SocialGO plc

Annual Report and Financial Statements

For the Year Ended

31 December 2011

Company number 05066489

SocialGO plc

Annual report and financial statements for the year ended 31 December 2011

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Overview

Highlights

The Group has made progress in a number of areas;

- Soft launched SocialGO™ Version 2 in October 2011;
- Continued to develop additional features for SocialGO™ Version 2;
- Reduced the pro-rated loss from operations for the year to £1,180,000 against £1,079,000 for the prior nine month period;
- Completed fundraisings totalling £1,635,500 during the period (gross of £82,000 related expenses); £300,000 from the issue of 10,909,091 new Ordinary 1p shares at 2.75p per share and £1,335,500 from the issue of 45,271,186 new Ordinary 1p shares at 2.95p per share;
- Played a key role at the launch event of the British Government's major new initiative, East London Tech City;
- Spoke at Variety's Venture Capital and New Media Summit in Los Angeles, attended by The Duke and Duchess of Cambridge;
- The Group appointed First Columbus LLP as Broker;
- The Group has today appointed Deloitte LLP as Nomad;
- In response to customer feedback, the Group has today issued a major update of SocialGO™ Version 2 called '2012'.

> "2011 saw the Company complete an important milestone in its development with the soft launch of SocialGO™ Version 2, an amazingly powerful and flexible foundation for our service. I am excited about the accelerated commercialisation of our technology through marketing and fine tuning of our retail product and further distribution partnerships in 2012 to materially move the business forward. To coincide with these results I am pleased to also announce the release of SocialGO '2012' an update of our SocialGO™ Version 2 platform."
>
> Alex Halliday, CEO

Directors

Dominic Wheatley	Chairman
Alex Halliday	CEO
Steve Hardman	COO
Brett Morris	Finance Director
Ian Livingstone	Non-Executive Director
Lord William Astor	Non-Executive Director

Secretary and Registered Office

Brett Morris
7 Pilgrim Street
London EC4V 6LB

Company number

Registered in England No. 05066489

Chairman's statement

The Company continues to make good progress with the introduction of Version 2 of SocialGO™. Sales of Version 2 are increasing monthly and we are now working on improving usability and adding new features.

During the year ended 31 December 2011 the company focused on development; in 2012 we are focusing on sales and marketing. We know that there is a wide market for our product because of the diverse nature of current users. Our business model and back end operations are now well tuned. We have strong scalability and the new platform is solid. It remains to drive more traffic to our site and increase the number of customers using SocialGO™. We are planning to do this through on and offline marketing to reach individual customers and also to secure distribution deals with trade partners who can take SocialGO™ to their customer bases.

The use of social media continues to expand and flourish, with increasing usage across the globe. In fact, we are still in the early days of this phenomenon and SocialGO™ is well placed to meet the increasing demand for socially enabled websites. We have a new sales site which I urge shareholders to visit at www.socialgo.com which fully explains what our product does and demonstrates live examples of customers using it.

One important aspect of the new V2 SocialGO™ is that we are about to introduce deeper integration with Facebook. All new members of SocialGO™ networks will be encouraged to sign up using a simple one click Facebook link, which embeds their profile photo and details automatically, and links their activity on the SocialGO™ site to their Facebook page. This is designed to help build traffic to the network owners SocialGO™ sites. It also allows for users to create a more custom designed and better featured version of a Facebook Group. This is particularly appropriate for SMEs and professional organisations.

The next 12 months will be about building sales. There are always challenges ahead, but the team is becoming more experienced and the product is now developed, so we're confident we can be successful.

As always, my thanks go to the dedicated staff at SocialGO plc, all of whom have a stake in the success of the Company.

Dominic Wheatley
Chairman
13 March 2012

SocialGO plc

CEO's statement

Overview

The period has seen the soft launch of SocialGO™ Version 2, which has been received well by both new and existing customers. Version 2 represents a big leap forward in our offering, giving the Company enormous flexibility in its product development allowing us to progress our product, platform and service very rapidly as we respond to customer feedback and continue to take advantage of the growing interest in social media. The company has now left the product development period and we are now moving to a much faster iteration cycle with code deployments going out daily.

The wide adoption of Facebook as the social networking 'standard' represents an enormous opportunity for our company, as we cater to those users who want to move beyond the functionality of a basic Facebook Group or Page. Our product perfectly suits larger, public groups who want to maintain a social media presence on Twitter and Facebook, but also want their own central destination with tools and features designed specifically for them. Facebook Groups allows users to "Create a private space" for a "small group of people", this is in contrast to our positioning as a platform for larger, public groups to thrive and grow. This positioning will be the driver for our marketing, product roadmap and user experience decisions going forward.

We are pleased to see the adoption of SocialGO™ continuing in key categories, including music with customers such as the band Kasabian and rap star and producer Soulja Boy.

Results

The results disclosed in this report are for the year to 31 December 2011 and unless otherwise stated, the comparatives are for the nine month period to 31 December 2010.

The period has seen SocialGO plc focus on the development and launch of SocialGO™ Version 2, which was soft launched in October 2011, and the subsequent additional development and price experiments. This focus has seen revenue remain consistent compared to the prior 12 month period as a whole.

Revenue of £734,000 for the year to 31 December 2011 (period to 31 December 2010 - £574,000) consists of sales from SocialGO™, the internet based social networking service aimed at privately managed special interest groups and niche communities, and ancillary products, such as widgets and themes. The loss before and after tax for the year decreased for this 12 month period to £1,179,000 (9 month period to 31 December 2010 - £1,079,000).

All overhead expenditure continues to be closely monitored in order to ensure that cash resources are effectively and efficiently managed to maximise the benefit delivered to the business.

The Company believes research and development expenditure and product improvements are key to increasing sales and as such both expensed and capitalised research and development costs have remained a large portion of the expenditure in the year, this expense being mitigated by the recognition of R&D tax credits totalling £265,000. Amortisation of capitalised development for the year increased to £260,000 (period to 31 December 2010 - £88,000).

The Company has continued to optimise the efficiency of online advertising and reduces expenditure accordingly with PPC expenditure reducing to £121,000 (period to 31 December 2010 - £177,000); this and the reduction in the share based payment charge for the period of £143,000 (period to 31 December 2010 - £176,000) account for a large portion of the relative decrease reflected in the overheads.

Financing

On 12 January 2011 and 28 February 2011 the Company raised £300,000 from the issue of 10,909,091 new Ordinary 1p shares at 2.75p per share and £1,335,500 from the issue of 45,271,186 new Ordinary 1p shares at 2.95p per share, respectively.

On 28 February 2011 the Company issued 5,833,333 shares to the vendors of Get On With It Limited as part of the acquisition terms. 5,219,298 of these shares went to directors of SocialGO plc.

On 28 February 2011, the Company allotted 598,802 new Ordinary 1p shares at 3.34p per share and 550,000 warrants exercisable at 2.75p per share to First Columbus LLP as consideration for £20,000 brokers' fees.

On 11 July 2011 the Company issued 149,333 new Ordinary 1p shares at 1.25p per share following an exercise of employee share options.

SocialGO™

The Version 2 platform has delivered a big improvement in response times, uptime and scalability. The number of issues being reported by customers is 90% down on Version 1, a direct result of our investment in the new platform. The development team's improved engineering methodology is allowing us to deliver functionality and features faster than ever before.

Today, SocialGO launches '2012', a major update to our SocialGO™ Version 2 platform. We looked at how people have been using the service since October and resolved to make some strategic changes. First of all the update focuses the proposition from social website creation in on specifically larger, public groups. The offering gives groups a website and social network and the customer signup process aims to make customers more successful with less effort on their part. In addition to this we have reworked the Facebook and Twitter integration to make it work even better for groups; this further aligns the offering with the traffic SocialGO.com receives and also helps us tap into the growing number of groups frustrated when solely using Facebook and Twitter.

Prospects and Strategy

As announced on February 8 2012, alongside the existing on-line focused sales and marketing efforts, the Company has continued to develop strategies to promote the platform. One of these initiatives has resulted in a Memorandum of Understanding being entered into to form a joint venture with Muronia Ltd, a provider of online retail solutions to the music, entertainment and sports industries. The proposed joint venture will target high value clients seeking to directly exploit their commercial rights to their fan bases through their own dedicated social networks. The first site created under this agreement was for leading British band Kasabian whose network, www.kasabianlive.com, was launched in December 2011. Efforts are currently underway to continue to build on this success with initiatives in similar segments that will leverage the SocialGO™ product including promising discussions with a major US media group.

The Directors continually monitor the Company's financial position and have prepared the financial statements on a going concern basis having given consideration to forecast sales and the marketability of SocialGO™ for the foreseeable future, as highlighted in note 1.

Post Balance Sheet Events

On 17 January 2012 the Company received £119,000 of HMRC R&D credits relating to the nine months to 31 December 2010.

In February 2012 Hill+Knowlton was appointed as the PR agency for the Company.

Deloitte LLP was today appointed as the Company's nominated adviser.

We are very pleased to be working with Lord William Astor who joined SocialGO plc as a non-executive director in February 2012. His experience across a number of industries in all aspects of growing a business is already proving beneficial and we welcome him to the team.

The Company also announced on 8 February 2012 that, as a result of his growing commitment to his external interests, Mr. Vikrant Bhargava has resigned from the Board of SocialGO plc. The holdings of Veddis Ventures remain unchanged and Mr. Bhargava will continue to take an active interest in the Company.

I would like to thank Vikrant for all the advice and support he has given since joining the Board two years ago.

Summary

SocialGO plc has focused on the development and launch of SocialGO™ Version 2 over the past year and then experimented with the offering and its price point to gauge customer reaction. We must now refocus our efforts to grow and develop the market for social website products and tools, as we strive to deliver profitable results for the business along with cash positive operations.

The Board remain excited about the prospects offered by SocialGO™. The recent interest in the IPOs of similar types of products is encouraging and the Board considers the product to be well positioned to take a stake in this market.

I join the Chairman in thanking the staff at SocialGO plc for all their efforts over the year.

Alex Halliday
CEO
13 March 2012

2011 financial year product portfolio

SocialGO plc soft launched SocialGO™ Version 2 in October 2011.

