

**Avisen plc**

**Annual Report for the year ended 31 January 2010**

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## Highlights

Revenues increased to £7.2m (10 months ended 31 January 2009:£2.4m)

Successfully integrated six key acquisitions

Since the half year the new acquisitions have significantly contributed to overall Group revenues, with Inca (acquired August 2009) adding £3.9m to Group revenues for the full year

Pre tax losses increased to £3.1m, the adjusted earnings, before amortisation, interest and tax, figure showed a loss of £1.7m, partly due to the costs associated with integrating new acquisitions

Significant customer wins including; Tesco Direct, MITIE, Napp Pharmaceuticals, Tullow Oil and Lloyd's Register

## Post Balance Sheet Highlights

Disposed of non core business, Avisen (PTY) Limited

Acquisition of Xploite PLC, which has now been successfully integrated

Appointed Mark Battles as Non-Executive Interim Chairman and Claire Milverton as Chief Financial Officer

The Group is trading in line with management expectations on a monthly basis

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## **Chief Executive Officer's Statement**

### **Overview**

The Group's results for the year ended 31 January 2010, showed a notable increase in revenue, with sales of £7.2m compared to £2.4m for the 10 months ended 31 January 2009. Despite this growth, pre tax losses also increased to £3.1m, which was influenced by the fact that the Company integrated a number of acquisitions during the period. The adjusted earnings before amortisation, interest and tax for the year showed a loss of £1.7m (2009: £0.04m). I am delighted to state the integration issues have now been addressed and the Group is trading in line with management expectations on a monthly basis.

Our disciplined management enabled us to take advantage of the extraordinary market conditions, ensuring that despite the economic downturn, we have positioned the business well for robust future growth. This was achieved by positioning Avisen as a niche provider of software supported solutions, in areas such as cost-to-serve and profitability management. We have focussed on gaining closer relationships with our clients in order to increase levels of customer retention. We also continued to help clients with complex, industry-leading and transformational projects such as the Heineken CIL Program, which is core to our product offering.

We have successfully executed our strategy to consolidate the IBM/Cognos software distribution channel and establish Inca as EMEA's leading distributor of the Cognos product suite. This has given the business the increased levels of recurring revenue that it needed, significantly diversifying our business risk.

### **Post Year End**

Post year end the Company disposed of Avisen (Pty) Limited SA. This was considered a non-core business and had proven difficult to manage as a result of its geographic location. The year-end EBITA loss of £239,000 substantiates this and therefore the decision was taken to divest the trading entity, to its existing management.

As announced on 3 March 2010, Avisen acquired Xploite PLC ("Xploite") on 27 April. Xploite's main operating business is that of Storage Fusion, a Storage Resource Analysis software business. Avisen believes that Xploite offers an excellent strategic fit and synergy potential in the performance management market. With this transaction, Avisen, intends to strengthen its position in the business and technology consultancy sector.

I would like to thank Ian Smith, Anthony Weaver and Michael Frank for their help with the successful acquisition of Xploite. Following the full integration of Xploite into the wider business, Mr. Smith, Mr. Weaver and Mr. Frank have left the Company to pursue other interests.

### **Conclusion and Outlook**

The Group has a positive cash balance as at the date of this report and in September 2010 will receive the deferred consideration due to it following the sale of the Company's Anix division which was announced by Xploite on 26 May 2009. It is anticipated that this will return £2.15m following a settlement with Affiliated Computer Services.

I am proud of what we have achieved in 2009 and I am excited about the opportunities that lie ahead. Avisen has won substantial engagements with major blue chip national and international customers and I am confident that we will continue to do so.

We remain intently focused on our clients so that we can continue to generate value for them, while ensuring that we are well-positioned to take advantage of growth opportunities which will in turn generate further shareholder value.

I would like to welcome Mark Battles, who joined as Non-Executive Interim Chairman of Avisen on 26 July 2010. Additionally we would like to welcome Claire Milverton who will be taking the permanent role of Chief Financial Officer with immediate effect following her appointment as interim Chief Financial Officer in May 2010.

I would like to take this opportunity to thank all of our employees for their hard work and dedication which enabled us to navigate a challenging environment, and strongly position Avisen for the future.

Marcus Hanke  
Chief Executive Officer  
30 July 2010

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## **Business and Financial Review**

### **Business review**

Avisen is a business management consultancy and software provider that designs, implements and supports solutions that enable clients to improve their operating performance and profitability.

From small, highly targeted projects to the transformation of entire organisations – we build strong relationships with a diverse mix of clients across a broad range of sectors.

### **Strategy and objectives of the business**

Our business strategy is to continue growth, both organically and by acquisition, and to convert this growth into higher profit and cash flow for distribution to our shareholders.

The management team undertook a business review following the merger with Xploite and the key objectives for the year ahead are:

Improve organic growth in software, support and services by doing the following:

- Continue to improve customer service and support in order to attract new customers and maintain the existing customer base
- Market the increased software portfolio offerings of IBM products and continuing to align our service offering to that of IBM
- Service the mid market enterprises on behalf of IBM and extend our IBM channel relationship through joint marketing campaigns
- With the support of IBM, taking affordable products and services used by large corporations to the mid market sector
- Build a partner channel and internal team to leverage our exclusive software distribution rights

Complete the integration process of the merged businesses

- Consolidate processes and systems
- Build a team culture based on customer service and delivery of excellence
- Utilise our own methods and processes within our own organisation

### **Markets and environment**

More than 23,000 leading companies and organisations around the world choose Cognos performance management solutions. These companies use business intelligence software to understand performance and make better decisions; analytics software to model and understand business dynamics; and financial performance management software to set targets and allocate the resources to achieve them.

The Board's view is consistent with Gartner Inc, the world's leading information technology research and advisory company, in that; "Through 2011, organisations that use performance management applications to support a performance-driven culture will outperform their peers by 30%." (Gartner Predicts 2010: Business Intelligence and Performance Management Matters)

The Group continually assesses the demand for its products and services in the market place and adapts its product offerings and pricing strategies to support this. Currently within the large corporate market we see the following needs and demands for our services and products continuing:

- Support in developing a clear strategy and plan
- Support in focussing and aligning the Board
- Support in developing robust governance processes
- Improved management information that enables timely decision making
- Use of analytics to develop insight into market dynamics and operational performance
- An understanding of the true cost and profitability of their customers

These needs are also found within the mid market and IBM has stated that it aims to channel this service to meet demand, by offering more products and services to the mid market.

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## Brands and market position

### Inca

Inca is the largest UK IBM Cognos partner, providing customers with the full suite of IBM business analytics products. IBM Cognos and business analytics software solutions enable senior level executives and their teams to analyse, manage and monitor their organisation's performance.

Inca's professional services division has implemented IBM Cognos solutions for over 400 companies across a range of industry sectors, many of which are supported by Inca's application support centre.

Inca's advisory business helps its customers to transform their processes and organisation to extract the most value from the software implementations. This differentiates Inca from other partners by increasing the value delivered and reducing the propensity for churn to other products or providers.

### Avisen

Avisen is a niche business and technology consultancy specialising in corporate performance management with a focus on strategy creation, development and implementation. It provides advisory services and software distribution of solutions in the corporate performance management market. Avisen provides specialist advice to enable organisations to build more effective capabilities to manage the performance of their businesses and allow them to achieve their desired targets.

Although niche, the Avisen brand is uniquely positioned as it has the exclusive UK distribution rights for Acorn Systems' products.

## Review of the year

Avisen was admitted to trading on AIM on 2 February 2009 following its reverse takeover of Z Group plc.

Since its admission, Avisen has pursued a "buy and build" strategy in the corporate performance management market and completed the following acquisitions during the year ended 31 January 2010:

26.02.2009	Purchase of trade and certain assets of Wexner Global Ltd for £120,000 (Strategy and performance management firm)
24.04.2009	Purchase of EON Enterprises/Infocube Ltd for £585,130 (IBM Cognos Reseller )
01.06.2009	Purchase of trade and certain assets of Quadrum Consulting (Pty) Ltd for £200,000 (IBM Cognos Reseller)
20.08.2009	Purchase of Inca Holdings Ltd for £3,500,000 (IBM Cognos Reseller)
31.10.2009	Purchase of i-Centric Consulting (Pty) Ltd for £185,989 (IBM Cognos Reseller)

During the period, Avisen's management team has focused on integrating these new businesses. This process was completed during the first half of 2010, following the acquisition of Xploite plc.

Significant customers acquired during the year were;

- Tesco Direct
- MITIE
- Lloyds TSB Asset Finance
- Napp Pharmaceuticals
- Tullow Oil
- Lloyd's Register

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## Resources

The group has or seeks to develop businesses with the following key resources which assist in its pursuit of its key objectives:

“Improve organic growth in software, support and services”

Management and employees who have extensive knowledge of the key markets

Experienced internal sales team

Strong distribution channels and established working relationships with business partners; primarily IBM and Acorn Systems;

Well-established and respected brands in the target market

Quality products and services with strong market positions

Access to financial resources

New Head of Support and supporting software and processes

Proprietary methods and a knowledge base

“Complete the integration process of the merged businesses”

Highly qualified and stable employee base

Internal resource skilled at integration of acquisitions

## Principal risks

“Improve organic growth in software, support and services”

The principal market risks are that the current slowdown may continue and that competition may reduce the Group's market share and margins. In order to mitigate these risks, the Group constantly monitors the market through its own sales force, through participation in industry Groups and monitoring of competitors. This information enables us to make informed decisions about where the sales force should be targeting and aids our discussions with suppliers.

Due to the recession and continuing slow-down, companies may require a robust business case before investing in information assets. This may have the effect of increasing deal cycles and reducing deal size. However, we believe this will be offset against an increase in demand for consulting services to support the clients through this process.

The growth of lower cost open source Business Intelligence (“BI”) solution will be a competitive threat to IBM BI products and the software reselling model. This is a medium term concern which the Board is actively managing.

“Complete the integration process of the merged businesses”

In the case of existing business and businesses that may be acquired the Group's critical external relationships are with its major customers and its major suppliers. The Group maintains its relationships with its customers through the efforts of its sales force, including key account managers.

Acquisitions play a key role in the strategy and the successful integration and operation of the acquired businesses represents a commercial risk to the Group. This risk is mitigated by a very structured approach to the integration process, dedicated teams and careful monitoring of performance post acquisition.

## Operational risks

Key management and consultants may leave the business.

In order to mitigate these operational risks, the Group aims to create a rewarding working environment that will attract staff by offering competitive salaries and benefits, structured career paths, tailored training and by encouraging free thinking and innovation.

Disruptive weather or damage to the office

All files etc are backed up off site and all staff have access to laptops to continue working should such an incident occur

A major failure may adversely disrupt operations.

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The Group prepares recovery plans for most foreseeable situations so that our business operations can continue should a major failure occur.

A failure of the IT infrastructure may disrupt operations.

The Group is embarking on a programme of moving all IT infrastructure, to third party providers. This will reduce the risk and cost of managing the infrastructure and the sole reliance on key individuals in the team

Unfavourable economic conditions.

In the case of unfavourable economic conditions the Group would need to assess the ongoing costs of the business and rationalise where appropriate. If these steps were not sufficient to make businesses commercially viable then the Board would have to reconsider the Group's overall strategy.

### **Commercial relationships**

The principal risks around our commercial relationships are that some of our offerings are dependent on third parties and are susceptible to rapid technological change. Any absence or failure of key third-party products could have a material effect on our business. To mitigate this risk, we keep under review all key commercial relationships and developments in technology in our marketplace.

