |
| Pension costs                          | 160,520                                | 144,293  |
|  | <u>          </u>                      | <u>          </u>                              |

Auditors fees for the company were £12,000 (2010 - £12,500)

# Notes to the Financial Statements

For the year ended 31 December 2011

## 3. Directors' remuneration

|                      | Year Ended<br>31 December<br>2011<br>£ | 17 Months<br>Ended<br>31 December<br>2010<br>£ |
|----------------------|--|--|
| Aggregate emoluments | <u>296,938</u>                         | <u>358,775</u>                                 |

During the year retirement benefits were accruing to 3 directors (2010 - 2) in respect of defined contribution pension schemes.

## 4. Interest receivable

|               | Year Ended<br>31 December<br>2011<br>£ | 17 Months<br>Ended<br>31 December<br>2010<br>£ |
|---------------|--|--|
| Bank interest | <u>1,104</u>                           | <u>1,280</u>                                   |

## 5. Taxation

|   | Year Ended<br>31 December<br>2011<br>£ | 17 Months<br>Ended<br>31 December<br>2010<br>£ |
|---|--|--|
| <b>Analysis of tax charge in the year/period</b>      |  |  |
| UK corporation tax credit on loss for the year/period | (202,824)                              | (92,567)                                       |
| Adjustments in respect of prior periods               | -                                      | 3,297  |
| Foreign tax on income for the year/period             | 15,356                                 | 38,567   |
| <b>Tax on loss on ordinary activities</b>             | <u>(187,468)</u>                       | <u>(50,703)</u>                                |

# Notes to the Financial Statements

For the year ended 31 December 2011

## 6. Intangible fixed assets

|  | Intellectual<br>Property<br>£ |
|--|-------------------------------|
| <b>Group and Company</b>               |                               |
| <b>Cost</b>                            |                               |
| At 1 January 2011 and 31 December 2011 | 26,923                        |
| <b>Amortisation</b>                    |                               |
| At 1 January 2011 and 31 December 2011 | 26,923                        |
| <b>Net book value</b>                  |                               |
| At 31 December 2011                    | -                             |
| At 31 December 2010                    | -                             |

## 7. Tangible fixed assets

|                           | Land and<br>buildings<br>£ | Fixtures,<br>fittings and<br>computer<br>equipment<br>£ | Total<br>£ |
|---------------------------|----------------------------|---|------------|
| <b>Group</b>              |                            |   |            |
| <b>Cost</b>               |                            |   |            |
| At 1 January 2011         | 189,065                    | 251,018   | 440,083    |
| Additions                 | -                          | 62,791  | 62,791     |
| Foreign exchange movement | 145                        | 1,041   | 1,186      |
| At 31 December 2011       | 189,210                    | 314,850   | 504,060    |
| <b>Depreciation</b>       |                            |   |            |
| At 1 January 2011         | 86,480                     | 153,734   | 240,214    |
| Charge for the year       | 37,187                     | 53,235  | 90,422     |
| Foreign exchange movement | 22                         | 418   | 440        |
| At 31 December 2011       | 123,689                    | 207,387   | 331,076    |
| <b>Net book value</b>     |                            |   |            |
| At 31 December 2011       | 65,521                     | 107,463   | 172,984    |
| At 31 December 2010       | 102,585                    | 97,284  | 199,869    |



# Notes to the Financial Statements

For the year ended 31 December 2011

| <b>Company</b>        | <b>Land and<br/>buildings<br/>£</b> | <b>Plant and<br/>machinery<br/>etc<br/>£</b> | <b>Total<br/>£</b> |
|-----------------------|-------------------------------------|--|--------------------|
| <b>Cost</b>           |                                     |  |                    |
| At 1 January 2011     | 184,299                             | 139,749                                      | 324,048            |
| Additions             | -                                   | 30,369                                       | 30,369             |
| At 31 December 2011   | 184,299                             | 170,118                                      | 354,417            |
| <b>Depreciation</b>   |                                     |  |                    |
| At 1 January 2011     | 85,771                              | 101,631                                      | 187,402            |
| Charge for the year   | 36,860                              | 30,799                                       | 67,659             |
| At 31 December 2011   | 122,631                             | 132,430                                      | 255,061            |
| <b>Net book value</b> |                                     |  |                    |
| At 31 December 2011   | 61,668                              | 37,688                                       | 99,356             |
| At 31 December 2010   | 98,528                              | 38,118                                       | 136,646            |