SocialGO '2012' a major update of the SocialGO™ Version 2 platform is launching today.

Strategy for the future

We continue to retain the core management and technical skills in house.

At period end 31 December 2010, we described our resource focus as being on further development and additional marketing. We have found that development has been the main focus in the period to 31 December 2011 with Version 2 being responsible for this and that marketing expenditure has reduced, as discussed on page 7.

As described in the CEO's statement, the Company has now soft launched SocialGO™ Version 2 and is focusing its resources on further development of more features for SocialGO™ and expanding the customer base through additional marketing with the aim of increasing sales.

Please refer to the CEO's statement for more details on Version 2.

Results from operations

The Group made a loss from operations for the year of £1,180,000 (period to 31 December 2010 - £1,079,000).

Other administrative expenses were the main component of the loss on ordinary activities during the year ended 31 December 2011.

Revenue, £734,000 (period to 31 December 2010 - £574,000) and cost of sales, £466,000 (period to 31 December 2010 - £336,000)

Revenue for the year consists of sales of SocialGO™ and ancillary products, such as widgets and themes and has increased by £160,000 over the period.

Cost of sales comprises £186,000 SocialGO™ server costs, £195,000 SocialGO™ sales and support staff, £44,000 payment processor fees (the cost of collecting subscription payments) and £41,000 third party revenue share costs.

Administrative expenses

Administrative expenses for the year ended 31 December 2011 are the main component of the loss on ordinary activities during the period. Administrative expenses are in line with expectation and are divided into two categories:

Research and Development, £165,000 expenditure and £265,000 credit (period to 31 December 2010 - £103,000 expenditure)

The Group received £234,000 R&D credits from HMRC during the year, following the submission of claims for year ended 31 March 2009 and year ended 31 March 2010. The claim for period ended 31 December 2010 was submitted in December 2011 and £119,000 was received post year end in January 2012. To match the receipts with the expense to which they relate £265,000 of these credits have been recognised in the year. The balance of £88,000 is within the current and non-current liabilities shown on the face of the statement of financial position as detailed in the notes to the accounts.

£125,000 (period to 31 December 2010 - £73,000) of the Group's research and development expense is employee cost with the remaining £40,000 (period to 31 December 2010 - £30,000) relating to contractors. All research and development expenditure has been charged to the statement of comprehensive income as incurred unless the required criteria for capitalisation are met in which case they are included within intangible fixed assets as capitalised development.

Group forecasts show how the capitalised development will generate future economic benefit and support this treatment allowing the cost of new development to be amortised over its expected useful life.

Other administrative expenses, £1,548,000 (period to 31 December 2010 - £1,214,000)

Other administrative expenses comprise all the costs of running the Group's operating and corporate functions. This includes the staff, contractors and agencies together with associated costs employed in sales, marketing, PR, design, project management, production, IT, quality assurance, finance and legal.

The main component of administrative expenditure in the period relates to human resource costs, totalling £461,000 (period to 31 December 2010 - £482,000) including a share based payment charge of £143,000 (period to 31 December 2010 - £176,000). Share options are used to incentivise and reward certain employees to ensure SocialGO plc retains key staff.

Marketing costs total £209,000 (period to 31 December 2010 - £270,000). These costs primarily relate to PPC spend for SocialGO™ and the reduction of cost in the year is the continuing optimisation of the campaigns to achieve a better return on expenditure. External agencies and contractors have been used to assist in marketing and PR roles.

Also included in other administrative expenses is depreciation and amortisation of £405,000 (period to 31 December 2010 - £157,000), of this £128,000 (period to 31 December 2010 - £62,000) related to the amortisation of IP and £260,000 (period to 31 December 2010 - £88,000) related to the amortisation of capitalised development costs. The remainder related to depreciation of tangible fixed assets.

Taxation

No tax charge arises on the loss for the financial period (period to 31 December 2010 - £nil). At 31 December 2011 the Group has approximately £15.4 million (period to 31 December 2010 - £16.2 million) of losses available to carry forward to set against future taxable profits, subject to agreement with the UK and USA tax authorities. The Group does not recognise a deferred tax asset in respect of these losses.

Loss per share

Basic and diluted loss per share for the year of 0.27p (period to 31 December 2010 - 0.30p) has decreased compared to the period ended 31 December 2010 principally due to a 23% increase in the weighted average number of shares following the issue of new shares in the year.

Risks and uncertainties

The principal risks to the business and its ability to grow its customer base in order to generate future profits are:

- The Group's ability to market and sell SocialGO™ in order to increase income.
- Ensuring that products keep abreast of technological developments to retain current and gain new customers.
- Ensuring the Group has adequate cash resources to enable it to build the SocialGO™ brand.
- The retention of key staff members.

These risks are addressed by:

- The Group has retained a new PR agency and is planning to recruit sales and marketing staff with the aim of increasing awareness of and maximise opportunities for SocialGO™.
- The Group has soft launched Version 2 of SocialGO™ to enhance the current offering in addition to monitoring comparable products and attending conferences and workshops applicable to the sector to keep abreast of technological developments.
- The Group has prepared and stress tested cash flow forecasts with a number of scenarios in order to plan for the next 12 months and beyond. The going concern basis of preparation has been applied in preparing these financial statements as disclosed in note 1.
- The Group offers share options to ensure that key staff members are suitably incentivised, in addition to this the Group has joined the Cycle to Work scheme which has proved very popular with employees.

Details of the Group's exposure to financial risk and its associated risk management policies are contained in note 13 to the financial statements and in this operational and financial review.

Key performance indicators

As in previous years, the key current issue and key performance indicators for the continuing success of the development of the business revolve around the funding of the Company.

That is:

- The adequacy and availability of cash resources to fund the sales and marketing of SocialGO™ Version 2 along with future development.

Key financial performance indicators are:

- Sales revenue growth.
- Cash levels.
- Net working capital, which is the Group's current assets less liabilities (measured against forecast).

Working Capital

The Group's operational cash position has been increased by fundraisings in the year. At 31 December 2011, the Group had cash of £347,000 (period to 31 December 2010 - £26,000). At the end of the financial period the group had net current assets of £190,000 (31 December 2010 net current liabilities of £318,000). This is in line with Group forecasts.

Details of funds raised during the financial period are provided in the CEO’s statement and note 14 to the financial statements.

The board continues to closely monitor the organisation's general overheads making savings and seeking cost efficiencies as appropriate.

Dominic Wheatley
Chairman
13 March 2012

Directors and board committees

Dominic Wheatley
Chairman, chairman of remuneration committee, chairman of audit committee, aged 52
Dominic co-founded Bright Things, now SocialGO plc, in September 2002. Before co-founding Bright Things, Dominic had considerable executive management experience in the video games industry. He co-founded Domark in 1984, a video games company that he later reversed into Eidos. In 1992 Dominic established Domark's US subsidiary in California. The company changed its name and Dominic served as CEO of Eidos Interactive until 1997. He then became an investor in various companies, some of which he joined as a Director and helped float on the London Stock Exchange (Statpro plc, Kuju plc, and Telecom Plus plc). He also has commercial interests in France. As co-founder, Dominic owned 50 per cent of Bright Things until its floatation in April 2004.

Alex Halliday
CEO, remuneration committee member, audit committee member, aged 26
Alex Halliday has been building and running online businesses for the past 10 years, most recently founding Complete Creative, a design agency which provided web strategy and technical services to larger agencies and their brands such as Vodafone, Diageo and Carlsberg. Previous projects include a fansite hosting and revenue share platform which maintained official and unofficial communities for over 100 artists as well as a government funded academic news and resource aggregation service in Dubai. Alex is the architect of the SocialGO™ and manages the team in Shoreditch, London.

Brett Morris
Finance director, remuneration committee member, audit committee member, aged 42
Brett is a qualified Chartered Accountant with more than 15 years of experience in Financial and Operational Management. Having spent the first 10 years of his career in banking specialising in mergers and acquisitions and debt financing Brett obtained an MBA from the London Business School after which he moved into Private Equity, where he used his experience to assist companies in growing and developing their businesses. During this time he also focused on company performance monitoring and management where he gained experience in strategic development, business planning and execution as well as general management.

Steve Hardman
COO, remuneration committee member, aged 43
Steve Hardman has been a technology entrepreneur for over 20 years having established a number of business in automotive & motorsport sectors. He co-founded MSD Ltd to provide advanced engineering & marketing services to the likes of Hyundai, Peugeot, Honda, Lada and General Motors. More recently he established Get On With It Ltd with Alex Halliday to develop the social networking software that forms the basis of SocialGO™. He is also an alumnus of London Business School and Columbia Business School NY (2005).

Ian Livingstone
Non-executive director, remuneration committee member, audit committee member, aged 62
Ian has been in the interactive games industry for over 25 years. In 1975, with Steve Jackson, he co-founded Games Workshop and launched Dungeons & Dragons in Europe. In 1982 he co-authored the first of the multi-million selling Fighting Fantasy Game books. His former positions include Executive Chairman of Eidos plc. He has helped Eidos secure many of its major franchises, including Tomb Raider. Following the Square-Enix buyout of Eidos Interactive, Ian was promoted to Life President of Eidos.

Lord William Astor
Non-executive director, remuneration committee member, aged 60
Lord William Astor serves in the House of Lords. His former positions include Deputy Chairman of Chorion plc. He is a director of Networkers International plc and Silvergate Media Ltd.

Corporate governance statement

The board is committed to establishing and maintaining high standards of corporate governance, the process by which the Group is directed and managed, risks are identified and controlled and effective accountability assured. The Board voluntarily applies the principles of good corporate governance so far as is practicable for a group of this size.

The Board of Directors

The Board currently comprises two non-executive directors and four executive directors. One director is appointed as the Chairman of the group. Non-executive directors are considered independent. All directors are required to stand for re-election at least every three years.

All members of the board are equally responsible for the management and proper stewardship of the Group. The non-executive directors are independent of management and, other than described in note 17 to the accounts, free from any business or other relationship with the Company or Group. The non-executive directors are able to bring independent judgement to issues brought before the Board.