## Financial review

### Consolidated results for the year

Group revenue for the year was £7,165,000 (10 months ended 31 January 2009 £2,406,000). The operating loss for the year was £3,109,000 (10 months ended 31 January 2009 loss of £115,000). This increase was partially due to the cost of integrating acquisitions. The adjusted\* EBITA for the period was a loss of £1,770,000 (10 months ended 31 January 2009 loss of £40,000). The current year period includes the results of Avisen plc, Avisen Group Ltd, subsidiaries of Avisen Group Ltd and the acquisitions made during the year. The comparative period shows the consolidated results of Avisen Group Limited following the application of reverse acquisition accounting principles.

A summary of the results for each year by segment is set out below:

Year ended 31 January 2010	Head office £'000	Avisen £'000	Inca £'000	South Africa £'000	Total £'000
Sales	-	2,279	3,876	1,010	7,165
Gross profit	-	335	1,897	122	2,354
<b>Adjusted* EBITA</b>	<b>(845)</b>	<b>(602)</b>	<b>(84)</b>	<b>(239)</b>	<b>(1,770)</b>
Amortisation and impairment of intangible assets	(192)	(393)	-	-	(585)
One off items	63	(293)	(397)	(127)	(754)
<b>Operating loss</b>	<b>(974)</b>	<b>(1,288)</b>	<b>(481)</b>	<b>(366)</b>	<b>(3,109)</b>
Interest and gain on bargain purchase	7	(7)	(8)	48	40
Loss before tax	(967)	(1,295)	(489)	(318)	(3,069)
Tax	54	2	-	-	56
Loss for the year	(913)	(1,293)	(489)	(318)	(3,013)

10 months ended 31 January 2009	Head office £'000	Avisen £'000	South Africa £'000	Total £'000
Sales	-	2,112	294	2,406
Gross profit	-	1,202	101	1,303
<b>Adjusted* EBITA</b>	<b>(264)</b>	<b>196</b>	<b>28</b>	<b>(40)</b>
Amortisation and impairment of intangible assets	-	-	-	-
One off items	-	(75)	-	(75)
<b>Operating loss</b>	<b>(264)</b>	<b>121</b>	<b>28</b>	<b>(115)</b>
Interest	-	14	1	15
Loss before tax	(264)	135	29	(100)
Tax	-	5	-	5
Loss for the year	(264)	140	29	(95)

\*Adjusted for strategic, integration and other one off items as detailed in Note 7 to the financial statements.

### Adjusted\* EBITA

Focussing on the Group's key performance measure of adjusted EBITA, the following observations can be made;

Head office costs are significantly higher than in the previous period as the Company was not an AIM listed company in 2009 and did not have the costs of a full board and other costs associated with a listed company.

The Avisen consulting business did not generate the revenues anticipated in 2009, this is partly due to management attention being focussed on the acquisitions. In addition, there were a number of pilot sales made in the financial year ended 2010 which did not contribute significantly to the results of 2010 but following its success will form the basis of improved revenue and gross profit in 2011.

Inca Software Limited and Inca Technology International Limited were integrated at the end of 2010. The full benefits of the integration were not visible in 2010 due to duplication of costs.

### Amortisation and impairment of intangible assets

This includes the impairment of brought forward research and development expenditures capitalised of £393,000 and the charge for the year on acquired intangibles of £192,000.

### **One off items**

It will be the policy of the Group going forward to separately identify costs of duplication and integration so that a normalised run rate of the businesses can be established and compared on a like for like basis each year. The separation of such costs was not identified in the year ended 31 January 2010. The main one off cost in 2010 is a £730,000 share based payment charge. This charge arose as share options were granted and vested in the year to 31 January 2010 and in accordance with IFRS 2 the whole share option charge therefore has to be charged in this period. Unless new options are granted in future years, there will not be this charge going forward.

### **Tax**

The tax credit in the year is in relation to the release of deferred tax provision on the amortisation of intangible assets. There is no current tax charge in the year.

### **Consolidated statement of financial position**

#### **Non-current assets**

The most significant component of non-current assets is the intangible asset balance of £9,369,000 (2009: £672,000). This has mainly arisen as a result of the acquisitions made in the year. Management have carried out an impairment review which supports the carrying value of the assets. Certain brought forward research and development assets were impaired by £393,000 in the year.

#### **Net current liabilities**

The Group had net current liabilities of £3,712,000 at 31 January 2010. However, if non-financial assets and liabilities are deducted from this amount (prepayments of £775,000 and deferred income of £1,917,000), the net financial liability position is £2,570,000. Following the funding received as a result of the acquisition of Xploite and the set up of payment plans, this net liabilities position is being continually reduced on a monthly basis.

The Group's cash balance was £183,000 at 31 January 2010. It had borrowings of £663,000. The borrowings included a factoring balance of £300,000. A factoring facility of £750,000 was available at 31 January 2010.

Following the acquisition of Xploite in April 2010 and as a result of the future prospects of the Group, the Board believes that it is appropriate to prepare the financial statements on the going concern basis. The Board has prepared detailed cash flow projections to support this assumption.

#### **Non-current liabilities**

This comprises a £100,000 bank loan and a deferred tax liability of £536,000 which arises on the acquisition intangible assets.

#### **Shareholders' equity**

Shareholders' equity is set out in the consolidated statement of changes in equity. Key points to note in the year are the shares issued and the creation of the reverse acquisition reserve.

### **Consolidated statement of cash flows**

Whilst the group made an operating loss before tax of £3,069,000 when certain non-cash items in the profit and loss account, such as depreciation, amortisation and the share based payment charge, are added this then equates to an outflow of £1,749,000. The Group also managed its working capital of £553,000 to reduce the operating cash used in operations to £1,196,000. The Company paid net interest of £6,000 and tax of £93,000 to give a net cash used in operating activities figure of £1,295,000 for the year.

The Group had net cash inflows of £602,000 from investing activities (primarily cash balances on the purchase of subsidiaries) and net cash inflows from financing of £499,000 (issuance of ordinary share capital).

The overall decrease in cash in the year was £194,000 which with the brought forward balance at 1 February 2009 and the effect of foreign exchange resulted in a year end combined cash balance of £183,000.

### **Key Performance Indicators (KPIs)**

The Board is focussed on a number of KPIs that are used to measure performance.

#### **Growth in revenues - KPI met**

2010 revenues were £7.1m, 2009 revenues were £2.4m. This equates to growth of £4.7m (196%). This increase was mainly due to the growth through acquisition of the Inca business (£3.9m). Some organic growth was also made in the Avisen and South African businesses.

#### **Growth in total gross profit - KPI met**

2010 gross profits were £2.4m, 2009 gross profits were £1.3m. This equates to growth of £1.1m (46%). Again, this increase is mainly due to the acquisition of Inca which contributed £1.9m to the 2010 gross profit.

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Growth in total EBITA - KPI not met

2010 had an EBITA (£1.7m loss), 2009 EBITA (£0.5m loss). The increase in the loss in the period was due to the reasons noted above which include integration costs as well as management attention being focussed on pursuit of acquisitions.

**Group prospects and future developments**

The management team remains committed to continuing its stated strategy of:

- Improve organic growth in software, support and services

- Continue to review any potential acquisition targets

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## Directors' report

The directors present their annual report on the affairs of the company and the group, together with the audited financial statements and the independent auditors' report for the year ended 31 January 2010 in accordance with International Financial Reporting Standards (IFRS's) as adopted by the EU.

### Results and dividends

The results for the group for the year and the group and company's financial position at the end of the year are shown in the attached financial statements.

The directors do not recommend the payment of a dividend (2009: £Nil).

### Business review and future developments

The requirements of the business review have been considered within the Chief Executive Officer's statement on page 2 and business and financial reviews on pages 3 to 9.

### Principal activities

The principal activity of the group is the provision of IT consultancy and support. The principal activity of the company is that of a parent holding company which manages the group's strategic direction and underlying subsidiaries.

Avisen plc is a company incorporated in England and Wales. The registered office of the company is 20 Station Road, Gerrards Cross, Buckinghamshire, SL9 8EL.

During the year the group was principally engaged in Business Technology specialising in Corporate Performance Management and Business Strategy. The group were also re-sellers and consultants of Cognos and other software which is considered an integral part to the groups overall trading activity.

Details of the business activities and acquisitions made during the year can be found in the business and financial review on pages 3 to 9 and in note 20 to the financial statements.

### Changes in share capital

During the year 118,054,086 ordinary shares of 5p each were issued at prices between 5.25p and 15.75p per share. There is also a legal obligation to issue a further 1,430,682 ordinary shares of 5p in respect of the acquisition of i-Centric Consulting (Pty) Limited. Due to there being a legal obligation those shares are included in the reconciliation of shares issued in note 17.

### Post balance sheet events

On 28 April 2010, the group acquired the entire share capital of Xploite plc, a group of companies whose main operating business was Storage Fusion Limited, a SRA software business which owns a range of tools that are focussed on storage analytics. The purchase consideration was £12.0m (in shares in Avisen plc) and the net assets acquired were £3.3m.

On 14 July 2010 the group transferred the entire interest in its South African subsidiary, to Mr Jones, a director of Avisen (Pty) Limited SA. Avisen (Pty) Limited SA represents the entire South African operating segment.

The consideration for the transfer of the share capital was the purchase of 3,500,000 ordinary shares in Avisen plc which had a fair value of £0.3m at the date of transfer. The directors do not consider the likely financial effect of the disposal to be material to the 2011 financial results.

Further details of the above are provided in note 26.

### Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business and Financial Review on pages 3 to 9 along with the company's financial position and its cash flows. In addition, note 3 to the financial statements include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk. As highlighted in note 2 to the financial statements, the company meets certain of its day-to-day working capital requirements through an invoice discounting facility that is due for renewal on August 2011. The current economic conditions create uncertainty particularly over the level of demand for the company's products and the availability of finance in the foreseeable future.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facility. The company will open renewal negotiations with the provider of the invoice discounting facility in due course and has, at this stage, not sought any written commitment that the facility will be renewed. However no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Policy for payment of creditors**

The company's policy, which is also applied to the group, is to agree terms and conditions for its business transactions with suppliers and endeavour to make payment to these terms, subject to the terms and conditions being met by suppliers. The company does not follow a specific code or standard of payment practice.

At 31 January 2010 the company's main suppliers, in respect of continuing activities, had an average of 87 days (2009: 143 days) purchases outstanding in trade payables.

At 31 January 2010 the group's main suppliers, in respect of continuing activities, had an average of 103 days (2009: 129 days) purchases outstanding in trade payables.

#### **Employees**

The group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees and the various factors affecting the performance of the group.

The directors recognise that continued and sustained improvement in the performance of the group depends on its ability to attract, motivate and retain employees of the highest calibre. Furthermore, the directors believe that the group's ability to sustain a competitive advantage over the long term depends in a large part on ensuring that all employees contribute to the maximum of their potential. The group is committed to improving the performance of all employees through development and training.

The group is an equal opportunity employer. The group's policies seek to promote an environment free from discrimination, harassment and victimisation and to ensure that no employee or applicant is treated less favourably on the grounds of gender, marital status, age, race, colour, nationality or national origin, disability or sexual orientation or is disadvantaged by conditions or requirements, which cannot objectively be justified. Entry into, and progression within the group, is solely determined on the basis of work criteria and individual merit.