# Notes to the Financial Statements

For the year ended 31 December 2011

## 8. Fixed asset investments

|  |  | Other fixed asset investments<br>£       |                                    |
|--|--|--|------------------------------------|
| Group                                  |  |  |                                    |
| Cost or valuation                      |  |  |                                    |
| At 1 January 2011 and 31 December 2011 |  |  | 11                                 |
| Net book value                         |  |  |                                    |
| At 31 December 2011                    |  |  | 11                                 |
| At 31 December 2010                    |  |  | 11                                 |
|  |  | Investments in subsidiary companies<br>£ | Other fixed asset investments<br>£ |
| Company                                |  |  | Total<br>£                         |
| Cost or valuation                      |  |  |                                    |
| At 1 January 2011 and 31 December 2011 |  | 27,202                                   | 11                                 |
| Net book value                         |  |  |                                    |
| At 31 December 2011                    |  | 27,202                                   | 11                                 |
| At 31 December 2010                    |  | 27,202                                   | 11                                 |

## 9. Principal subsidiaries

The parent company holds more than 20% of the share capital of the following undertakings:

| Company name                   | Country        | Percentage Shareholding |
|--------------------------------|----------------|-------------------------|
| Process Systems Enterprise Inc | USA            | 100%                    |
| PSE Korea Limited              | Korea          | 100%                    |
| PSE Oil & Gas Limited          | United Kingdom | 100%                    |

The principal activity of both subsidiaries is sale and support of Process Systems Enterprise software and provision of consultancy.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 10. Debtors

|                                    | <b>Group</b>     |                  | <b>Company</b>   |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | 2011             | 2010             | 2011             | 2010             |
|                                    | £                | £                | £                | £                |
| Trade debtors                      | 1,381,356        | 1,032,024        | 1,339,064        | 984,990          |
| Amounts owed by group undertakings | -                | -                | 187,792          | 140,145          |
| Other debtors                      | 585,591          | 273,229          | 530,365          | 222,177          |
| Tax recoverable                    | 202,824          | -                | 202,824          | -                |
|                                    | <b>2,169,771</b> | <b>1,305,253</b> | <b>2,260,045</b> | <b>1,347,312</b> |

## 11. Creditors: Amounts falling due within one year

|                                 | <b>Group</b>     |                | <b>Company</b>   |                |
|---------------------------------|------------------|----------------|------------------|----------------|
|                                 | 2011             | 2010           | 2011             | 2010           |
|                                 | £                | £              | £                | £              |
| Trade creditors                 | 314,982          | 121,125        | 314,982          | 121,125        |
| Social security and other taxes | 101,868          | 78,631         | 76,552           | 67,527         |
| Accruals and deferred income    | 967,461          | 770,221        | 962,309          | 767,331        |
| Other creditors                 | 102,642          | -              | 101,850          | (41,501)       |
|                                 | <b>1,486,953</b> | <b>969,977</b> | <b>1,455,693</b> | <b>914,482</b> |

## 12. Creditors: Amounts falling due after more than one year

|                 | <b>Group</b> |         | <b>Company</b> |         |
|-----------------|--------------|---------|----------------|---------|
|                 | 2011         | 2010    | 2011           | 2010    |
|                 | £            | £       | £              | £       |
| Other creditors | 375,000      | 375,000 | 375,000        | 375,000 |

On the 1 June 2007, the parent company issued £375,000 5% secured convertible loan stock. The redemption date is the business day following the fifth anniversary of the date of issue of the stock. The loan is secured by a floating charge over the assets of the parent company.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 13. Pension costs

The company makes contributions to the employees' money purchase pension schemes.

|                                      | <b>Group</b>  |             | <b>Company</b> |             |
|--------------------------------------|---------------|-------------|----------------|-------------|
|                                      | <b>2011</b>   | <b>2010</b> | <b>2011</b>    | <b>2010</b> |
|                                      | <b>£</b>      | <b>£</b>    | <b>£</b>       | <b>£</b>    |
| Contributions payable for the period | <b>12,621</b> | 144,293     | <b>12,621</b>  | 123,438     |

## 14. Share capital

|   | <b>2011</b>    | <b>2010</b> |
|---|----------------|-------------|
|   | <b>£</b>       | <b>£</b>    |
| <b>Allotted, called up and fully paid</b> |                |             |
| 10,589,000 Ordinary shares of £0.01 each  | <b>105,890</b> | 105,890     |

## 15. Share option plan

At 31 December 2011, a total of 1,192,220 ordinary shares of 1p had been granted at an exercise price of £76.94 per share. These options may only be exercised to the extent that they have vested (such options are fully vested on the third anniversary following the date of grant) and a sale occurs as defined in the option agreements.