The Board meets throughout the year. The meetings follow a formal agenda, which includes matters specifically reserved for decisions by the Board. Prior to each board meeting directors are sent an agenda together with additional information, including financial reports, required for the meeting.

The Board also meets where necessary to approve specific decisions. The Board has delegated responsibility to two sub-committees, the audit committee and the remuneration committee. The audit committee and remuneration committee are chaired by the Chairman.

Directors have access to the advice and services of the Company Secretary and may take, at the Company's expense, independent professional advice.

The audit committee

The audit committee has four members, Alex Halliday, Ian Livingstone, Brett Morris and Dominic Wheatley and meets at least twice a year to review the financial results, the findings of the external independent auditors, internal control systems and the Group's financial accounting procedures and policies and the cost effectiveness, independence and objectivity of the external auditors.

The remuneration committee

This committee is made up of the full Board, and is responsible for the remuneration of the executive directors. It reviews the broad framework for executive remuneration and determines, on behalf of the Group, the individual remuneration packages. The policies they adopt along with details of directors remuneration and service contracts are included in the Remuneration report on pages 14-17. The committee meets on an ad hoc basis as required and has met once during the period.

The nomination committee

The directors do not consider it is appropriate for a company of this size to have a nomination committee.

Communication with shareholders

The executive directors meet regularly with institutional shareholders and are available to answer questions from private shareholders. Each shareholder receives the annual report, which contains the Chairman's and CEO's statements. The annual and interim reports, together with other corporate press releases are available on the Company website.

The Annual General Meeting provides a forum for all shareholders to raise issues with the directors. The Notice convening the meeting is issued with notice of 21 clear days. Separate resolutions are proposed on each substantially separate issue.

Risk management and internal controls

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, in compliance with the guidance Internal Control: Guidance for Directors on the UK Corporate Governance Code. This process, which is closely tied to operations, is regularly reviewed by the Board.

The key procedures that the directors have established to ensure risk management and internal controls are effective are as follows:

Risk identification

The Board has identified its major risks and put policies in place to avoid and mitigate those risks. All senior members of staff have participated in this process and the results have been reported to the Board.

Operational risk

The internal control process is supported by (a) a comprehensive financial control and rolling forecast system; (b) a flat management structure which facilitates open and timely communication; (c) a project management system that is available to all members of staff; and (d) a programme of commercial insurance covering the key risks the Group is exposed to.

The Board considers that the size of the Group is not sufficient to warrant a dedicated internal audit function.

Going concern

As explained in note 1 to the financial statements, the directors confirm that they have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. For this reason, they adopt the going concern basis in preparing the financial statements.

External audit matters

Independence

The audit committee has sole responsibility for assessing the independence of the external auditors, BDO LLP. Each year the committee undertakes to:

- Seek reassurance that the external auditors and their staff have no family, financial, employment, investment or business relationship with the Group. To this end the committee requires the external auditor and their associates to confirm this in writing, and detail the procedures which the auditor has carried out in order to make this confirmation.
- Check that all partners engaged in the audit process are rotated at least every 5 years.
- Assess the likely impact on the auditors' independence and objectivity before awarding them any contract for additional services. It is company policy to require the auditors to tender for all non-audit services where the fee is in excess of £25,000.
- Having as a standing agenda item auditor independence issues at each audit committee meeting.

Analysis of fees

Statutory disclosures required by the Companies Act 2006 of audit and non-audit fees are given in note 4 to the financial statements.

Compliance

The Group has applied the principles relating to directors' remuneration as described below.

Details of each individual director's remuneration and share options are included on pages 16 and 17 within the remuneration report and those of directors' shareholdings are set out in the report of the directors.

Remuneration committee

The Committee comprises the full Board. Dominic Wheatley is chairman of the remuneration committee. The committee has access to professional advice as and when it considers it necessary.

The Remuneration Committee's principal functions are to advise on the broad framework for executive remuneration and to determine the remuneration package of executive directors. It reviews the performance of the executive directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the shareholders. No executive director may participate in decisions regarding their own remuneration.

The Committee is also responsible for overseeing the operation of the share option schemes operated by the company.

Remuneration policy

In determining remuneration packages the Remuneration Committee has regard to the importance of retaining and motivating executive directors as well as linking reward to the Group's performance. Within this context, the Committee's policy on executive director remuneration is to:

- Pay a competitive base salary designed to attract and retain executive directors relevant to each director's role, experience and the external market;

- Provide incentive arrangements which are subject to performance targets (based on share price performance), reflect the Group's objectives and recognise the importance of providing sustained motivation of management to focus on annual, as well as longer-term performance, and:

- Align the interest of the executive directors with those of shareholders.

In order to achieve these objectives the committee's approach is that a significant proportion of the overall remuneration package should be linked to the performance of the Group, through participation in share options.

Remuneration policy for non-executives

The Group's policy on non-executive director remuneration is to pay fees based upon the experience and expertise of the directors. The level of non-executive fees reflects the amount of time that the non-executives are required to spend on Group duties during the period. The non-executive directors received no other benefits, with exception to the share options referred to on page 17.

Remuneration packages

Basic salary

Basic salary and benefits are reviewed as required. Reviews take place at the discretion of senior management or the Remuneration Committee. Each review shall consider the individual's performance and responsibilities, Group performance and market trends.

Share options

Share option awards may be made to directors under the various schemes in place.

Share options are the main incentive scheme for the executive directors of the Group. The Board believe that this is the best way to align the interest of the directors with the shareholders in this early stage of the Group.

Service contracts

The service contracts of the individual directors are as follows:

	Commencement date	**Expiry date**
Executive directors:		
Dominic Wheatley	1 December 2003	terminable on three month's rolling notice
Alex Halliday	12 January 2010	terminable on six month's rolling notice
Steve Hardman	12 January 2010	terminable on six month's rolling notice
Brett Morris	1 March 2010	terminable on three month's rolling notice
Non-executive directors:		
Ian Livingstone	15 April 2004	terminable on one month's rolling notice
Vikrant Bhargava*	12 January 2010	terminable if Veddis Ventures' shareholding falls below four per cent
Lord William Astor	8 February 2012	terminable on one month's rolling notice

*or other Bentworth Holdings Ltd (Veddis Ventures) nominated non-executive director. Vikrant Bhargava resigned as a non-executive director on February 8 2012.

Directors' remuneration

The emoluments of the individual directors were as follows:

Basic salary and fees:

	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
Executive directors:		
Dominic Wheatley	54	62
Alex Halliday	75	56
Steve Hardman	75	56
Brett Morris	44	23
Non-executive directors:		
Ian Livingstone	12	9
Vikrant Bhargava*	-	-
	260	206

* Retired post year end on 8 February 2012

The directors listed above represent the Group and Company's key management personnel.

£63,000 (period to 31 December 2010 - £87,000) of the share based payment charge recorded in the statement of comprehensive income for the year ended 31 December 2011 relates to directors and £nil (period to 31 December 2010 - £nil) relates to retired directors. £28,000 (period to 31 December 2010 - £49,000) relates to Veddis Ventures, a company in which Vikrant Bhargava holds a beneficial interest.

No amounts (period to 31 December 2010 - £nil) were paid by the Company into pension schemes for the benefit of the directors.

Directors remuneration *(Continued)*

The share options granted to the directors under EMI and individual share option agreements are set out below:

	Number at start and end of period	Exercise price per share	Date from which exercisable*	Expiry date
Executive directors:				
Alex Halliday	1,500,000	1.25 pence	24/10/2009	24/10/2018
Alex Halliday	7,046,053	1.25 pence	12/01/2012	12/01/2020
Brett Morris	10,000,000	1.5 pence	18/09/2010	18/03/2020
Steve Hardman	1,500,000	1.25 pence	24/10/2009	24/10/2018
Steve Hardman	6,263,158	1.25 pence	12/01/2012	12/01/2020
Non-executive directors:				
Ian Livingstone	50,000	14 pence	26/04/2004	26/04/2014
Ian Livingstone	50,000	90 pence	01/10/2005	01/10/2014
Ian Livingstone	250,000	13.5 pence	20/09/2007	20/09/2016
Ian Livingstone	300,000	4 pence	01/05/2009	01/05/2018
Ian Livingstone	300,000	1.25 pence	24/10/2009	24/10/2018

* The only vesting condition is that the individual remains a director of the group, with the exception of the 14p share options issued in April 2004. These do not lapse on resignation.

The market price of the shares at 31 December 2011 was 0.925 pence (31 December 2010 – 3.925 pence) and the range during the financial period was 0.9 pence to 3.8 pence. The UK Corporate Governance Code recommends that non-executive directors should not be eligible for the award of share options. The Board believes that given the size and nature of the Group it is appropriate for non-executive directors to be incentivised in the same manner as other directors.

On behalf of the Board

Dominic Wheatley
Chairman, Remuneration Committee
13 March 2012

The directors present their annual report on the affairs of the Group, together with the accounts and the independent auditor's report for the year ended 31 December 2011.

The current period under review is the 12 month period ended 31 December 2011. The prior period under review is the nine month period ended 31 December 2010.

Principal activities, review of business and future developments

The Group's principal activity is the development of a social networking platform "SocialGO™".

A review of the Group's performance during the year to 31 December 2011, including financial performance, likely future developments, discussion of key performance indicators, key risks and uncertainties facing the Group, the prospects and position of the Group at the period-end and information that fulfils the requirements of the Business Review, is set out in the CEO's statement, and the Operational and financial review on pages 6 to 9. Principal subsidiaries are listed in note IV to the Company accounts on page 56 onwards.

The first version of SocialGO™ was launched in February 2009 and since then development has continued to improve the applications, functionality and stability of the offering. Development work in the period has been focused on Version 2 which soft launched October 2011.

SocialGO plc continues to operate in a relatively new and developing market. The Board continue to be excited about the prospects offered by SocialGO™. The sales growth of similar types of products is impressive and the Board considers the product to be well positioned to take a stake in this market.

We will continue to explore all opportunities to utilise the Group's expertise and intellectual property.

Results and dividends

The consolidated statement of comprehensive income is set out on page 24. The group loss for the period before and after tax is £1,179,000 (period to 31 December 2010 - £1,079,000). Basic loss per share is 0.27 pence (period to 31 December 2010 - 0.30 pence). The directors do not recommend the payment of a dividend for the period (period to 31 December 2010 – £nil).