The group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate.

#### **Research and development**

The group has carried out research and development in respect of software development. A specific research and development project was introduced in 2009 for the development of Strategy GPS, Captor and Trade & Promotions. Strategy GPS is Avisen's proprietary software solution that underpins the Group's Plan Point process methodology. Retail Trade Promotions is Avisen's application to enable clients to manage returns on trade promotion investments, the application can be deployed across various technology platforms. Due to advancements in technology outside of the group's control; the directors consider these projects to be no longer viable in terms of the advanced technology they hoped it would bring and therefore those costs capitalised in 2009 have been impaired in the current year.

#### **Donations**

The group and company did not make any donations in the year (2009: £nil).

#### **Directors**

The directors who served the company during the year or have been appointed thereafter, are shown below:

Ian Smith (Executive Chairman)	Resigned 2 February 2010, re-appointed 27 April 2010, Resigned 21 July 2010
Marcus Hanke	Appointed 2 February 2009
Tony Weaver	Appointed 27 April 2010, Resigned 21 July 2010
Claire Milverton	Appointed 20 May 2010
Jonathan Hill	Appointed 22 July 2010
Marcus Yeoman (Non-Executive)	
Michael Frank (Non-Executive)	Appointed 20 May 2010, Resigned 21 July 2010
Mark Bernard Battles (Non-Executive)	Appointed 26 July 2010
Robert Arrowsmith	Appointed 27 April 2010, Resigned 20 May 2010
Louis Peacock	Appointed 2 February 2009, Resigned 20 May 2010
Andrew Turner	Appointed 2 February 2009, Resigned 30 October 2009
Keith Jones	Appointed 4 March 2009, Resigned 27 April 2010
Duncan Neale	Resigned 30 June 2009
Jon Claydon	Resigned 27 April 2010

At the forthcoming Annual General Meeting in accordance with the Company's Articles of Association, Marcus Yeoman will retire by rotation and being eligible, will offer himself for re-election. Claire Milverton, Jonathan Hill and Mark Bernard Battles, being directors appointed since the last Annual General Meeting, offer themselves for election.

### Substantial interests

The directors have been notified of the following substantial shareholdings in excess of 3% of the ordinary share capital of the company as at 22 July 2010

	No. of ordinary shares	Percentage
Marcus Hanke *	29,129,843	12.9%
Louis Peacock **	8,811,156	3.9%
Keith Jones ***	7,285,363	3.2%
Mark Waller	6,512,780	2.9%
Jayne Kerrison ****	8,695,125	3.9%
Chris Kerrison	8,290,984	3.7%
Andrew Ian Smith *****	15,918,598	7.1%
Ian Stone *****	10,899,520	4.8%

\* shares held by Strand Nominees Limited

\*\* shares held by Pershing Nominees Limited

\*\*\* shares held by Odette McMahon

\*\*\*\* shares held by Barclays Wealth

\*\*\*\*\* shares held by Giltspur Nominees, St Annes Square Nominees and privately

\*\*\*\*\* shares held by TD Waterhouse Nominees

Except as referred to above, the directors are not aware of any person who was interested in 3.0% or more of the issued share capital of the company or could directly or indirectly, jointly or severally, exercise control.

### Directors' responsibilities statement in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the group and parent company 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 and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the website. Legislation in the United Kingdom concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Principal risks and uncertainties

For further details on principal risks and uncertainties, refer to the Business and Financial review on pages 3 to 9.

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## Financial instruments

### Financial risk management objectives and policies

During the year the group's principal financial instruments have been, bank loans, bank overdrafts and cash. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial instruments such as trade receivables and trade payables which arise directly from its operations.

The main risks arising from the group's financial instruments have been cash flow, credit risk, liquidity risk, price risk and capital risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

### Cash flow and interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's exposure to risk for changes in interest rates related primarily to the group's bank loan and overdraft obligations. Bank loan and overdraft interest is charged on a variable rate basis. The group's exposure to interest rate risk is limited given the level of debt in place. Should substantial facilities be put in place in the future then the board will consider the impact of such facilities and whether it will be appropriate to hedge the interest rate risk.

### Credit risk

The group trades only with recognised, creditworthy third parties and independent credit checks and credit limits are managed by the trading entities. Credit limits can only be exceeded if authorised by the Avisen plc board. Receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the group.

### Liquidity risk

The group's objective is to maintain sufficient funds to support the ongoing strategic and trading activities of the group. The detailed forecasting is carried out at local level in the operating companies of the group. This is combined into a group cash flow forecast. The group forecasts are compared to available facilities to ensure that sufficient headroom is anticipated and that covenants are not breached.

### Price risk

The main price risk that the group is exposed to is changes in the price of third party software and maintenance that it uses in the solutions it supplies to customers. When quoting for business the group always obtains fixed price quotations from suppliers before submitting a price to the customer.

### Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of return of capital and dividends paid to shareholders, issue new shares or sell assets/businesses to reduce debt. The group monitors capital on the basis of the gearing ratio.

### Auditors and disclosure of information to auditors

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware.
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Horwath Clark Whitehill LLP be re-appointed will be proposed at the Annual General Meeting.

### Annual General Meeting

Notice of the annual general meeting to be held on 8 September 2010 is set out in the circular included with this document.

Signed by order of the board

.....  
M Hanke  
30 July 2010

## **Independent auditors' report to the members of Avisen plc**

We have audited the financial statements of Avisen plc for the year ended 31 January 2010 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flows and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### **Respective responsibilities of directors and auditors**

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion:

the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2010 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 financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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.

David Chitty FCA  
Senior Statutory Auditor  
for and on behalf of:  
**Horwath Clark Whitehill LLP**  
Statutory Auditor, London

30 July 2010

Avisen plc  
Consolidated statement of comprehensive income  
Year ended 31 January 2010

	Note	2010 £'000	10 months ended 31 January 2009 £'000
<b>Continuing operations</b>			
<b>Group revenue</b>	5	7,165	2,406
Cost of sales		(4,811)	(1,103)
<b>Gross profit</b>		<b>2,354</b>	<b>1,303</b>
Administrative expenses		(5,483)	(1,418)
		(3,129)	(115)
Other operating income		20	-
Adjusted* EBITDA		(1,726)	(33)
Less: depreciation		(44)	(7)
Adjusted* EBITA		(1,770)	(40)
Less: amortisation and impairment of intangible assets		(585)	-
Less: strategic, integration and other one off items	7	(754)	(75)
<b>Operating loss</b>	6	<b>(3,109)</b>	<b>(115)</b>
Finance income	8	11	16
Finance costs	8	(17)	(1)
Finance costs - net		(6)	15
Gain on bargain purchase	20	46	-
<b>Loss before tax</b>		<b>(3,069)</b>	<b>(100)</b>
Tax credit	9	56	5
<b>Loss for the year</b>	18	<b>(3,013)</b>	<b>(95)</b>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations	18	22	-
Other comprehensive income for the year, net of tax		22	-
<b>Total comprehensive income</b>			<b>-</b>
Loss for the year	18	(3,013)	(95)
<b>Loss for the year attributable to equity shareholders of the company</b>	18	<b>(2,991)</b>	<b>(95)</b>
<b>Total comprehensive income attributable to equity shareholders of the company</b>	18	<b>(2,991)</b>	<b>(95)</b>
<b>Earnings per ordinary share expressed in pence per ordinary share:</b>			
- basic	22	(2.36)	(0.12)
- diluted	22	(2.36)	(0.12)

\*Adjusted for strategic, integration and other one off items (note 7)

The accompanying notes form an integral part of the financial statements

**Avisen plc**  
**Consolidated statement of financial position**  
**As at 31 January 2010**

**Registered number: 5429800**

	Notes	2010 £'000	2009 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets including goodwill	10	9,369	672
Property, plant and equipment	11	101	33
<b>Total non-current assets</b>		<b>9,470</b>	<b>705</b>
<b>Current assets</b>			
Trade and other receivables	12	3,189	641
Cash and cash equivalents	13	183	360
<b>Total current assets</b>		<b>3,372</b>	<b>1,001</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	6,521	903
Current tax liabilities		-	158
Borrowings	15	563	-
<b>Total current liabilities</b>		<b>7,084</b>	<b>1,061</b>
<b>Non-current liabilities</b>			
Borrowings	15	100	-
Deferred tax	16	536	-
<b>Total non-current liabilities</b>		<b>636</b>	<b>-</b>
<b>Total liabilities</b>		<b>7,720</b>	<b>1,061</b>
<b>Net assets</b>		<b>5,122</b>	<b>645</b>
<b>Shareholders' equity</b>			
Share capital	17	7,162	25
Share premium account	17	6,463	329
Share based payment reserve	18	951	-
Merger reserve	18	4,830	-
Reverse acquisition reserve	18	(11,584)	-
Currency translation reserve	18	22	-
Retained earnings	18	(2,722)	291
<b>Total equity attributable to shareholders of the parent</b>		<b>5,122</b>	<b>645</b>

The financial statements on pages 15 to 53 were approved and authorised for issue by the Board on 30 July 2010 and signed on its behalf by:

.....  
**M Hanke**  
**Director**

The accompanying notes form an integral part of the financial statements.

**Avisen plc**  
**Consolidated statement of changes in equity**  
**Year ended 31 January 2010**

	Share Capital	Share Premium	Share Based Payments Reserve	Merger Reserve	Reverse Acquisition Reserve	Currency Translation Reserve	Retained Earnings	Total
Balance at 1 February 2009	25	329	-	-	-	-	291	645
Elimination of legal subsidiary's share capital and share premium on reverse acquisition	(25)	(329)	-	-	354	-	-	-
Introduction of legal parent's shareholders equity eliminating the b/f reserves to the reverse acquisition reserve	1,187	5,968	63	-	(5,794)	-	-	1,424
Elimination of legal parent's investment on reverse acquisition allowing for goodwill	-	-	-	-	(6,144)	-	-	(6,144)
Shares issued in the year	5,975	657	-	-	-	-	-	6,632
Cost of issuing warrants in the year	-	(162)	-	-	-	-	-	(162)
Merger reserve	-	-	-	4,830	-	-	-	4,830
Share based payment credit	-	-	(63)	-	-	-	-	(63)
Share based payment – issue of options and warrants	-	-	951	-	-	-	-	951
Currency translation reserve	-	-	-	-	-	22	-	22
Total comprehensive income	-	-	-	-	-	-	(3,013)	(3,013)
Total comprehensive income for the year	7,137	6,134	951	4,830	(11,584)	22	(3,013)	4,477
Balance at 31 January 2010	7,162	6,463	951	4,830	(11,584)	22	(2,722)	5,122

	Share Capital	Share Premium	Share Based Payments Reserve	Merger Reserve	Reverse Acquisition Reserve	Currency Translation Reserve	Retained Earnings	Total
Balance at 1 March 2008	21	207	-	-	-	-	386	614
Shares issued in the period	4	122	-	-	-	-	-	126
Share based payment transaction	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	(95)	(95)
Total comprehensive income for the period	4	122	-	-	-	-	(95)	30
Balance at 31 January 2009	25	329	-	-	-	-	291	645