## 16. Reserves

| <b>Group</b>                             | <b>Share premium account</b> | <b>Profit and loss account</b> |
|--|------------------------------|--------------------------------|
|  | <b>£</b>                     | <b>£</b>                       |
| At 1 January 2011 (as previously stated) | 1,351,489                    | 149,603                        |
| Prior year adjustment (note 17)          |                              | (366,393)                      |
| At 1 January 2011 (as restated)          |                              | (216,790)                      |
| Loss for the year                        |                              | (77,125)                       |
| Other movements                          |                              | (14,580)                       |
| At 31 December 2011                      | <b>1,351,489</b>             | <b>(308,495)</b>               |

# Notes to the Financial Statements

For the year ended 31 December 2011

## 16. Reserves (continued)

| Company                                  | Share<br>premium<br>account<br>£ | Profit and<br>loss account<br>£ |
|--|----------------------------------|---------------------------------|
| At 1 January 2011 (as previously stated) | 1,351,489                        | 41,285                          |
| Prior year adjustment (note 17)          |                                  | (324,892)                       |
|  |                                  | <hr/>                           |
| At 1 January 2011 (as restated)          |                                  | (283,607)                       |
| Loss for the year                        |                                  | (93,258)                        |
|  | <hr/>                            | <hr/>                           |
| At 31 December 2011                      | <u>1,351,489</u>                 | <u>(376,865)</u>                |

## 17. Prior year adjustment

The reason for the prior year adjustment is due to the recognition of deferred consulting revenue having changed from being recognised at the point an invoice is raised to a percentage of completion method.

The impact of this adjustment is to defer revenue totalling £366,393 from the period ended 31 December 2010 period and recognise it as revenue in the year ended 31 December 2011. A similar adjustment has been made at 31 July 2009 which has the impact of deferring £290,972 from the year ended 31 July 2009 and recognising it in the 17 months ended 31 December 2010. The net impact of these adjustments is to reduce the revenue in the 17 months ended 31 December 2010 by £75,421 and to increase the deferred revenue balance within creditors falling due within one year in the Balance Sheet at 31 December 2010 by £366,393.

## 18. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £160,520 (2010 - £144,293). Contributions totaling £nil (2010 - £nil) were payable to the fund at the balance sheet date and are included in creditors.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 19. Operating lease commitments

At 31 December 2011 the Group had annual commitments under non-cancellable operating leases as follows:

|                       | <b>Land and buildings</b> |                |
|-----------------------|---------------------------|----------------|
|                       | <b>2011</b>               | <b>2010</b>    |
|                       | <b>£</b>                  | <b>£</b>       |
| <b>Expiry date:</b>   |                           |                |
| Between 2 and 5 years | <b>214,608</b>            | <b>146,133</b> |

At 31 December 2011 the Company had annual commitments under non-cancellable operating leases as follows:

|                       | <b>Land and buildings</b> |                |
|-----------------------|---------------------------|----------------|
|                       | <b>2011</b>               | <b>2010</b>    |
|                       | <b>£</b>                  | <b>£</b>       |
| <b>Company</b>        |                           |                |
| <b>Expiry date:</b>   |                           |                |
| Between 2 and 5 years | <b>162,370</b>            | <b>146,133</b> |

# Notes to the Financial Statements

For the year ended 31 December 2011

## 20. Related party transactions

During the year to 31 December 2011, the company entered into transactions with the following:

K Guy - a company director and shareholder.

B J Waldron - a company director.

Albion Ventures LLP - a company shareholder. R Whitby-Smith, a company director, is a partner of Albion Ventures LLP.

Imperial Innovations Limited - a company shareholder..

|  | Year Ended<br>31 December<br>2011<br>£ | 17 Months<br>Ended<br>31 December<br>2010<br>£ |
|--|--|--|
| Consultancy fees paid to K Guy                       | 24,161                                 | 44,981   |
| Year end balance due to K Guy                        | 5,989                                  | 10,415   |
| Consultancy fees paid to B J Waldron                 | 6,100                                  | 10,900   |
| Year end balance due to B J Waldron                  | -                                      | 8,108  |
| Consultancy fees paid to Albion Ventures LLP         | 16,000                                 | 24,000   |
| Licence fees paid to Imperial Innovations Limited    | 20,896                                 | 33,750   |
| Year end balance due to Imperial Innovations Limited | -                                      | 6,609  |
|  | <u>          </u>                      | <u>          </u>                              |

## 21. Controlling party

For the year ended, 31 December 2011 no single individual was deemed to have effective control of the group.