Events after the balance sheet date

These are detailed in note 19 to the financial statements.

Research & development

The Group is committed to research and development activities as a key strategy to drive organic growth and to improve the Group's competitive position. The Group spent £596,000 during the period on development of SocialGO™, of which £431,000 was capitalised (period to 31 December 2010 - £331,000). The Group also received HMRC R&D credits of £353,000. £234,000 of these were received in the year and related to year ended 31 March 2009 and year ended 31 March 2010. Post year end the Group received a further £119,000 relating to period ended 31 December 2010. £265,000 of this has been recognised in the year, for further details refer to Operational and financial review on pages 6 to 9.

Financial instruments and financial capital management

The Group's policy on the use of financial instruments and financial capital management is set out in notes 1 and 13.

Share listing

The Company's Ordinary shares are listed on the Alternative Investment Market on the London Stock Exchange.

Share capital

Changes to share capital during the period are given in note 14 to the accounts on page 46 onwards.

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the business transaction; ensure that those suppliers are made aware of the terms of payment by including them in the terms and condition of the contract; and pay in accordance with contractual and legal obligations.

Trade payables of the Group at period end represented 32 days purchases (period to 31 December 2010 - 61 days).

Charitable and political donations

During the period the Company made no charitable or political donations (period to 31 December 2010 - £nil).

Directors

The directors of the Company during the period and at the period end and their beneficial interests in the ordinary share capital and options to purchase such shares were as follows:

	Ordinary shares of 1p each			
	31 December 2011		1 January 2011	
	Share Options	Shares	Share Options	Shares
Executive directors:				
Dominic Wheatley	-	71,805,102	-	71,805,102
Alex Halliday	8,546,053	19,755,590	8,546,053	16,992,432
Steve Hardman	7,763,158	18,257,342	7,763,158	15,801,202
Brett Morris	10,000,000	-	10,000,000	-
Non-executive directors:				
Ian Livingstone	950,000	12,905,556	950,000	12,905,556
Vikrant Bhargava*	-	-	-	-

*Vikrant Bhargava is the nominated representative of Bentworth Holdings Ltd, trading as Veddis Ventures, a company in which he holds an indirect beneficial interest. Bentworth Holdings Ltd held 16,400,000 share options and 77,448,000 shares at 31 December 2011 (31 December 2010 – 16,400,000 share options and 77,448,000 shares). On February 8 2012, Vikrant Bhargava resigned as a director of SocialGO plc.

Dominic Wheatley, and Brett Morris also served as directors to 100% owned subsidiary SocialGO Development Limited (formerly SocialGO Limited) throughout the period. Dominic Wheatley also served as a director to 100% owned subsidiary Bright Things Inc. throughout the period.

Directors *(continued)*

No director has any interest in the shares of the subsidiary companies at 31 December 2011. Further details of the directors' share options are shown in the remuneration report on page 17, which also shows the movements during the period. Details of any directors' interest in transactions of the group are given in note 17.

The directors who retire by rotation are Alex Halliday, Brett Morris and Ian Livingstone who, being eligible, offer themselves for re-election. Lord William Astor, having been appointed during the year, offers himself for election.

Directors' responsibilities

The directors are responsible for preparing the annual report and 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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company 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 company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 requirements of 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.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Going concern

The going concern basis of preparation has been applied in preparing these financial statements as disclosed in note 1.

Auditors

BDO LLP has expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Directors' statement as to disclosure of information to auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any audit information of which the auditors are unaware.

On behalf of the Board

Dominic Wheatley
Chairman
13 March 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOCIALGO PLC

We have audited the financial statements of SocialGO Plc for the year ended 31 December 2011 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the Company balance sheet, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with sections 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 auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period 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.

Ian Clayden (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
13 March 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

SocialGO plc

Consolidated statement of comprehensive income for the year ended 31 December 2011

	Note	Year to 31 December 2011 £'000	Nine month period to 31 December 2010 £'000
Revenue	3	**734**	574
Cost of sales		**(466)**	(336)
Gross profit		**268**	238
Research and development costs		**(165)**	(103)
Research and development credit		**265**	-
Administrative expenses - other		**(1,548)**	(1,214)
Total administrative expenses		**(1,448)**	(1,317)
Loss from operations	4	**(1,180)**	(1,079)
Finance income		**1**	-
Loss before and after tax and total comprehensive income for the period	6	**(1,179)**	(1,079)
Loss per share			
Basic and diluted	7	**(0.27)p**	(0.30)p

All amounts relate to continuing activities.

The notes on pages 28 to 52 form part of the group financial statements.

SocialGO plc

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained deficit £'000	Shares to be issued £'000	Total equity £'000
31 March 2010	**5,967**	**10,470**	**(118)**	**(15,154)**	**268**	**1,433**
Share based payment charge	-	-	-	176	-	176
Issue of shares and warrants – private placings	600	73	-	77	-	750
Share issue costs	-	(24)	-	-	-	(24)
Loss before and after tax and total comprehensive income	-	-	-	(1,079)	-	(1,079)
31 December 2010	**6,567**	**10,519**	**(118)**	**(15,980)**	**268**	**1,256**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained deficit £'000	Shares to be issued £'000	Total equity £'000
31 December 2010	**6,567**	**10,519**	**(118)**	**(15,980)**	**268**	**1,256**
Share based payment charge	-	-	-	143	-	143
Issue of shares – acquisition of Get On With It Limited	58	-	-	-	(58)	-
Issue of shares – exercise of options	1	-	-	-	-	1
Issue of shares and warrants – broker fees consideration	6	-	-	14	-	20
Issue of shares – private placings	562	1,075	-	-	-	1,637
Share issue costs	-	(82)	-	-	-	(82)
Loss before and after tax and total comprehensive income	-	-	-	(1,179)	-	(1,179)
31 December 2011	**7,194**	**11,512**	**(118)**	**(17,002)**	**210**	**1,796**

The notes on pages 28 to 52 form part of the group financial statements.

SocialGO plc

Consolidated statement of financial position at 31 December 2011

Company number 05066489

	Note	Group 31 December 2011 £'000	Group 31 December 2011 £'000	Group 31 December 2010 £'000	Group 31 December 2010 £'000
Assets					
Non-current assets					
Property, plant and equipment	8		**7**		18
Intangible assets	9		**1,599**		1,556
Total non-current assets			**1,606**		1,574
Current assets					
Trade and other receivables	11	**126**		167	
Tax asset	11	**146**		10	
Cash and cash equivalents	13	**347**		26	
Total current assets			**619**		203
Total assets			**2,225**		1,777
Liabilities					
Non-current liabilities					
Deferred R&D credits	12		**(47)**		-
Total non-current liabilities			**(47)**		-
Current Liabilities					
Trade and other payables	12	**(107)**		(181)	
Deferred R&D credits	12	**(41)**		-	
VAT and social security liabilities	12	**(49)**		(108)	
Accruals	12	**(185)**		(232)	
Total current liabilities			**(382)**		(521)
Total liabilities			**(429)**		(521)
Total net assets			**1,796**		1,256
Capital and reserves attributable to owners of the parent					
Share capital	14		**7,194**		6,567
Share premium			**11,512**		10,519
Merger reserve			**(118)**		(118)
Retained deficit			**(17,002)**		(15,980)
Shares to be issued	10		**210**		268
Total equity			**1,796**		1,256

The financial statements were approved by the Board and authorised for issue on 13 March 2012.

Dominic Wheatley **Chairman**

The notes on pages 28 to 52 form part of the group financial statements.

SocialGO plc

Consolidated statement of cash flows for the year ended 31 December 2011

	Year to 31 December 2011 £'000	Year to 31 December 2011 £'000	Nine month period to 31 December 2010 £'000	Nine month period to 31 December 2010 £'000
Cash flows from operating activities				
Loss before tax		**(1,179)**		(1,079)
Share based payments		**143**		226
Depreciation on property plant and equipment		**17**		7
Amortisation of intangible assets		**388**		150
Finance income		**(1)**		-
Cash used in operating activities before changes in working capital		**(632)**		(696)
(Increase)/Decrease in trade and other receivables		**(95)**		-
(Decrease)/Increase in trade and other payables		**(92)**		174
Cash used in operations		**(819)**		(522)
Investing activities				
Purchase of property, plant and equipment	**(6)**		(1)	
Capitalised R&D expenditure	**(431)**		(331)	
Finance income	**1**		-	
Net cash used in investing activities		**(436)**		(332)
Financing activities				
Issue of new share capital and warrants	**1,658**		700	
Costs of issue of new share capital	**(82)**		(24)	
Net cash from financing activities		**1,576**		676
Net increase/(decrease) in cash and cash equivalents		**321**		(178)
Cash and cash equivalents at beginning of the period		**26**		204
Cash and cash equivalents at end of the period		**347**		26

The notes on pages 28 to 52 form part of the group financial statements.

1 Accounting policies

Principal accounting policies

The Company is a public company incorporated and domiciled in the United Kingdom. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs") and those parts of the Companies Act 2006 which apply to companies preparing their financial statements under IFRSs.

The current period under review is the 12 month period ended 31 December 2011. The prior period under review is the nine month period ended 31 December 2010. The amounts presented in the financial statements are therefore not entirely comparable.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2011

None of the standards, interpretations or amendments effective in this financial period have had a material impact on the financial statements.

b) New standards, interpretations and amendments not yet effective

None of the new standards, interpretations or amendments issued but not yet effective is expected to have a material effect on the financial statements.

Going concern

The Board continually monitors the financial position of the Group, taking into account the latest three year cash flow forecasts and the ability of the Group to generate cash.

The Board has prepared the financial statements on a going concern basis having given consideration to forecast sales and the marketability of SocialGO™, together with planned fundraising activity, for the foreseeable future.