The accompanying notes form an integral part of the financial statements

**Avisen plc**  
**Consolidated statement of cash flows**  
**Year ended 31 January 2010**

	Notes	2010 £'000	10 months ended 31 January 2009 £'000
<b>Cash flows from operating activities</b>			
Cash used in operations	(a)	(1,196)	(279)
Interest received		11	16
Interest paid		(17)	(1)
Tax paid		(93)	(92)
<b>Net cash used in operating activities</b>		<b>(1,295)</b>	<b>(356)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries (net of cash acquired)	20	663	(25)
Purchase of intangible assets		(23)	-
Purchase of property, plant and equipment		(26)	-
Expenditure on product development		(17)	(386)
Proceeds from sale of property, plant and equipment		5	-
<b>Net cash generated from/(used in) investing activities</b>		<b>602</b>	<b>(411)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary share capital	17	500	61
Increase in overdraft		105	-
Decrease in factoring account		(9)	-
Finance lease principal payments		(5)	-
Repayment of borrowings		(92)	-
<b>Net cash generated from financing activities</b>		<b>499</b>	<b>61</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(194)</b>	<b>(706)</b>
Cash and cash equivalents at start of year		360	1,066
Effect of foreign exchange		17	-
<b>Cash and cash equivalents at end of year</b>	(b)	<b>183</b>	<b>360</b>

The accompanying notes form an integral part of the financial statements

## Notes to the consolidated statement of cash flows

### (a) Cash used in operations

	2010 £'000	10 months ended 31 January 2009 £'000
<b>Continuing operations</b>		
Loss before tax	(3,069)	(100)
Adjustments for:		
Depreciation charge	44	7
Loss on disposal of fixed assets	1	-
Amortisation and impairment	585	-
Share based payment charge	730	-
(Increase)/Decrease in trade and other receivables	(429)	125
Increase/(decrease) in trade and other payables	982	(296)
Finance income	(11)	(16)
Finance costs	17	1
Gain on bargain purchase	(46)	-
<b>Cash used in continuing operations</b>	<b>(1,196)</b>	<b>(279)</b>

### (b) Reconciliation of net cash flow to movement in net (debt)/funds

	2010 £'000	10 months ended 31 January 2009 £'000
Decrease in cash in the year	(194)	(706)
Net cash inflow from increase in bank loans and overdrafts including factoring	(4)	-
Cash outflow in respect of finance leases	5	-
Changes resulting from cash flows	(193)	(706)
Loans and finance leases acquired with subsidiary	(354)	-
Factoring account acquired with subsidiary	(310)	-
Effect of foreign exchange	17	-
Change in net debt	(840)	(706)
Net funds at beginning of year	360	1,066
Net (debt)/funds at end of year	(480)	360
<b>Analysis of net funds/(debt)</b>		
Cash and cash equivalents	183	360
Hire purchase and finance lease obligations	(7)	-
Factoring account	(300)	-
Bank loans and overdraft	(356)	-
Net (debt)/funds	(480)	360

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**Notes to the financial statements**  
**For the year ended 31 January 2010**

**1 General information**

The consolidated financial statements of the group for the year ended 31 January 2010 comprise Avisen plc ('the company') and its subsidiaries (together 'the group').

The principal activities of the company and its subsidiaries (together 'the group') are described within the directors' report, pages 10 to 13.

The company is a public limited company which is listed on the AIM London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is 20 Station Road, Gerrards Cross, Buckinghamshire, SL6 2FN. The registered number of the company is 5429800.

**2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

**Basis of preparation**

The consolidated and company financial statements of Avisen plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified for any financial assets which are stated at fair value through profit or loss. The financial statements have been prepared in Sterling as this represents the functional currency of the group and figures have been rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

On 2 February 2009 the company, then named Z Group Plc, became the legal parent of Avisen Group Limited. Due to the relative values of the companies, the former Avisen Group Limited shareholders became the majority shareholders with 78.5% of the enlarged share capital. Further, the company's continuing operations and executive management were those of Avisen Group Limited. Accordingly, the substance of the combination was that Avisen Group Limited acquired Z Group Plc in a reverse acquisition. As part of the business combination Z Group Plc changed its name to Avisen Plc and changed its year end to 31 January.

Under the requirements of the Companies Act 2006 it would normally be necessary for the company's consolidated accounts to follow the legal form of the business combination. In that case the pre-combination results would be those of Z Group Plc. The results of Avisen Group Limited would then be brought into the Group from 2 February 2009. However, this would portray the combination as an acquisition of Avisen Group Limited by Z Group Plc and would, in the opinion of the directors, fail to give a true and fair view of the substance of the business combination. Accordingly, the directors have adopted reverse acquisition accounting as the basis of consolidation in order to give a true and fair view. Reverse acquisition accounting is permitted under IFRS3 Business Combinations.

As a consequence of applying reverse acquisition accounting, the results for the period ended 31 January 2010 comprise the consolidated results of Avisen Group Limited, including general acquisitions of subsidiaries, for the period ended 31 January 2010 plus those of Z Group Plc from 2 February 2009, the date of the reverse acquisition. The 10 month comparative to 31 January 2009 represents the consolidated position of Avisen Group Limited prior to the reverse acquisition.

## Going Concern

Having considered the guidance given in the document Going Concern and Liquidity Risk: Guidance for Directors of UK Companies issued in October 2009 by the Financial Reporting Council, the Directors have formed a judgement that, at the time of approving these financial statements there is a reasonable expectation that the Group has adequate resources and likely income to continue in operational existence for the foreseeable future and therefore adopt the going concern basis for the financial statements.

The company meets its day-to-day working capital requirements through an invoice discounting facility that is due for renewal on August 2011. The current economic conditions create uncertainty particularly over the level of demand for the company's products and the availability of bank finance in the foreseeable future. The Directors have prepared forecasts which demonstrate that the Group will continue as a going concern until at least 31 May 2012. Were the Group not to achieve its sales forecasts then the Group may not continue as a going concern without obtaining alternative sources of financing. The financial statements have therefore been prepared on a going concern basis and do not contain the adjustments that might arise if the Group ceases to be a going concern.

## 2a Adoption of new and revised International Financial Reporting Standards (IFRS)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in (ii) below.

### (i) Standards and interpretations affecting amounts reported in the financial statements

#### Standards, amendments and interpretation adopted early

IFRS 2 (revised in 2009), 'Share-based Payment' (effective 1 January 2010). The revision clarifies the scope of the standard and covers the accounting for group cash-settled share-based payment transactions in the separate (individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

#### Standards affecting presentation and disclosure

IFRS 8, 'Operating segments' (effective 1 January 2009). IFRS 8 is a disclosure standard that has resulted in a redesignation of the group's reportable segments (see note 5).

Amendment to IFRS 7, 'Financial instruments: Disclosures' (effective 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. It is not expected to have a material impact on the group's financial statements, so the group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional relief's offered in these amendments.

IFRS 2 (revised in 2008), 'Share-based payment' (effective 1 January 2009). The revision deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment will not have a material impact on the group or company's financial statements

IAS 1 (revised in 2008). 'Presentation of financial statements' (effective 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Improvements to IFRSs (2008). In addition to the changes affecting amounts in the financial statements described above, the improvements have led to a number of changes in the detail of the group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2009.

## **(ii) Standards and interpretations adopted with no effect on the financial statements**

The following standards, amendments and interpretations to published standards are in issue but they are not relevant to the group or company's operations:

IFRIC 12, 'Service Concession Arrangements' (effective from 1 November 2008). The interpretation addresses how service concession operators should apply IFRSs to account for the obligations they undertake and the rights they receive.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 November 2008). A specific accounting treatment is now prescribed when accounting for customer loyalty programmes.

IFRIC 15, 'Agreements for construction of real estates' (effective 1 January 2009). IFRIC 15 is not relevant to the group's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective 1 October 2008). The interpretation clarifies the accounting treatment in respect of net investment hedging. The group will apply IFRIC 16 from 1 November 2009. It is not expected to have a material impact on the group's financial statements.

IFRIC 18, 'Transfer of assets from customers' (effective transfers received on or after 1 July 2009). The interpretation provides guidance on how to account for items of property, plant and equipment's received from customers, or cash that is received and used to acquire or construct specific assets. The group will apply IFRIC 18 from 1 February 2010. It is not expected to have a material impact on the group's financial statements.

IAS 16 'Property, Plant and Equipment' (effective 1 January 2009). Updated for routine sales of assets held for rental.

IAS 19 'Employee Benefits' (effective 1 January 2009). Standard amended with regard to negative past service costs and curtailment.

IAS 23 'Borrowing Costs' (effective 1 January 2009). Standard amended to clarify the components of borrowing costs.

IAS 40 Investment Property (revised in 2008). Investment property in the course of construction is now included in the scope of the standard.

## **(iii) Standards, amendments and interpretations in issue not yet adopted**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 February 2010 or later periods, but the group and company have not adopted them early:

IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling (minority) interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (revised) prospectively to all business combinations from 1 February 2010, subject to endorsement by the EU.

IFRS 5 (revised) 'Non-current Assets Held for Sale and Discontinued Operations' (effective 1 January 2010). This standard has been updated for the International Accounting Standard Board's clarification (as part of improvements to IFRSs (2009)) that the disclosure requirements in Standards other than IFRS 5 do not generally apply to non-current assets classified as held for sale and discontinued operations. This standard is not expected to have a material impact on the group's or company's financial statements.

IFRS 9 Financial Instruments – Classification and Measurement (effective 1 January 2013), subject to endorsement by the EU. This is a new standard eventually intended to replace IAS 39, which prescribes the method to be used for valuing financial assets, debt and equity instruments and derivatives.

IAS 7 'Statement of Cash Flows' (effective 1 January 2010). The amendments (part of Improvements to IFRSs (2009)) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

IAS 17 'Leases' (effective 1 January 2010). The amendments (part of Improvements to IFRSs (2009)) are in regard to the classification of leases of land, which are now to be classified in accordance with the general principles of IAS 17 and are to be applied retrospectively to unexpired leases at 1 January 2010, if the necessary information was available at the inception of the lease. Otherwise, the revised Standard will be applied based on the facts and circumstances existing on 1 January 2010 and the group will recognise assets and liabilities related to land leases

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newly classified as finance leases at their fair values on that date; any difference between those fair values will be recognised in retained earnings.

IAS 24 Related Party Disclosures (effective 1 January 2011), subject to endorsement by the EU. The standard provides a revised definition of related parties and transactions.

IAS 27 (revised), 'Consolidated and Separate Financial Statements' (effective 1 July 2009). The revised standard requires the effects of all transaction with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

IAS 28 (revised in 2008) 'Investments in Associates' (effective 1 July 2009). As a result of the changes in IAS 27 mentioned above, where significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

IAS 31 Investments in Joint Ventures (effective 1 July 2009). Consequential amendments arising from IFRS3 for certain disclosures and reversals of impairment losses (equity method).

IAS 32 Financial Instruments: Presentation (effective 1 February 2010) Standard amends classification of rights issues offered for a fixed amount of foreign currency from derivative liabilities to equity.

IAS 38 (revised in 2009) 'Intangible Assets' (effective 1 July 2009) Standard prescribes the measurement of the fair value of intangible assets when acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the group's or company's financial statements.

IAS 39 Financial Instruments: 'Recognition and Measurement' (effective 1 July 2009). The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

IFRIC 14, 'IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective 1 January 2011), subject to endorsement by the EU. The interpretation does not have an impact on the group's financial statement as it does not operate a defined benefit pension scheme.