Given the level of paid subscription taken up since commercial launch, the Board believe its most recent sales forecasts, which incorporate further investment in marketing activity and continued growth in paid subscriptions to SocialGO™, to be achievable. However, given that SocialGO™ represents a new product in a relatively new market, there remains an inherent uncertainty in the level or timing of growth that will actually be achieved. The Board are confident that any shortfall or delay in forecast growth in revenues, or funds raised, were this to happen, could be absorbed by existing working capital or mitigated by a reduction in the Group's cost base to ensure that the Group will have sufficient working capital to operate as a going concern for the foreseeable future.

1 Accounting policies *(Continued)*

Going concern (Continued)

The Board therefore believe that it is appropriate to draw up the financial statements on a going concern basis.

Basis of Consolidation

The consolidated financial statements incorporate the results of SocialGO plc and its subsidiary undertaking, SocialGO Development Limited, using the merger accounting method.

The results also include the results of its other subsidiaries, Bright Things International Limited, Bright Things Inc., PushPlay Interactive LLC and Get On With It Limited using the purchase accounting method. The acquisition of CommonWorld Limited was deemed to be a purchase of an asset rather than a business combination. On this basis, the acquisition of the SocialGO™ Intellectual Property has been recorded at cost.

Merger accounting

Applying the exemption from the requirement to restate pre-transition date acquisitions available under IFRS1, merged subsidiary undertakings are treated as if they had always been a member of the Group. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to the merger reserve. Assets and liabilities are included at their merger date book values.

Purchase accounting

The results of subsidiary undertakings acquired prior to 1 April 2010 are taken from the date on which control is obtained. For acquisitions qualifying as ‘business combinations’ any difference between the fair value of separately identifiable assets, liabilities and contingent liabilities acquired and the consideration paid is treated as goodwill in the consolidated statement of financial position. There have been no business combinations after 1 April 2010.

Revenue recognition

Revenue relates to subscription fees for SocialGO™ services and sales of ancillary products less value added tax and provision against any subsequent refunds. SocialGO™ subscription income is billed monthly in advance and revenue is deferred in the statement of financial position until the service is provided. For all packages there is a level of storage and bandwidth which is provided for within the monthly fee.

Where SocialGO™ sales include goods with a revenue share agreement and SocialGO plc acts as the principal, the sale is recorded gross and the shared portion is recorded as a cost of sale. Widgets are an add-on sale item and 50% of the net revenue is paid by SocialGO plc to the third party developer. The third party is liable to provide SocialGO plc with any on-going support in regards to their widgets.

1 Accounting policies *(Continued)*

Goodwill

Goodwill results from the acquisition of subsidiaries and corresponds to the difference between the fair value of the acquisition consideration and the fair value of the assets, liabilities and contingent liabilities identified at the date of acquisition.

Goodwill is not amortised, but it is subject to an annual impairment review.

Foreign currency

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the statement of financial position date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the profit or loss.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the statement of financial position date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve"). No material differences arise on translation.

Financial assets

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. They are carried at amortised cost using effective rate method.

Cash and cash equivalents: Cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial liabilities

Other financial liabilities: Other financial liabilities include trade payables and other short-term monetary liabilities, which are recognised at fair value on initial recognition and subsequently carried at amortised cost using the effective interest method.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Groups ordinary shares are classified as equity instruments.

1 Accounting policies *(Continued)*

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income on a straight line basis over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of goods and services received. If it is not possible to identify the fair value of these goods or services provided, the statement of comprehensive income is charged with the fair value of the options granted.

Fair value is calculated using the Black-Scholes model, details of which are given in note 15.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within the administrative expenses line in the consolidated statement of comprehensive income.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights.

Where assets are acquired in transactions that do not meet the definition of a 'business combination', the assets are treated as acquired at cost, being the fair value of consideration.

The significant intangibles recognised by the group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	**Useful economic life**
SocialGO™ Intellectual property rights	5 years

1 Accounting policies *(Continued)*

Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

Capitalised development costs are amortised on a straight-line basis over their useful economic life of five years. The amortisation expense is included within administrative expenses in the consolidated statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and provision for impairment. Depreciation is provided on all property plant and equipment, at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis over its expected useful life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful economic life.

The method of depreciation for each class of depreciable asset is:

Computer equipment	-	3 years straight line
Office fixtures, fittings & equipment	-	3 years straight line

Impairment of Assets

Impairment tests on goodwill and development in progress are undertaken annually at the financial period end. The recoverable value of goodwill is estimated on the basis of value in use. Value in use is defined as the present value relating to the cash generating units with which the goodwill is associated. When value in use is less than the book value, impairment is recorded and is irreversible.

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows).

The carrying value of property, plant and equipment is assessed annually if there is an indication of impairment. Any impairment is charged to the statement of comprehensive income.

Impairment charges are included in the administrative expenses line item in the consolidated statement of comprehensive income.

1 Accounting policies *(Continued)*

Taxation and deferred taxation

Corporation tax payable is provided on taxable profits at prevailing rates.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill; and
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

Recognition of deferred tax assets is restricted to those instances where it is probable that future taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Research and development tax credits

HMRC R&D tax credits have been accounted for using IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance (para 2b).

Where there is an expectation that they will be recovered through a direct cash payment (which is not a repayment of previously paid corporation taxes) rather than as a credit against corporation taxes or a deduction from taxable profits, an R&D credit is treated as a government grant. The receivable is recognised once there is reasonable assurance that the conditions necessary for a successful claim have been met and that the payment will be received; this is generally the date at which the claim is submitted to HMRC. To the extent that the tax credit relates to R&D expenditure capitalised, the income associated with the tax credit is deferred and recognised in profit or loss over the periods in which the related asset is amortised, otherwise the credit is recognised immediately.

2 Critical accounting estimates and judgements

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. These judgements and estimates are based on managements' best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimations is contained below, as well as in the accounting policies and accompanying notes to the financial statements.

Impairment of goodwill and intangible assets
The group is required to test, on an annual basis, whether goodwill has suffered any impairment. Other intangible assets are tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. More information including carrying values is included in note 9.

Capitalisation of development costs
The Group capitalises expenditure on internally developed products in line with the accounting policy set out in note 1.

For the Board, the key estimates and judgements are with regard to assessing how the intangible asset under development will generate probable future economic benefits. The Board considers this requirement to be fulfilled once it can demonstrate the existence of a market for the output of the intangible asset.

In the opinion of the Board, the assessment that costs associated with the development of SocialGO™ would generate *probable* future economic benefits was reached once the product demonstrated an ability to derive revenues. This was determined to be when revenues were received shortly after commercial launch. This was considered to be a critical factor as prior to this the Board had significant uncertainty around the transition from a free to a paid product.

From the point that this, and all other, requirements are met, the Group capitalises development expenditure that (i) is considered to enhance the economic benefits that can be derived from the asset (ii) meets the definition of an asset and (iii) meets the general recognition criteria for intangible assets.

The Group has capitalised development costs in the amount of £431,000 in the period (period to 31 December 2010 - £331,000).

The carrying value of goodwill and other intangible assets, including capitalised development costs, are sensitive to estimates of future cash flows that support recoverable amounts.

In preparing cash flow forecasts, management set assumptions based on reasonably achievable outcomes and, where appropriate, consider the impacts of sensitivities applied to these assumptions.

Useful lives of intangible assets
Intangible assets are amortised over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods. More details including carrying values are included in note 9.

2 Critical accounting estimates and judgements *(Continued)*

Research and development tax credits

The R&D tax credit scheme that the group takes advantage of is not within the scope of an IFRS. In consequence, the group has applied the guidance in IAS 8.10-12 to devise an appropriate policy. On the basis that the R&D tax credit will be recovered through a direct cash payment (which is not a repayment of previously paid corporation taxes) rather than as a credit against corporation taxes, a repayment of previously paid taxes or a deduction from taxable profits, it is treated as a government grant under IAS 20. However where, due to changes in the circumstances of the group or changes in the rules applying to the R&D tax credit, the tax credit becomes more closely related to or reliant on profits chargeable to corporation tax, it might become more appropriate to treat subsequent payments as if they were within the scope of IAS 12 'Income taxes' with the associated benefit being recognised within taxation rather than operating profit.

With regards to the credit for the nine months to 31 December 2010, received January 17 2012, the Board have considered the above criteria along with the following factors:

- The claim was prepared using the detailed guidelines supplied by HMRC during the investigation into year ended 31 March 2009 and year ended 31 March 2010.
- The Company sought the advice and assistance of a reputable tax advisor.
- The basis of the claim was the same as the prior claims.
- The Company's recent history of successful claims.

After considering the factors noted above, the directors concluded that they were reasonably assured of receiving the full value of the claim at the date that the application submitted to HMRC and, in consequence, they recognised a receivable and the income at that date.

3 Segmental information

The Group's operations are structured to focus on the development and sale of SocialGO™ networks and all revenues arise from the sales of SocialGO™. The Group's activities are operated through a common infrastructure and support functions and therefore, in the opinion of the Directors, its activities constitute one operating segment through which it provides services.

The Group operates in four main geographic areas:

Revenue

	Year ended 31 December 2011 £'000	**Period ended 31 December 2010 £'000**
United Kingdom	**120**	109
United States of America	**475**	332
EU	**39**	37
Other	**100**	96
	734	574

All the Group's assets are UK based.

4 Loss from operations

	Year ended 31 December 2011 £'000	**Period ended 31 December 2010 £'000**
This is arrived at after charging/(crediting);		
Staff costs (see note 5)	**1,036**	775
Depreciation	**17**	7
Amortisation of intellectual property and capitalised development costs	**388**	150
Exchange differences	**21**	6
Development expenses	**165**	103
HMRC R&D credit	**(265)**	-
Auditors' remuneration in respect of Company	**22**	20
Audit of subsidiary undertakings pursuant to legislation	**22**	20
Auditors' remuneration - non-audit services - taxation	**2**	2
Share based payments – employee and director share options	**106**	127
Share based payments – consultants and advisers share options	**37**	49
Operating lease expense - property	**55**	44

5 Staff costs

	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
Staff costs for all employees, including Directors and development staff, consist of:		
Wages and salaries	**934**	701
Social security costs	**102**	74
	1,036	775
Share based payment charge	**106**	127
	1,142	902

£43,000 (period to 31 December 2010 - £40,000) of the share based payment charge relates to employees and £63,000 (period to 31 December 2010 - £87,000) relates to directors and retired directors. There were no other benefits in kind.

	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
The average number of employees of the group during the period, including directors, was as follows:		
Management and administration	**7**	7
Sales and support	**6**	9
Development	**13**	11
	26	27

5 Staff costs *(Continued)*

	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
Key management remuneration consists of:		
Payroll costs	**290**	229
Share based payment charge	**63**	87
	353	316

The highest paid directors during the period were both paid £75,000 (period to 31 December 2010 - £62,000).

The directors' emoluments are disclosed in the report of the remuneration committee on page 16.

6 Taxation on profit from ordinary activities

	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
Loss on ordinary activities before tax	**(1,179)**	**(1,079)**

The tax assessed for the period differs from the standard rate of corporation tax in the UK applied to profit before tax.

The differences are explained below:

	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
Loss on ordinary activities at the standard rate of corporation tax in the UK of 26% (2010 - 28%)	**(307)**	(302)
Effects of:		
Unutilised losses carried forward	**295**	299
Capital allowances for the period in deficit of depreciation	**7**	2
Expenses not deductible for tax purposes	**5**	1
Current tax charge for period	**-**	-

6 Taxation on profit from ordinary activities *(Continued)*

Deferred Tax

At 31 December 2011 the Group had £15.4 million (period to 31 December 2010 - £16.2 million) carried forward as losses, subject to the agreement of the Inland Revenue and US tax authorities. After assessing the prospects for the 2011 financial period the board has decided to not recognise any deferred tax asset as it is prudent to estimate that no losses will be utilised in that period. The value of the unprovided deferred tax asset at 25% (2010 - 27%), is calculated at £3.85 million (period to 31 December 2010 - £4.37 million).

At 31 December 2011 the Group had £218,000 (period to 31 December 2010 - £211,000) of unclaimed capital allowances. These have not been recognised as management cannot prudently estimate that these will be utilised in the forthcoming period. The value of the unprovided deferred tax asset is calculated at £57,000 (period to 31 December 2010 - £57,000)

7 Loss per share

Loss per share has been calculated using the following:

	Year ended 31 December 2011	**Period ended 31 December 2010**
Loss (£'000)	**(1,179)**	(1,079)
Weighted average number of shares ('000s)	**436,722**	355,528
Basic and diluted loss per ordinary share	**(0.27)p**	(0.30)p

Loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue, is 436,721,959 (period to 31 December 2010 - 355,528,540) and the earnings, being loss after tax is £1,179,000 (period to 31 December 2010 - £1,079,000 loss). There are no potentially dilutive shares in issue. Share options totalling 60,493,903 (period to 31 December 2010 - 62,593,835) have not been included in the calculation of diluted loss per share because they are anti-dilutive for the periods presented.

The Company has outstanding issued warrants to subscribe for 4,000,000 1p ordinary shares at 5p per share, 44,515,873 1p ordinary shares at 1.25p per share, 10,000,000 1p ordinary shares at 1.5p per share and 550,000 1p ordinary shares at 2.75p per share (period to 31 December 2010 - 540,541 1p ordinary shares at £1.50 per share, 250,000 1p ordinary shares at £2.50 per share, 35,380,000 1p ordinary shares at 5p per share, 44,515,873 1p ordinary shares at 1.25p per share and 10,000,000 1p ordinary shares at 1.5p per share). These outstanding warrants are considered to be anti-dilutive to a loss per share.

8 Property, plant and equipment

	Computer equipment £'000	Office fixtures fittings and equipment £'000	Total £'000
Cost			
Balance at 1 April 2010	139	32	171
Additions	1	-	1
Additions relating to GOWIT acquisition	-	-	-
Balance at 31 December 2010	**140**	**32**	**172**
Additions	6	-	6
Balance at 31 December 2011	**146**	**32**	**178**
Accumulated depreciation			
Balance at 1 April 2009	115	32	147
Provision for year	7	-	7
Balance at 31 December 2010	**122**	**32**	**154**
Provision for period	17	-	17
Balance at 31 December 2011	**139**	**32**	**171**
Net book value			
At 1 April 2010	24	-	24
At 31 December 2010	18	-	18
At 31 December 2011	**7**	**-**	**7**

9 Intangible assets

	Goodwill on consolidation £'000	Capitalised development £'000	Intellectual property £'000	Total £'000
Cost				
Balance at 1 April 2010	1,529	405	635	2,569
Additions	-	331	-	331
Balance at 31 December 2010	**1,529**	**736**	**635**	**2,900**
Additions	-	431	-	431
Balance at 31 December 2011	**1,529**	**1,167**	**635**	**3,331**
Accumulated amortisation				
Balance at 1 April 2010	832	45	317	1,194
Provision for year	-	88	62	150
Balance at 31 December 2010	**832**	**133**	**379**	**1,344**
Provision for period	-	260	128	388
Balance at 31 December 2011	**832**	**393**	**507**	**1,732**
Net book value				
At 1 April 2010	697	360	318	1,375
At 31 December 2010	697	603	256	1,556
At 31 December 2011	**697**	**774**	**128**	**1,599**

The carrying value of goodwill has been supported by reference to the group's detailed 3 year cash flow forecasts (as referred to in note 1 to the financial statements), that, based on reasonably achievable growth rates, suggest that the carrying value of these assets is not impaired. The group's forecasts are based on revenue growth rates and a reasonably predictable cost base that management believe are reasonably achievable and have been achieved in the period subsequent to the balance sheet date.

A discount rate of 30% has been applied to cash flow forecasts that takes in to account the time value of money, possible variations in the timing and amount of cash flows and uncertainties inherent within the asset. A terminal value has also been applied from year 4 with zero growth rate. The discount rate has been sensitised to endure that no reasonably possible change in rate would materially impact the carrying value of the asset.

10 Acquisition of subsidiary undertakings

On 12 January 2010, the Group acquired 100% of the voting equity instruments of Get On With It Limited, a software development business whose sole activity was the development of SocialGO™.

The fair value of purchase consideration and book and fair value of assets and liabilities acquired are as follows:

	Fair value £'000
Consideration paid	
11,666,667 1p ordinary shares issued 12 January 2010 at market value of 1.15p per share	**134**
11,666,667 warrants to subscribe for 1p ordinary shares issued 12 January 2010	**88**
23,333,332 1p ordinary shares to be issued	**268**
29,958,333 warrants to subscribe for 1p ordinary shares to be issued	**227**
Assets acquired	
Computer equipment	**(17)**
Receivables	**(97)**
Cash	**(3)**
Payables	**97**
Goodwill	**697**

The main asset purchased was the GOWIT workforce. However, due to its transient nature this cannot be treated as a separately identifiable intangible asset under IFRS, therefore it must be subsumed within the goodwill arising on purchase.

The fair value of the shares issued was determined by reference to the market price of 1.15p on the date of issue, 12 January 2010. The fair value of warrants was calculated using the Black-Scholes method.

5,833,333 of the 1p ordinary shares to be issued have been issued post balance sheet date. The remaining shares will be issued in three tranches of 5,833,333 shares in January 2012, January 2013 and January 2014.

The GOWIT loss in the period was £11,000 (loss since acquisition to 31 December 2010 was £4,000).

GOWIT had the following results from 1 December 2009, the start of its most recent accounting period to the date of acquisition:

	£'000
Turnover	**76**
Operating loss	**(4)**
Loss before tax	**(4)**

	£'000
Profit after tax for the financial year to 30 November 2009	**1,011**

11 Trade and other receivables

	31 December 2011 £'000	31 December 2010 £'000
Trade receivables	**68**	36
Prepayments and accrued income	**25**	89
Other receivables - advances	**18**	27
Other receivables - unpaid allotted shares	**15**	15
	126	167
Other receivables - VAT	**27**	10
Other receivables – R&D tax credit	**119**	-
Total trade and other receivables	**272**	177

12 Liabilities

Non-current liabilities

	31 December 2011 £'000	31 December 2010 £'000
Deferred R&D credits received	**47**	-

Trade and other payables - current

	31 December 2011 £'000	31 December 2010 £'000
Trade payables	**107**	168
Other payables	**-**	13
	107	181
Deferred R&D credits received	**41**	**-**
VAT and social security liabilities	**49**	108
Accruals	**185**	232
	382	521

13 Financial risk management

The Group is exposed to risks that arise from its use of financial instruments. These financial instruments are within the current assets and current liabilities shown on the face of the statement of financial position and comprise the following:

	31 December 2011 £'000	31 December 2010 £'000
Loans and receivables		
Trade receivables	**68**	36
Cash and cash equivalents	**347**	26
Financial liabilities at amortised cost		
Trade and other payables	**107**	181

Credit risk

The Group manages this risk by using a reputable bank and billing subscriptions in advance.

Trade receivables

The Group's main income is from subscribers to the SocialGO™ networks. These subscriptions are received in advance. The trade receivables balance relates to period end funds being held in the SocialGO PayPal account, prior to it being transferred to the bank account.

Any receivables are reviewed regularly by senior management and the finance director to assess the collectability of amounts due. Where it is unlikely that amounts would be recovered these are provided for immediately. In addition to requesting references, the Group has previously requested payment on delivery.

All trade receivables are current for the current and prior period.

Cash at bank and cash equivalents

The Group's policy in respect of cash and cash equivalents is to limit its exposure by reducing cash holding in the operating units and investing amounts that are not immediately required in funds that have low risk and are placed with a reputable bank.

Floating rate financial assets of £347,000 (period to 31 December 2010 - £26,000) comprise Sterling and US Dollar cash deposits on special interest bearing accounts, treasury deposits and a PayPal account. There are no fixed rate financial assets.

13 Financial risk management *(Continued)*

At 31 December 2011 the Group had the following cash balances:

	31 December 2011 £'000	31 December 2010 £'000
Sterling (weighted average rate of interest 0.25%, 31 December 2010 - 0.25%)	**337**	19
US Dollar (weighted average rate of interest 0.25%, 31 December 2010 - 0.25%)	**10**	7
	347	26

All monetary assets and liabilities within the group are denominated in the functional currency of the operating unit in which they are held. All amounts stated at carrying value equate to fair value.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and repayments of its liabilities.