IFRIC 17, 'Distributions of non cash assets to owners' (effective 1 July 2009). The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as a dividend. The group will apply IFRIC 17 from 1 February 2010. It is not expected to have a material impact on the group's financial statements.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective 1 July 2010), subject to endorsement by the EU. The accounting treatment is specified where a debtor issues an equity instrument to settle a debt. It is not expected to have a material impact on the group's financial statements.

Improvements to IFRSs (2009). In addition to the changes affecting amounts in the financial statements described above, the Improvements will lead to a number of changes in the detail of the group's accounting policies – some of which will be changes in terminology only, and some of which will be substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2010 and have not been adopted early unless stated above.

### **Basis of consolidation**

The results and net assets of all subsidiary undertakings acquired are included in the statement of comprehensive income and consolidated statement of financial position using the purchase method of accounting from the effective date at which control is obtained by the group. Subsidiary undertakings cease to be consolidated from the date at which the group no longer retains control. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefits from their activities, and is achieved through direct or indirect ownership of voting rights or by way of contractual agreement. All inter-company balances and transactions are eliminated in full. Accounting policies of subsidiaries are changed where necessary to ensure consistent policies across the group.

## **Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Where there is deferred consideration payable in cash, the amount is discounted to its present value. The present value of deferred cash consideration is included within the group's financial statements as a liability. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

## **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors which makes the group's strategic decisions.

## **Foreign currency translation**

### **(a) Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in UK Sterling which is the group's functional and presentation currency.

### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income in the period in which they arise.

### **(c) Group Companies**

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- iii) all resulting exchange differences are recognised as a separate component of equity.

## **Goodwill and fair value**

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the group's activities. Revenue is recognised when the risks and rewards of ownership have passed to the customer and shown net of Value Added Tax, rebates, discounts and after eliminating sales within the group.

The fair value of the revenue for each element of the arrangement is then accounted for in accordance with the policies described below.

### *Software Licence Revenue*

Revenue is recognised when the software is delivered and accepted by the customer. Software revenue is recognised depending on licensing terms:

1. For a licence in perpetuity, where there are no further obligations, the revenue is recognised at the time the licence is delivered.
2. For a licence that has a fixed term and there are further obligations the revenue is recognised over the term of the licence.

### *Support and Maintenance*

Where the support and maintenance is sold for a fixed term and there is a continuing performance obligation, then the revenue is deferred and recognised over the term of the agreement.

### *Professional Services*

Revenue is recognised as the work is carried out and the company has the contractual right to receive the consideration.

### **Deferred costs and deferred revenues**

To the extent that the cost and revenue recognition differs from the contractual billing terms, costs are included in deferred costs or accruals and revenue is included in accrued income or deferred income.

### **Strategic integration and other one off items**

In 2010 the company has certain integration costs e.g. compromise agreements and redundancy payments and other one off items e.g. a significant share based payment charge which management have disclosed separately. Management have disclosed these separately to enable a greater understanding of the underlying profitability/(loss) of the trading business.

It will be the policy of the group going forward to separately disclose the following:

- Strategic costs e.g. costs of due diligence on acquisitions which can not be capitalised under IFRS 3 (revised) and costs of other strategic items such as aborted due diligence costs.
- Identify costs of duplication and integration so that the underlying run rate of the businesses can be established and compared on a like for like basis each year. The separation of such costs were not identified in the year ended 31 January 2010 however there were redundancy and compromise payment costs which were included in this category and will also be classified in this category going forwards.
- One off items that will effect the underlying profitability of the business. The main one off cost in 2010 was a £730,000 share based payment charge. This charge arose as share options were granted and vested in the year to 31 January 2010 and in accordance with IFRS 2 the whole share option charge had to be charged in this period.

### **Current and deferred income tax**

The tax charge for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### **Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

#### **Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

A deferred tax liability is provided on intangible assets acquired as part of a business combination. This results in an increase in residual goodwill by the same amount. This liability has been recognised in accordance with IAS12, and a proportion will be amortised, this liability is only payable if the intangible asset is sold separately and this is not expected to happen.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and laws that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle that carrying amount of its assets and liabilities.

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## Intangible assets

### (a) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. If, after reassessment, the group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the excess is recognised immediately in profit and loss as a bargain purchase gain. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is charged to the statement of comprehensive income. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

### (b) Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation and impairment losses.

An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Expenditure on internally developed intangible assets, excluding development costs, is taken to the statement of comprehensive income in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after its reliable measurement, technical feasibility and commercial viability can be demonstrated.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in statement of comprehensive income in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated impairment losses.

Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives, as follows:

- Brands – 5 to 15 years
- Customer contracts and related relationships – 5 years
- Software and intellectual property – 3 years

Impairment and amortisation charges are included within the administrative expenses line in the statement of comprehensive income.

## Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates calculated to write off the cost or valuation of property, plant and equipment, less their estimated residual value over their expected useful lives on the following basis:

Leasehold property improvements	straight line over period of lease
Motor vehicles	33% per annum – straight line
Fixtures, fittings and equipment	20%-33% per annum – straight line

The directors annually review the residual value and estimated useful lives of the property, plant and equipment.

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The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

### **Financial assets**

The group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the statement of financial position.

### **Trade and other receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the provision for impairment of trade receivables, and the amount of the loss is recognised in the statement of comprehensive income within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the statement of comprehensive income.

### **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### **Financial liabilities**

The group classifies its financial liabilities as borrowings and payables according to the substance of the contractual arrangements entered into.

### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **Borrowings**

All borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of a liability for at least 12 months after the balance sheet date.

### **Borrowing costs**

All borrowing costs that cannot be directly attributed to the acquisition of qualifying assets are recognised in statement of comprehensive income in the period in which they are incurred.

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## Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, share options or share warrants are shown in equity as a deduction, net of tax, from the proceeds.

## Employee benefits

### (a) Pensions

Pension contributions made into personal pension schemes are charged to the statement of comprehensive income as incurred.

### (b) Share based payments

The group operates a number of equity-settled, share-based payment compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

Where options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

## Leases

Assets held under leases that result in group companies receiving substantially all the risks and rewards of ownership are classified as finance leases and capitalised as property, plant and equipment at the lower of cost and the estimated present value of the underlying lease payments. The interest element of the rental obligation is allocated to the accounting periods to reflect a constant rate of interest on the outstanding obligation. The corresponding finance lease obligation is included within payables. These assets are depreciated over the term of the lease or the estimated useful life of the asset, whichever is shorter.

Rentals under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

## 3 Financial instruments

### Financial risk factors

The group's activities expose it to a variety of financial risks: foreign currency, market risk (including cash flow and fair value interest rate risk), credit risk and liquidity risk.

Risk management is carried out by the finance team under policies approved by the board of directors. The board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, foreign exchange risk and use of derivative financial instruments and non-derivative financial instruments.

#### (a) Foreign currency risk

The group operates internationally and is exposed to limited foreign exchange risk arising from various currency exposures. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The group has an operating subsidiary in the Netherlands and South Africa whose revenues and expenses are respectively denominated in Euros and South African RAND.

The Sterling balance sheet is exposed to potential foreign currency losses on translation of the net assets of these subsidiaries. The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Net Assets	
	At 31 January 2010 CU'000	At 31 January 2009 CU'000
Euro	87	77
South African RAND	(1,884)	441

The following table details the group's sensitivity to a 10% strengthening of the currency unit (CU) against Sterling. The sensitivity adjusts their translation at the period end.

	Euro currency impact		South African RAND currency impact	
	At 31 January 2010 CU'000	At 31 January 2009 CU'000	At 31 January 2010 CU'000	At 31 January 2009 CU'000
Profit or (loss)	5	(6)	(68)	(3)
Net assets	(7)	(1)	14	(3)

The board do not consider it appropriate to borrow in Euros and South African RAND in order to hedge against this translation risk as they consider any hedging benefits would be outweighed by the creation of an interest rate risk on the borrowings.

(b) Cash flow and fair value interest rate risk

The group's exposure to risk for changes in interest rates related primarily to the group's bank loan, overdraft obligations and factoring arrangements. Liabilities are both fixed rate and floating rate. The group's exposure to interest rate risk is limited given the level of debt in place. During 2009 the group had no borrowings.

Financial Liabilities	At 31 January 2010 £'000	At 31 January 2009 £'000
	Fixed rate	100
Variable rate	556	-
	656	-

Sensitivity analysis

If the base rate in the UK had increased by 100% (i.e. if it had doubled), the interest rate payable by the group on its variable rate borrowings would have been approximately 5.65% higher.

The group does not consider the cash flow and fair value interest rate risk to be significant. Should substantial debt be put in place in the future the board will consider whether it would be appropriate to hedge the cash flow and interest rate risk. However, no such instrument has been taken out in the current or prior period. The board will continue to keep this position under review.

<b>Financial Assets</b>	<b>At 31 January</b>	<b>At 31 January</b>
	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank	183	468

At 31 January 2010, the group had Sterling cash of £55,152, Euro cash of €14,531 and South African cash of ZAR1,399,131. Cash is placed upon deposit at the best market rates available should an excess above that required for working capital be held.

Other financial assets comprise trade receivables and other receivables as per note 12.

(c) Credit risk

Credit risk is managed by the trading entities. Credit risk arises from exposures to outstanding customer receivables. Credit checking is used however, if there is no independent rating, management will assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The table below shows the ageing of customer receivables at the balance sheet date.

	<b>2010</b>	<b>2009</b>
	<b>Balance</b>	<b>Balance</b>
	<b>£'000</b>	<b>£'000</b>
Current	1,200	251
Up to 3 months overdue	899	183
3 to 6 months overdue	136	53
6 to 12 months overdue	222	4
> 12 months overdue	-	28
	<b>2,457</b>	<b>519</b>

(d) Liquidity risk

Liquidity is managed so that sufficient funds are maintained to support the ongoing strategic and trading activities of the group.

Management monitors rolling forecasts of the group's expected cash flow. The detailed forecasting is carried out at local level in the operating companies of the group. This is combined into a group cash flow forecast.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>At 31 January 2010</b>	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Borrowings	263	83	17
Other borrowings - factoring	300	-	-
Trade and other payables	4,604	-	-
	<b>5,167</b>	<b>83</b>	<b>17</b>

<b>At 31 January 2009</b>	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Borrowings	-	-	-
Trade and other payables	857	-	-
	<b>857</b>	<b>-</b>	<b>-</b>

(e) Capital risk

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders and return of capital to shareholders, issue new shares or sell assets/businesses to reduce debt.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position sheet plus net debt.

During 2010, the group's strategy, which was unchanged from 2009, was to maintain the gearing ratio below 50%. The gearing ratios at 31 January 2010 and 31 January 2009 were as follows:

	<b>2010</b> £'000	<b>2009</b> £'000
<b>Capital risk management</b>		
Total borrowings	663	-
Less: cash and cash equivalents	(183)	(360)
Net funds/(debt)	480	(360)
Total equity	5,122	645
Total capital	5,602	285
<b>Gearing ratio</b>	<b>8.6%</b>	<b>n/a</b>

(f) Market risk

The main market risk that the group is exposed to is changes in the price of third party software support and maintenance that it uses in the solutions it supplies to customers. When quoting for business the group always obtains fixed price quotations from suppliers before submitting a price to the customer.

**Share warrants**

On 15 July 2009, the directors passed a resolution in accordance with its Memorandum and Articles to create and issue warrants to subscribe for Ordinary shares. A general offer was made to all holders of Ordinary shares, with 3,278,689 warrants being issued. Those warrants in issue have an expiry date of three years from the date of issue and carry a subscription price of 15.25p, being the price per Ordinary share equal to the closing mid-market price at the time of issue.

In accordance with IFRS 7 'Financial Instruments', those warrants that have the characteristics of shares have been valued using the Black-Scholes option pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

<b>Issue date</b>	<b>17 July 2009</b>
Share price at grant date	15.25p
Subscription date	15.25p
Number of warrant holders	21
Warrants issued	3,278,689
Vesting period (years)	0
Expected volatility	62.8%
Option life (years)	3
Expected life (years)	1.5
Risk free rate	4.5%
Expected dividends expressed as a dividend yield	0%
Fair value	4.9p

The expected volatility is based on the historic volatility for the last six months of the period to 31 January 2010, the expected volatility of options granted was derived by taking an average of historic share price volatility over those months.

A reconciliation of options over the period to 31 January 2010 is shown below:

	<b>2010</b>	<b>2010</b>
	<b>Number</b>	<b>Weighted average exercise price</b>
Outstanding brought forward	-	-
Issued	3,278,689	15.25p
Exercised	-	-
Outstanding carried forward	3,278,689	15.25p

The share based payment charge of £162,161 relating to the issue of share warrants has been taken direct to the share premium account in accordance with Companies Act 2006.

#### **4 Significant accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and judgement concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Revenue recognition*

The contractual arrangements of sales are often complex with multiple elements e.g. hardware and maintenance. Management have to make appropriate judgements and estimates in relation to the fair value of each of these elements in accordance with the guidance set out in IAS 18.

##### *Impairment of goodwill*

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use. Management have also had to make significant estimates and judgements when putting together the budgets and projections which are used in the value in use calculations. These judgements are mainly in relation to projected revenues and margins.

##### *Valuation of intangible assets*

Management have to make a number of estimates and judgements when valuing intangible assets. For example expected growth rates, attrition rates, useful economic lives and royalty rates.

### Fair value estimation

Techniques, such as estimated discounted cash flows, are used to determine fair value for financial instruments. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

### Share-based payments

The company issues share-based payments to certain employees. The fair value and the vesting periods use management assumptions in their calculation. While management believes that the assumptions used are appropriate, a change in the assumptions used would impact the results of the Company.

## 5(a) Segmental information

Management has determined the operating segments based on the reports reviewed by the board that are used to make strategic decisions.

The United Kingdom is the home country of the group. For management purposes, the group is currently organised into four operating divisions – Head Office, Avisen, Inca and South Africa. These divisions are the basis on which the group reports its segmental information. Where applicable the reportable operating segments derive their revenue primarily from the sale of consultancy and software.

The board assesses the performance of the operating segments based on a measure of EBITDA and adjusted EBITA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments.

The segment information provided to the board for the reportable segments for the year ended 31 January 2010 is as follows:

31 January 2010	Head Office £'000	Avisen £'000	Inca £'000	South Africa £'000	Total £'000
<b>Continuing operations</b>					
Revenue	-	2,573	3,911	1,259	7,743
Less: intersegment sales	-	294	35	249	578
<b>Total revenue from third parties</b>	-	2,279	3,876	1,010	7,165
Cost of sales	-	1,944	1,979	888	4,811
<b>Gross profit</b>	-	335	1,897	122	2,354
<b>Total administrative expenses</b>	974	1,623	2,388	498	5,483
<b>Other operating income</b>	-	-	10	10	20
Adjusted EBITDA	(842)	(597)	(55)	(232)	(1,726)
Less: depreciation	(3)	(5)	(29)	(7)	(44)
Adjusted EBITA	(845)	(602)	(84)	(239)	(1,770)
Less: amortisation and impairment of intangible assets	(192)	(393)	-	-	(585)
Less: strategic, integration and other one off items	63	(293)	(397)	(127)	(754)
<b>Total operating loss</b>	(974)	(1,288)	(481)	(366)	(3,109)
Finance income	8	1	-	2	11
Finance cost	(1)	(8)	(8)	-	(17)
Finance cost – net	7	(7)	(8)	2	(6)
Gain on bargain purchase	-	-	-	46	46
<b>Loss before tax</b>	(967)	(1,295)	(489)	(318)	(3,069)
Tax credit	54	2	-	-	56
<b>Loss for the year from continuing operations</b>	(913)	(1,293)	(489)	(318)	(3,013)
<b>Segment assets</b>	10,303	1,271	2,297	877	14,748
<b>Segment liabilities</b>	(960)	(2,043)	(5,592)	(1,031)	(9,626)
<b>Segment net assets</b>	9,343	(772)	(3,295)	(154)	5,122
<b>Additions in the year by segment</b>					
Intangible assets	8,342	17	-	200	8,559
Property, plant and equipment	-	-	16	35	51

The segment information provided to the board for the reportable segments for the period ended 31 January 2009 is as follows:

10 months ended 31 January 2009	Head Office £'000	Avisen £'000	South Africa £'000	Total £'000
<b>Continuing operations</b>				
Revenue	-	2,859	294	3,153
Less: intersegment sales	-	747	-	747
<b>Total revenue from third parties</b>	-	2,112	294	2,406
Cost of sales	-	910	193	1,103
<b>Gross profit</b>	-	1,202	101	1,303
<b>Total administrative expenses</b>	264	1,081	73	1,418
Adjusted EBITDA	(264)	200	31	(33)
Less: depreciation	-	(4)	(3)	(7)
Adjusted EBITA	(264)	196	28	(40)
Less: amortisation and impairment of intangible assets	-	-	-	-
Less: strategic, integration and other one off items	-	(75)	-	(75)
<b>Total operating profit/(loss)</b>	(264)	121	28	(115)
Finance income	-	15	1	16
Finance cost	-	(1)	-	(1)
Finance cost – net	-	14	1	15
<b>Profit/(loss) before tax</b>	(264)	135	29	(100)
Income tax credit/(expense)	-	5	-	5
<b>Profit/(loss) for the year from continuing operations</b>	(264)	140	29	(95)
<b>Segment assets</b>	-	1,676	29	1,705
<b>Segment liabilities</b>	-	1,060	-	1,060
<b>Segment net assets</b>	-	616	29	645
<b>Additions in the year by segment</b>				
Intangible assets	-	454	-	454
Property plant and equipment	-	-	27	27

Sales between segments are carried out at arm's length. The revenue from external parties reported to the board is measured in a manner consistent with that in the statement of comprehensive income.

The amounts provided to the board with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. Assets are allocated based on the operations of the segment and the physical location of the asset. Liabilities are allocated based on the operations of the segment.

Asymmetrical costs arisen in the reallocation of key management costs incurred within the operating segment of Avisen to Head Office. In the year the reallocation of costs amounted to £419,000 (2009: £264,000).

In 2009 Head Office was not a separate reporting segment however, consideration has been given to those costs that would have been classed as head office if the reporting segment had always existed. Cost allocations from the reporting segment Avisen have been allocated to Head Office to give a consistent comparable measure.

Information in respect of revenues from external customers has not been disclosed. This type of information is not presented to the board when making strategic decisions and is not readily available.

The group's operations are located in the UK, Europe and South Africa. The following table provides an analysis of the group's sales by geographical market.

	<b>10 months ended</b>	
	<b>2010</b>	<b>31 January 2009</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	5,576	1,809
Europe	330	302
South Africa	1,259	295
	<b>7,165</b>	<b>2,406</b>

The following table represents major customers where revenues earned exceed 10% of the entity's revenue.

	<b>Operating segment</b>	<b>10 months ended</b>	
		<b>2010</b>	<b>31 January 2009</b>
		<b>£'000</b>	<b>£'000</b>
Customer 1	Avisen	-	352
Customer 2	Avisen	345	878
Customer 3	Avisen	-	156
Customer 4	Avisen	540	-
Customer 5	Avisen	204	-
Customer 6	Avisen	255	-
Customer 7	Avisen	202	-
Customer 8	Inca	138	-
Customer 9	Inca	111	-
Customer 10	South Africa	65	-
Customer 11	South Africa	168	-

## 6(a) Operating loss for the year

	10 months ended	
	2010	31 January 2009
	£'000	£'000
Loss for the year is stated after charging:		
Wages and salaries	3,944	1,425
Social security costs	284	124
Other pension costs	17	93
Share based payment charge	730	-
<b>Staff costs including directors and compromise agreements</b>	<b>4,975</b>	<b>1,642</b>
Depreciation of property, plant and equipment:		
- owned assets	42	6
- assets held under finance leases	2	-
Amortisation of intangible assets	192	-
Impairment of intangible assets	393	-
Net foreign exchange losses/(gains)	20	(51)
Auditors remuneration:		
Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	18	-
Fees payable to the company's auditor and its associates for other services:		
- The audit of the company's subsidiaries pursuant to legislation	61	-
- Other services pursuant to legislation	25	45
Operating lease payments – land and buildings	154	130
Operating lease payments – plant and machinery	5	-

## 6(b) Average monthly number of personnel employed

	10 months ended	
	2010	31 January 2009
	Number	Number
Average monthly number of personnel (including executive directors) employed		
Management (including directors)	13	9
Sales, support and technical	79	38
Administration and management	11	3
	103	50

## 6(c) Directors emoluments

Details of individual Directors' remuneration for the year are as follows:

	10 months ended	
	2010	31 January 2009
	£'000	£'000
Salaries and other short term benefits	398	239
Bonuses	60	-
Compensation for loss of office	68	-
Share based payments	47	-
	573	239

No director as at 31 January 2010 and 2009 were accruing benefits under a money purchase scheme.

The emoluments of the highest paid director were as follows:

	<b>10 months ended</b>	
	<b>2010</b>	<b>31 January 2009</b>
	<b>£'000</b>	<b>£'000</b>
Salaries and other short term benefits	170	104

The only personnel that meet the definition of key management personnel in IAS24 are the directors of Avisen Plc, therefore only details of their remuneration is included in this report.

No director exercised any share options in the year.

The non-executive directors invoice for their services, which are paid to their personal consultancy businesses. They were paid respectively £10,416 and £20,441 during the year, including expenses (2009: £nil and £19,551 respectively).