The Group's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due and so cash holdings may be high during certain periods throughout the period. Refer to the basis of preparation in note 1 for further consideration of liquidity risk as part of the going concern assessment.

The Group currently has no overdraft facility.

The table below illustrates the ageing of trade payables:

	31 December 2011 £'000	31 December 2010 £'000
Current	**47**	52
31 – 60 days	**6**	12
61 – 90 days	**4**	15
91 – 120 days	**5**	5
121 – and over	**45**	97
	107	181

13 Financial risk management *(Continued)*

Capital Disclosures

The Group's management define capital as the Group's equity share capital and reserves.

The Group's objective when maintaining capital is to safeguard the Group's ability to continue as a going concern, so that it can begin to provide returns for shareholders and benefits for other stakeholders.

Companies at an early stage of product development often need to use equity for funding. To date the Group has only used equity funding to increase capital but would consider debt as a future source of funding.

The Group manages its capital structure and makes adjustments to it in the light of changes in the business and in economic conditions. In order to maintain or adjust the capital structure, the Group may from time to time issue new shares, based on working capital and product development requirements and current and future expectations of the Company's share price.

Share capital is used to raise cash and as direct payments to third parties for assets or services acquired.

Market risk

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group's functional currency is GBP, the other currency used in operations is USD. Whilst priced in USD, revenue receipts are paid by the credit card processor to SocialGO plc in GBP and the majority of expenditure to date has been made in GBP.

Any payments made in USD are paid from the USD bank accounts to reduce the exposure to currency risk. As in the prior year, the group entered into no forward contracts for US dollars during the period.

At 31 December 2011, the group had the following GBP amounts in USD balances: Bank £10,000; Trade receivables £68,000; and Trade payables £36,000.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group considers the interest rates available when deciding where to place cash balances. The Group has no material exposure to interest rate risk.

14 Share capital

On 12 January 2011, the Company raised £300,000 from the issue of 10,909,091 new Ordinary 1p shares at 2.75p per share.

On 28 February 2011 the Company raised £1,335,500 from the issue of 45,271,186 new Ordinary 1p shares at 2.95p per share. The Company also issued 5,833,333 new Ordinary 1p shares on this day, as part of the January 2010 Get On With It Limited acquisition agreement and 598,802 new Ordinary 1p shares at 3.34p per share and 550,000 warrants exercisable at 2.75p per share as consideration for broker fees.

14 Share capital *(Continued)*

On 11 July 2011 the Company issued 149,333 new Ordinary 1p shares at 1.25p per share following an exercise of employee share options.

Called up share capital

	Authorised			
	31 December 2011 Number	31 December 2010 Number	31 December 2011 £'000	31 December 2010 £'000
Ordinary shares of 1p each	500,000,000	500,000,000	5,000	5,000
Deferred shares of 9p each	30,450,078	30,450,078	2,741	2,741
			7,741	7,741

	Allotted, called up and fully or part paid*			
	31 December 2011 Number	31 December 2010 Number	31 December 2011 £'000	31 December 2010 £'000
Ordinary shares of 1p each	445,344,740	382,582,995	4,453	3,826
Deferred shares of 9p each	30,450,078	30,450,078	2,741	2,741
			7,194	6,567

* £15,000 of allotted share capital is unpaid.

The share price ranged from a low of 0.9 pence to a high of 3.8 pence.

The movement in share capital was as follows:

	Ordinary shares of 1p each Number	£'000
In issue at 31 December 2010	382,582,995	3,826
1p Ordinary Shares issued for 2.75p each – 12 January 2011	10,909,091	109
1p Ordinary Shares issued for 2.95p each – 28 February 2011	45,271,186	453
1p Ordinary Shares issued for 3.34p each – 28 February 2011	598,802	6
1p Ordinary Shares issued for 1p each – 28 February 2011	5,833,333	58
1p Ordinary Shares issued for 1.25p each – 11 July 2011	149,333	1
In issue at 31 December 2011	445,344,740	4,453

14 Share capital *(Continued)*

At 31 December 2011, options were outstanding over 60,493,903 shares, (31 December 2010 - 62,593,835), including options held by directors.

Unapproved Share Options

At 31 December 2011 the following share options were outstanding in respect of the ordinary shares under option agreements entered into by the Company:

Number of options	Date of Grant	Exercise period	Exercise price pence per share
400,000	26 April 2004	26 April 2004 to 26 April 2014	14.0
155,050	26 April 2004	26 April 2004 to 30 June 2012	10.0
75,000	26 April 2004	26 April 2004 to 30 June 2012	14.0
100,000	31 August 2004	31 August 2005 to 3 December 2014	90.0
100,000	31 August 2004	31 August 2005 to 1 October 2014	90.0
185,000	1 October 2004	1 October 2005 to 1 October 2014	90.0
24,000	30 November 2004	30 November 2004 to 30 November 2014	90.0
10,000	30 November 2004	30 November 2005 to 30 November 2014	90.0
25,000	1 December 2004	1 December 2005 to 1 December 2014	90.0
75,000	21 December 2004	1 January 2005 to 1 January 2015	90.0
30,000	7 January 2005	7 January 2006 to 7 January 2015	90.0
136,666	20 July 2005	20 July 2006 to 20 July 2015	149.5
91,667	20 July 2005	20 July 2007 to 20 July 2015	149.5
91,667	20 July 2005	20 July 2008 to 20 July 2015	149.5
45,000	20 September 2006	20 September 2007 to 20 September 2016	13.5
166,666	20 September 2006	20 September 2007 to 20 September 2016	13.5
166,667	20 September 2006	20 September 2008 to 20 September 2016	13.5
166,667	20 September 2006	20 September 2009 to 20 September 2016	13.5
100,000	21 September 2006	21 September 2007 to 21 September 2016	11.3
200,000	1 April 2007	1 April 2008 to 1 April 2017	10.0
650,000	1 May 2008	1 May 2009 to 1 May 2018	4.0
275,000	1 May 2008	1 May 2010 to 1 May 2018	4.0
275,000	1 May 2008	1 May 2011 to 1 May 2018	4.0
2,133,334	24 October 2008	24 October 2009 to 24 October 2018	1.25
1,733,333	24 October 2008	24 October 2010 to 24 October 2018	1.25
1,733,333	24 October 2008	24 October 2011 to 24 October 2018	1.25
3,000,000	12 January 2010	12 January 2010 to 12 January 2016	1.25
3,000,000	12 January 2010	12 January 2011 to 12 January 2016	1.25
3,000,000	12 January 2010	12 January 2012 to 12 January 2016	1.25
3,000,000	12 January 2010	12 January 2013 to 12 January 2016	1.25
3,000,000	12 January 2010	12 January 2014 to 12 January 2016	1.25
1,400,000	16 June 2010	16 September 2010 to 16 September 2016	1.25
1,750,000	29 November 2010	29 November 2010 to 29 November 2020	1.3
450,000	29 November 2010	29 November 2011 to 29 November 2016	1.25
27,744,050			

14 Share capital *(Continued)*

EMI Plan

At 31 December 2011 the following share options were outstanding in respect of the ordinary shares under the EMI plan:

Number of options	Date of Grant	Exercise period	Exercise price pence per share
6,214,467	12 January 2010	12 January 2011 to 12 January 2020	1.25
6,214,467	12 January 2010	12 January 2012 to 12 January 2020	1.25
6,214,467	12 January 2010	12 January 2013 to 12 January 2020	1.25
4,000,000	18 March 2010	18 September 2010 to 12 January 2020	1.50
2,000,000	18 March 2010	18 September 2011 to 12 January 2020	1.50
2,000,000	18 March 2010	18 September 2012 to 12 January 2020	1.50
2,000,000	18 March 2010	18 September 2013 to 12 January 2020	1.50
1,368,818	29 November 2010	29 November 2011 to 29 November 2020	1.25
1,368,817	29 November 2010	29 November 2012 to 29 November 2020	1.25
1,368,817	29 November 2010	29 November 2013 to 29 November 2020	1.25
32,749,853			

15 Share based payment

SocialGO plc operates two equity settled share based remuneration schemes for employees: a long term incentive scheme and an unapproved scheme for executive directors, certain senior management and contractors. All employees are eligible to participate in the long term incentive scheme, the only vesting condition being that the individual remains an employee of the group over the savings period.

	31 December 2011 Weighted average price (pence)	31 December 2011 Number	31 December 2010 Weighted average price (pence)	31 December 2010 Number
Outstanding at the beginning of the period	3.2	62,593,835	3.5	54,134,103
Granted during the period	0	-	1.25	8,746,452
Exercised during the period	1.25	(149,333)	0	-
Lapsed during the period	3.5	(1,950,599)	1.25	(286,720)
Outstanding at the end of the period	**3.2**	**60,493,903**	**3.2**	**62,593,835**

15 Share based payment *(Continued)*

The exercise price of options outstanding at the end of the year ranged between 1.25p and 149.5p (period to 31 December 2010 - 1.25p and 149.5p) and their weighted contractual life was 8.88 years (period to 31 December 2010 - 8.92 years).

Of the total number of options outstanding at the end of the period, 24,761,450 (period to 31 December 2010 - 13,643,105) had vested and were exercisable at the end of the year.

There were 149,333 shares exercised in the current year (period to 31 December 2010 - nil).

Due to no options being granted in the current year the weighted average fair value of each option granted during the year was £nil (period to 31 December 2010 - 1.0p).

16 Reserves

Reserve	**Description and purpose**
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Amount of merger relief applied on acquisitions.
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.
Shares to be issued	Nominal value of deferred shares.

17 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are described below.

During the year ended 31 March 2010 the Company entered into a consultancy agreement with Bentworth Holdings Ltd, the consideration for which is 15,000,000 share options, exercisable between 1 and 5 years. The share based payment charge for the period relating to these options was £27,915 (period to 31 December 2010 - £36,618). In a separate agreement, so long as it holds not less than 4 per cent of the issued share capital of the Company, Bentworth Holdings Ltd is entitles to appoint a non-executive director to the Board of SocialGO plc, subject to approval by the Board and the Company's nominated adviser. The non-executive director appointed was Vikrant Bhargava. Vikrant Bhargava is the founder of and holds an indirect beneficial interest in Veddis Ventures, which is the trading name of Bentworth Holdings Ltd. At 31 December 2011 Veddis Ventures held 8,252,873 warrants, 16,400,000 share options and 77,448,000 shares at 31 December 2011 (31 December 2010 - 8,252,873 warrants, 16,400,000 share options and 77,448,000 shares). Vikrant Bhargava resigned as a director of SocialGO plc on 8 February 2012.