### **7 Strategic, integration and other one off items**

In accordance with the group's policy for strategic, integration and other one off items, the following charges were included in this category for the year:

	<b>10 months ended</b>	
	<b>2010</b>	<b>31 January 2009</b>
	<b>£'000</b>	<b>£'000</b>
Compromise agreements and redundancy payments	112	75
Computer supplies credit (one off)	(88)	-
Share based payment charge	730	-
	<b>754</b>	<b>75</b>

### **8 Finance income and costs**

<b>Continuing operations</b>	<b>10 months ended</b>	
	<b>2010</b>	<b>31 January 2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Finance income</b>		
Bank interest receivable	11	16
	<b>11</b>	<b>16</b>
<b>Finance costs</b>		
Interest expense		
- bank borrowings (including overdrafts)	(9)	(1)
- hire purchase and finance leases	(1)	-
- other interest	(7)	-
	<b>(17)</b>	<b>(1)</b>
<b>Net finance cost</b>	<b>(6)</b>	<b>15</b>

## 9 Tax charge

	10 months ended	
	2010	31 January 2009
	£'000	£'000
<b>Continuing operations</b>		
Current tax	(2)	(5)
Deferred tax (note 16)	(54)	-
<b>Total tax charge</b>	<b>(56)</b>	<b>(5)</b>

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the consolidated entities as follows:

	10 months ended	
	2010	31 January 2009
	£'000	£'000
Loss before tax - continuing operations	(3,069)	(100)
Loss before tax multiplied by the average effective rate of tax in the UK of 28% (2009: 28%)	(859)	(28)
Effect of:		
Depreciation	15	2
Amortisation	105	-
Capital allowances	(4)	-
Items disallowed for tax	327	7
Losses group relieved	-	47
Losses carried forward	254	-
Other timing differences	184	(28)
Prior year adjustment	(24)	(5)
	(2)	(5)

## 10 Intangible assets including goodwill

At 31 January 2010						
	Goodwill	Brands	Customer and related contracts	Software	Development costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 February 2009	279	-	-	-	393	672
Additions (note 20)	7,138	252	1,852	23	17	9,282
Disposals	-	-	-	-	-	-
<b>At 31 January 2010</b>	<b>7,417</b>	<b>252</b>	<b>1,852</b>	<b>23</b>	<b>410</b>	<b>9,954</b>
Impairment and amortisation						
At 1 February 2009	-	-	-	-	-	-
Impairment	-	-	-	-	393	393
Amortisation	-	17	175	-	-	192
Disposals	-	-	-	-	-	-
<b>At 31 January 2010</b>	<b>-</b>	<b>17</b>	<b>175</b>	<b>-</b>	<b>393</b>	<b>585</b>
<b>Net book amount at 31 January 2010</b>	<b>7,417</b>	<b>235</b>	<b>1,677</b>	<b>23</b>	<b>17</b>	<b>9,369</b>

<b>At 31 January 2009</b>	<b>Goodwill</b>	<b>Brands</b>	<b>Customer and related contracts</b>	<b>Software</b>	<b>Development costs</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cost						
At 1 February 2008	279	-	-	-	-	279
Additions	-	-	-	-	393	393
<b>At 31 January 2009</b>	<b>279</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>393</b>	<b>672</b>
Amortisation and impairment						
At 1 February 2008	-	-	-	-	-	-
Amortisation	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>At 31 January 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book amount at 31 January 2009</b>	<b>279</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>393</b>	<b>672</b>

The net book amount of development costs includes £nil (2009: £393,000) internally generated capitalised software development costs that meet the definition of an intangible asset.

Intangible fixed assets in respect of Software relate to the purchase of software and intellectual property from Morgan Benjamin Limited on 14 September 2009, a company in administration. The total consideration of £25,100 was settled by cash. Intangible assets arising on acquisition amounted to £23,000.

The amortisation charge of £192,000 (2009: £nil) and the impairment charge of £393,000 (2009: £nil) are included in the administrative expenses in the income statement. The impairment charge represents the pragmatic view of the directors. The main element of impairment relates to the Strategy GPS project undertaken in the prior year. Due to advancements in technology outside of the group's control; the directors consider this project to be no longer viable in terms of the advanced technology they hoped it would bring.

#### Impairment tests for goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) identified. A summary of the goodwill allocation is presented below.

	<b>2010</b>				<b>2009</b>		
	<b>Avisen</b>	<b>Inca</b>	<b>South Africa</b>	<b>Total</b>	<b>Avisen</b>	<b>South Africa</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Goodwill	1,024	6,193	200	7,417	-	279	279

#### Basis for calculation recoverable amount

The group has prepared, and formally approved, a three year plan for each CGU. The detailed plan put together by the management team and the Board makes judgements and assessments on revenue and gross profit expectations. This is from both contracted and pipeline revenue streams. It also takes account of historic success of winning new work.

The plan is used in the value in use calculations. Cash flow projections beyond this timeframe are extrapolated by applying a growth rate over the following two years. The growth rate does not exceed the long-term growth rate for the business in which the CGU operates

The key assumptions used for value-in-use calculations are as follows:

	2010			2009	
	Avisen	Inca	South Africa	Avisen	South Africa
Growth rate *	2%	2%	2%	2%	2%
Discount rate **	17%	17%	17%	17%	17%

\* Growth rate used to extrapolate cash flows beyond the budget period.

\*\* Pre tax discount rate applied to the cash flow projections

These assumptions have been used for the analysis of each CGU within the business segment. The growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The forecasts, which the board believes have been prepared on a conservative basis, are most sensitive to changes in EBIT margin. If the EBIT margin was to fall by 5% compared to the budgeted EBIT margin then there could be a possible impairment charge in the Inca Business.

Based on the impairment review, no impairment has been recognised in the statement of comprehensive income (2009: nil).

## 11 Property, plant and equipment

	Leasehold property improvements	Motor vehicles	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000	£'000
<b>At 31 January 2010</b>				
Cost				
At 1 February 2009	-	-	48	48
Additions	-	-	27	27
Disposals	(4)	(13)	(135)	(152)
Acquisition of subsidiaries	30	13	269	312
<b>At 31 January 2010</b>	<b>26</b>	<b>-</b>	<b>209</b>	<b>235</b>
Amortisation and impairment				
At 1 February 2009	-	-	15	15
Depreciation	2	-	42	44
Disposals	(4)	(13)	(131)	(148)
Acquisition of subsidiaries	11	13	199	223
<b>At 31 January 2010</b>	<b>9</b>	<b>-</b>	<b>125</b>	<b>134</b>
<b>Net book amount at 31 January 2010</b>	<b>17</b>	<b>-</b>	<b>84</b>	<b>101</b>

	Leasehold property improvements	Motor vehicles	Furniture, fittings and equipment	Total
At 31 January 2009	£'000	£'000	£'000	£'000
Cost				
At 1 February 2008	-	-	48	48
<b>At 31 January 2009</b>	<b>-</b>	<b>-</b>	<b>48</b>	<b>48</b>
Depreciation				
At 1 February 2008	-	-	9	9
Charge for the year	-	-	6	6
<b>At 31 January 2009</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>15</b>
<b>Net book amount at 31 January 2009</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>33</b>

Depreciation expense of £44,000 (2009: £6,000) has been charged in administrative expenses.

Included within net book amounts of £101,000 (2009: £nil) is £6,000 in fixtures, fittings and equipment relating to assets held under hire purchase and finance lease agreements.

## 12 Trade and other receivables

Current	2010	2009
	£'000	£'000
Trade receivables	2,457	519
Less: Provision for impairment of trade receivables	(287)	-
	2,170	519
Other receivables	244	116
Prepayments	775	6
	3,189	641

The fair value of the group's trade and other receivables is the same as its book value stated above. No interest is charged on overdue receivables. There is no material difference between the fair value of receivables and their book value.

The average credit period taken on sales is 16 days (2009: 79 days).

At 31 January 2010, trade receivables of £2,170,000 (2009: £519,000) were fully performing. The group has provided fully for all receivables which are not considered recoverable.

Before accepting any new customer, the group assesses the potential customer's credit quality and defines credit limits by customer.

At 31 January 2010, trade receivables of £974,000 (2009: £268,000) were past due but not impaired. The ageing analysis of these customers is set out below. The balances relate to customers where there is no history of default and management believe that the receivables balance will be paid.

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Up to 3 months overdue	837	183
3 to 6 months overdue	132	53
6 to 12 months overdue	5	4
> 12 months overdue	-	28
	<b>974</b>	<b>268</b>

As of 31 January 2010, trade receivables of £287,000 were impaired (2009: £nil) and provided for. The provision relates to a number of small receivables.

The ageing of these receivables are as follows:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Current	4	-
Up to 3 months overdue	50	-
3 to 6 months overdue	3	-
6 to 12 months overdue	230	-
	<b>287</b>	<b>-</b>

Movements on the group provision for impairment of trade and receivables are as follows:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
At 1 February	-	-
Acquisitions	287	-
Disposals	-	-
Unused amounts reversed	-	-
At 31 January	<b>287</b>	<b>-</b>

The creation and release of provision for impaired receivables have been included in administrative expenses in the income statement.

The other classes within trade and other receivables do not contain impaired assets and the group expect to recover these in full. There are no financial assets whose terms have been renegotiated that would otherwise be past due or impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable noted above. The group does not hold any collateral as security.

### 13 Cash and cash equivalents

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	183	360

## 14 Trade and other payables

<b>Current</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	1,355	391
Taxation and social security	1,200	347
Other payables	945	32
Accrued liabilities	1,104	87
Deferred income	1,917	46
	<b>6,521</b>	<b>903</b>

Accrued liabilities and deferred income represent miscellaneous contractual liabilities that relate to expenses that were incurred, but not paid for at the year end and income received during the period, for which the group had not supplied the goods or services at the end of the year.

The directors consider that the book value of trade payables, taxation, other payables and accrued liabilities approximates to their fair value at the balance sheet date.

The average credit period taken for purchases is 102 days (2009: 129 days).

## 15 Borrowings

<b>Current</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Bank borrowings	256	-
Other borrowings - factoring	300	-
Finance leases	7	-
	<b>563</b>	<b>-</b>
<b>Non – current</b>		
Bank borrowings	100	-
Finance leases	-	-
	<b>100</b>	<b>-</b>
<b>Total borrowings</b>	<b>663</b>	<b>-</b>

The maturity of total borrowings is as follows:

<b>2010</b>	<b>Bank borrowings and overdrafts</b>	<b>Hire purchase and finance leases</b>	<b>Other borrowings - factoring</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within one year	256	7	300	563
Between one and two years	83	-	-	83
Between two and five years	17	-	-	17
	<b>356</b>	<b>7</b>	<b>300</b>	<b>663</b>

2009	Bank borrowings and overdrafts	Hire purchase and finance leases	Other borrowings - factoring	Total
	£'000	£'000	£'000	£'000
Within one year	-	-	-	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
	-	-	-	-

#### Bank borrowings

Interest on the bank overdraft is charged at 1.75% over Natwest's base rate. Interest on the other borrowings is charged at 2.75% above LIBOR.

There were no bank borrowings at 31 January 2009. At 31 January 2010 total bank borrowings were secured by a debenture comprising a fixed and floating charge over all the assets of the group including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital both present and future.

At 31 January 2010 total borrowings in respect of other borrowings were secured by a debenture comprising a fixed and floating charge over all present and future book debts of the group.

The factoring facility available to the group at 31 January 2010 was £750,000. At 31 January 2009 there was no factoring facility.

The bank overdraft facility available to the group at 31 January 2010 was £100,000. At 31 January 2009 there was no overdraft facility.

#### Finance leases

Finance leases are secured on the specific asset subject to finance. The weighted average fixed rate on the finance leases is 15% (in 2009 there were no finance leases).

#### Fair values

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant. The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank borrowings	256	-	256	-
Other borrowings - factoring	300	-	300	-
Finance leases	7	-	7	-
	563	-	563	-

#### Foreign currency

The carrying amounts of all the group's borrowings in both 2010 and 2009 are denominated in UK Sterling.

#### Facilities

The group had £450,000 of un-drawn factoring facilities at 31 January 2010. There were no facilities at 31 January 2009.