Warrants, including those that are deferred, held by Directors at 31 December 2011, totalled 42,322,369 (31 December 2010 – 54,112,368), with Alex Halliday holding 21,711,842 (31 December 2010 - 22,659,841); Dominic Wheatley 700,000 (31 December 2010 - 8,700,000); Ian Livingstone 500,000 (31 December 2010 - 2,500,000); and Steve Hardman 19,410,527 (31 December 2010 - 20,252,527).

Some costs including US server fees are paid for by Directors, when this occurs Directors are reimbursed via expenses. At 31 December 2011, £3,002 (31 December 2010 - £260) was outstanding to Dominic Wheatley.

At the period end, the following balances were owed to the Company, Alex Halliday £5,000 (31 December 2010 - £5,000) and Steve Hardman £10,000 (31 December 2010 - £10,000). These amounts represent the highest amounts due from the directors during the period.

The balances owed by Alex Halliday and Steve Hardman relate to unpaid shares allotted in the period to 31 December 2010.

18 Licence Commitments

At 31 December 2011 the Group was committed to pay £32,644 (period to 31 December 2010 - £33,127) under licensing agreements.

19 Events after the balance sheet date

The Group received an HMRC R&D tax credit of £119,000 for the nine month period to 31 December 2010 on January 17 2012.

20 Operating lease commitments

At 31 December 2011 the Group had the following operating leases commitments:

	31 December 2011 £'000	31 December 2010 £'000
Land and buildings		
Between one and five years	**74**	130

SocialGO plc

Company balance sheet at 31 December 2011 under UK GAAP

Company number 05066489

	Note	Company 31 December 2011 £'000	Company 31 December 2011 £'000	Company 31 December 2010 £'000	Company 31 December 2010 £'000
Fixed Assets					
Intangible assets	III		**-**		-
Investments	IV		**1,075**		1,075
			1,075		1,075
Current assets					
Debtors	V	**526**		235	
Cash at bank and in hand		**253**		1	
		779		236	
Creditors: amounts falling due within one year	VI	**58**		(59)	
Net current assets			**721**		177
Total assets less current liabilities			**1,796**		1,252
Capital and reserves					
Called up share capital	VII		**7,194**		6,567
Share premium account			**11,512**		10,519
Merger reserve			**722**		722
Retained losses			**(17,807)**		(16,789)
Shares to be issued			**175**		233
Shareholders' funds			**1,796**		1,252

The financial statements were approved by the Board and authorised for issue on 13 March 2012.

Dominic Wheatley
Chairman

The notes on pages 54 to 60 form part of these financial statements.

I Accounting policies

The principal accounting policies applied are summarised below.

Basis of preparation

The financial statements have been prepared under the historical cost convention and are in accordance with applicable UK accounting standards.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied throughout the current and prior period unless otherwise stated.

Going concern

As detailed in note 1 to the consolidated financial statements on page 28 onwards, the Board continually monitors the financial position of the Company, taking into account the latest cash flow forecasts and the ability of the Company to generate cash.

The Board has prepared the financial statements on a going concern basis having given consideration to forecast sales and the marketability of SocialGO™, together with planned fundraising activity, for the foreseeable future.

Given the level of paid subscription taken up since commercial launch, the Board believe its most recent sales forecasts, which incorporate further investment in marketing activity and continued growth in paid subscriptions to SocialGO™, to be achievable. However, given that SocialGO™ represents a new product in a relatively new market, there remains an inherent uncertainty in the level of growth that will actually be achieved. The Board are confident that any shortfall in forecast growth in revenues, or funds raised, were this to happen, could be sufficiently mitigated by a reduction in the Company's cost base to ensure that the Company will have sufficient working capital to operate as a going concern for the foreseeable future.

The Board therefore believe that it is appropriate to draw up the financial statements on a going concern basis.

The financial statements do not include any adjustments that would result if the going concern basis of preparation were to become no longer appropriate.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intellectual Property – 3-5 years straight line

Valuation of investments

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

I Accounting policies *(Continued)*

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement on a straight line basis over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received. If it is not possible to identify the fair value of these goods or services provided, the income statement is charged with the fair value of the options granted.

Fair value is calculated using the Black-Scholes model.

Where equity instruments are issued by the Company in respect of services received by a subsidiary undertaking, this is treated as a capital contribution and included in the cost of the investment in the subsidiary, unless otherwise reimbursed, or due to be reimbursed, by the subsidiary undertaking.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

II Loss for the financial period

SocialGO plc has taken advantage of the exemption allowed under s408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Company's loss for the period is £1,175,000 (period to 31 December 2010 - £1,083,000 loss).

III Intangible assets

	Intellectual property £'000	Total £'000
Cost		
Balance at 1 January 2011 and 31 December 2011	**19**	**19**
Amortisation		
Balance at 1 January 2011 and 31 December 2011	**19**	**19**
Net book value		
At 31 December 2011 and 31 December 2010	**-**	**-**

IV Fixed asset investments

Subsidiary undertakings

	31 December 2011 £'000	31 December 2010 £'000
Cost		
Balance at 1 January 2011	**3,191**	3,191
Balance at 31 December 2011	**3,191**	3,191
Provisions		
Balance at 1 January 2011 and 31 December 2011	**(2,116)**	(2,116)
Carrying value of investments	**1,075**	1,075

IV Fixed asset investments *(Continued)*

The opening balance relates to Bright Entertainment Limited (£1,000,000), PushPlay Interactive (£1,112,000), the acquisition of 100% of the voting equity instruments of CommonWorld Ltd on 27 December 2007 (£414,000) and to the acquisition of Get On With It Limited (£665,000).

The following were subsidiary undertakings at the end of the period:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
SocialGO Development Limited	England & Wales	100%	Trading company
Bright Things International Limited	England & Wales	100%	Holding company
Bright Things Inc	USA	100%	Trading company
PushPlay Interactive LLC	USA	100%	Trading company
CommonWorld Limited	England & Wales	100%	Trading company
Get On With It Limited	England & Wales	100%	Trading company

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration.

Bright Things Inc. is 100% owned by Bright Things International Limited.

SocialGO plc took advantage of the merger relief provisions under s131 Companies Act 1985 when it issued equity shares on a share for share basis to acquire a 100% interest in SocialGO Development Ltd, PushPlay Interactive LLC and CommonWorld Limited.

SocialGO plc took advantage of the merger relief provisions under s612 Companies Act 2006 when it issued equity shares on a share for share basis to acquire a 100% interest in Get On With It Limited.

V Debtors due within one year

	31 December 2011 £'000	31 December 2010 £'000
Debtors - Amounts owed by subsidiary undertakings	**459**	131
Debtors – Unpaid shares (note VIII)	**15**	15
Debtors - Deposits	**17**	17
Other debtors - VAT	**12**	6
Prepayments	**23**	66
	526	235

VI Creditors: amounts falling due within one year

	31 December 2011 £'000	31 December 2010 £'000
Amounts owed to subsidiary undertakings	**29**	26
Trade creditors	**25**	28
Accruals	**4**	5
	58	59

VII Auditors' remuneration

		31 December 2011 £'000	31 December 2010 £'000
Auditors' remuneration	- audit services	**22**	20
	- non-audit services - interim review	**-**	1
	- non-audit services - taxation	**2**	1
		24	22

VIII Share capital and reserves

Details of the Company's share capital and the movements in the year can be found in note 14 to the consolidated financial statements, on page 46 onwards.

At the period end, there was £15,000 unpaid on shares allotted in the period to 31 December 2010 due from Alex Halliday £5,000 and Steve Hardman £10,000 (31 December 2010 - £15,000).

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained losses £'000	Shares to be issued £'000	Shareholder funds £'000
31 December 2010	**6,567**	**10,519**	**722**	**(16,789)**	**233**	**1,252**
Share based payment charge	-	-	-	143	-	143
Issue of shares – acquisition of Get On With It Limited	58	-	-	-	(58)	-
Issue of shares – exercise of options	1	-	-	-	-	1
Issue of shares and warrants – broker fees consideration	6	-	-	14	-	20
Issue of shares – private placings	562	1,075	-	-	-	1,637
Share issue costs	-	(82)	-	-	-	(82)
Loss before and after tax	-	-	-	(1,175)	-	(1,175)
31 December 2011	**7,194**	**11,512**	**722**	**(17,807)**	**175**	**1,796**

IX Share options

Unapproved Share Options

Details of the unapproved share options outstanding at 31 December 2011 in respect of the ordinary shares under option agreements entered into by the Company can be found in note 14.

EMI Plan

Details of the EMI share options outstanding at 31 December 2011 in respect of the ordinary shares under option agreements entered into by the Company can be found in note 14.

X Events after the balance sheet date

Details of the post balance sheet events can be found in note 19 on page 52.

XI Related party transactions

Details of the related party transactions can be found in note 17 on page 51.

The Company has exercised the exemption provided under FRS 8 in respect of wholly-owned subsidiaries.

XII Operating lease commitments

At 31 December 2011 the Company had the following operating leases commitments:

	31 December 2011 £'000	31 December 2010 £'000
Land and buildings		
In one year or less	**60**	56
	60	56

SocialGO plc

Advisers

Registrars	Share Registrars Limited Suite E – First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
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Broker	First Columbus Investments New Broad Street House 35 New Broad Street London EC2M 1NH
Solicitors	Faegre Baker Daniels LLP 7 Pilgrim Street London EC4V 6LB
Bankers	The Royal Bank of Scotland 13 Market Place Reading Berks RG1 2EP
	Barclays 27 Soho Square London W1D 3QR
PR	Hill & Knowlton 20 Soho Square London W1A 1PR
Independent Auditors	BDO LLP 55 Baker Street London W1U 7EU