## 16 Deferred tax

Deferred tax (assets) and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities when the deferred tax relates to the same tax authority. The offset amounts are as follows:

	2010	2009
	£'000	£'000
<b>Deferred tax liabilities</b>		
Deferred tax liability to reverse within 12 months	54	-
Deferred tax liability to reverse after more than 12 months	482	-
	536	-
<b>Deferred tax liabilities (net)</b>	<b>536</b>	<b>-</b>

The movement on the deferred income tax account is as follows:

	2010	2009
	£'000	£'000
Beginning of year	-	-
Acquisitions – goodwill adjustment	590	-
Income statement credit	(54)	-
<b>End of year</b>	<b>536</b>	<b>-</b>

The movement in deferred tax liabilities during the year, without taking into consideration the offsetting of balances is as follows:

	Intangible assets in business combinations	Other timing differences	Total
	£'000	£'000	£'000
<b>Deferred tax liabilities</b>			
<b>At 1 February 2009</b>	-	-	-
Acquisitions – goodwill adjustment	590	-	590
Credited to income statement	(54)	-	(54)
<b>At 31 January 2010</b>	<b>536</b>	<b>-</b>	<b>536</b>

Deferred income tax assets are recognised against tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable benefits is probable. The group did not recognise deferred tax assets of £376,000 (2008: £13,000) in respect to losses amounting to £1,345,000 (2008: £47,000) that can be carried forward against future taxable income.

## 17 Share capital and share premium

	2010	2009
	£'000	£'000
<b>Authorised</b>		
150,000,000 (2009: 100,000,000) ordinary shares of 5p each	7,500	5,000
<b>Allotted, called up and fully paid</b>	<b>Number</b>	<b>Number</b>
Ordinary shares of 5p each	143,230,648	23,745,880

	Number of shares	Allotted, called up and fully paid shares £'000	Share premium £'000	Total £'000
At 1 February 2008 – legal subsidiary	2,515,100	25	329	354
At 1 March 2008 – legal parent	23,745,880	1,187	5,968	7,155
Eliminated on reverse acquisition	(2,515,100)	(25)	(329)	(354)
At 1 February 2009	23,745,880	1,187	5,968	7,155
Issue of shares	116,206,079	5,811	321	6,132
Issue of warrants	3,278,689	164	336	500
Cost of issuing warrants	-	-	(162)	(162)
At 31 January 2010	143,230,648	7,162	6,463	13,625

As noted above, the group issued 116,206,079 as follows:

Date	Description	Number of shares
2 February 2009	Shares issued on the acquisition of Z Group Plc	86,666,667
26 February 2009	Shares issued on the acquisition of Wexner Global Limited	888,889
24 April 2009	Shares issued on the acquisition of Eon Enterprises Limited	2,889,711
8 July 2009	Shares issued on the acquisition of Quadrum Consulting (Pty) Limited	1,379,310
20 August 2009	Shares issued on the acquisition of Inca Holdings Limited	22,950,820
31 October 2009	I-Centric Consulting (Pty) Limited *	1,430,682
		116,206,079

\* At the 31 January 2010 there is a legal obligation to issue 1,430,682 ordinary shares of 5p in respect of the acquisition of i-Centric Consulting (Pty) Limited. Although these shares have not physically been issued, due to the legal obligation they have been included in the reconciliation above.

The group issued 3,278,689 ordinary shares to existing shareholders on 17 July 2009 in connect with a warrant instrument.

The market price of the shares at 31 January 2010 was 14p.

For details of the group's share option scheme, refer to note 19.

#### 18 Retained earnings and other reserves

	Retained earnings £'000	Share based payment reserve £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Currency translation reserve £'000	Total £'000
At 1 February 2009	291	-	-	-	-	291
Legal parent reserve b/f	-	63	-	-	-	63
Loss for the year	(3,013)	-	-	-	-	(3,013)
Share based payment *	-	951	-	-	-	951
Share based option credit	-	(63)	-	-	-	(63)
Exchange differences arising on translation of net assets of foreign operations	-	-	-	-	22	22
Merger reserve	-	-	4,830	-	-	4,830
Reverse acquisition reserve	-	-	-	(11,584)	-	(11,584)
At 31 January 2010	(2,722)	951	4,830	(11,584)	22	(8,503)

\* Includes fair value adjustment in respect of warrants.

## Share based payments

The share based payment reserve arises from the requirement to value share options in existence at the year end at their fair value. The share based payments reserve includes the fair value adjustment in respect of warrants also. For further detail on share options and warrants see note 3 and 19 respectively.

## Merger reserve

The merger reserve arises on the difference between the nominal value of shares issued and the premium payable to acquire shares in another company.

## Reverse acquisition reserve

The reverse acquisition reserve is created in accordance with IFRS3 'Business Combinations'. The reverse acquisition reserve arises due to the elimination of certain costs in respect of the legal parent (Avisen Plc formerly Z Group Plc) and the legal subsidiary (Avisen Group Limited). Since the shareholders of Avisen Group Limited became the majority shareholders of the enlarged group the acquisition is accounted for as though there is a continuation of the legal subsidiary's financial statements. In reverse acquisition accounting, the business combination's cost is deemed to have been incurred by the legal subsidiary.

## Currency translation reserve

The currency translation reserve arises on the translation of foreign entity balances where the functional currency is different from the presentation currency.

## 19 Share based payments

The total charge for the year relating to share based payment plans was £730,223 (2009: £(636,972)). The debit has resulted in the fair value adjustment in respect of shares granted in the period. The prior period credit resulted from the reversal of previous charges, the reversal arising from the forfeiture of options, as continued employment is a pre-condition of holding options in the Company.

The EMI share option plan and Executive unapproved share option plan were introduced in the year. Previous option schemes in existence before the acquisition of Avisen Group Limited forfeited at the date of acquisition. Under the schemes the Board of Directors of Avisen Plc can grant options over the shares of the Company to Directors and employees. Options are typically granted at a fixed price equal to the market price of the shares under option at the date of grant, although some options granted around the time of the acquisition were at a discount to the market price. The contractual life of the option is 10 years. Awards under the scheme are reserved for employees who are deemed to be critical to the future success of the Company. The vesting period of the options typically is for one year. Exercise of an option is subject to continuing employment. The differences between the two schemes are relatively minor, the main difference residing in the definition of an eligible employee. Under the EMI scheme an employee must be a full time employee and a UK resident, whereas part time and non resident employees can become members of the unapproved option scheme. Options under both schemes were valued using the Black-Scholes option pricing model. The fair value per option granted and the assumption used in the calculation are as follows:

<b>Grant date</b>	<b>18 November 2009</b>	<b>11 November 2009</b>	<b>13 March 2009</b>
Share price at grant	12.0p	12.5p	13.75p
Exercise price	10.2p	12.5p	12.39p
Number of option holders	99	1	4
Share options granted	9,931,678	422,935	874,752
Vesting period (years)	1	1	1
Expected volatility	76.2%	76.2%	76.2%
Option life (years)	10	10	10
Expected life (years)	4.8	4.1	4.4
Risk free rate	4.9%	4.9%	4.9%
Expected dividends expressed as a dividend yield	0%	0%	0%
Fair value	10.6p	10.29p	11.46p

The expected volatility is based on the historic volatility for the last six months of the period to 31 January 2010, the expected volatility of options granted was derived by taking an average of historic share price volatility over those months.

A reconciliation of options over the period to 31 January 2010 is shown below:

	2010		2009	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding brought forward	200,775	61.7p	1,002,601	41.8p
Granted during the year	11,229,365	9.9p	-	-
Forfeited during the year	(200,775)	61.7p	(801,826)	103.1p
Exercised during the year	-	-	-	-
Outstanding carried forward	11,229,365	9.9p	200,775	61.7p
Exercisable as at 31 January 2010	10,346,718	-	200,775	-

## 20 Business Combinations

### Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred
			%	£'000
<b>2010</b>				
Avisen Plc (formerly Z Group Plc) *	Holding Company	2 February 2009	100	6,500
EON Enterprises Limited **	Business and management consultancy	24 April 2009	100	585
Inca Holdings Limited ***	IT reseller and support consultants	20 August 2009	100	3,500
I-Centric Consulting (Pty) Limited ****	IT reseller and support consultants	31 October 2009	100	186
				10,771

\*On the 2 February 2009 Z Group Plc became the legal parent of Avisen Group Limited by way of reverse acquisition. Goodwill arising on the acquisition relates to the cost of the acquisition less the fair value of assets. The cost of the acquisition is deemed to have been incurred by the legal subsidiary in the form of equity instruments issued to the owners of the legal parent. This acquisition has been accounted for under the reverse acquisition method as described in note 2, basis of preparation.

\*\*On 24 April 2009, the group acquired 100% of the entire share capital of EON Enterprises Limited and its subsidiary company, Infocube Limited, for a purchase price of £700,000. The total consideration amounted to £585,130 being cash consideration of £130,000 and the issue of 2,889,711 new ordinary shares in the company at 15.75 pence per share, equivalent to the closing middle market price of the Ordinary Shares on 23 April 2009. The difference between the consideration and the purchase price is the value of debt acquired by the enlarged group. The acquisition of EON Enterprises Limited is accounted for using the purchase method.

\*\*\*On 20 August 2009 the group acquired 100% of the entire share capital of Inca Holdings Limited and its subsidiary company's Inca Software Limited and Inca Technology International Limited for a purchase price of £3,500,000. The total consideration being the issue of 22,950,820 new ordinary shares in the company at 15.25 pence per share, equivalent to the closing middle market price of the Ordinary Shares on 16 July 2009.

\*\*\*\* On 31 October 2009 the group acquired 100% of the entire share capital of I-Centric Consulting (Pty) Limited for a purchase price of £185,989. The total consideration being the issue of 1,430,688 new ordinary shares in Avisen Plc at 13 pence per share, equivalent to the closing middle market price of the Ordinary Shares on 24 November 2009. The acquisition is considered a 100% subsidiary of Avisen (Pty) Limited SA. Avisen (Pty) Limited SA is a 100% owned subsidiary of Avisen Plc, the ultimate parent.

Details of net assets/(liabilities) acquired and goodwill are as follows:

	<b>Z Group Plc £'000</b>	<b>EON Enterprises Limited £'000</b>	<b>Inca Holdings Limited £'000</b>	<b>I-Centric Consultancy (Pty) Limited £'000</b>
<b>Assets</b>				
<b>Non Current Assets</b>				
Property, plant and equipment	1	12	50	28
Intangible assets	-	134	-	-
Separately identified intangible assets *	-	48	2,056	-
<b>Current Assets</b>				
Trade receivables	495	73	578	259
Other receivables and prepayments	-	21	684	9
Bank and cash balances	1,165	123	2	57
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade payables	(236)	(111)	(516)	(7)
Other payables and accruals	-	(145)	(2,036)	(114)
Deferred tax	-	(13)	(576)	-
Borrowings	-	(43)	(154)	-
<b>Non Current Liabilities</b>				
Borrowings	-	(149)	(9)	-
Other payables and accruals	-	-	(1,719)	-
	<u>1,425</u>	<u>(50)</u>	<u>(1,640)</u>	<u>232</u>
Net assets/(liabilities) acquired	1,425	(50)	(1,640)	232
Cost of acquisition	(270)	(30)	(254)	-
Goodwill arising upon acquisition	625	665	5,394	-
Bargain purchase upon acquisition				(46)
Total consideration	<u>1,780</u>	<u>585</u>	<u>3,500</u>	<u>186</u>
Satisfied by shares	1,780	455	3,500	186
Satisfied by cash	-	130	-	-
	<u>1,780</u>	<u>585</u>	<u>-</u>	<u>-</u>
Cash consideration	-	(130)	-	-
Cash and cash equivalents acquired	1,165	123	2	57
Cost of acquisition	(270)	(30)	(254)	-
Net cash inflow/(outflow) arising on acquisition	<u>895</u>	<u>(37)</u>	<u>(252)</u>	<u>57</u>

\* Separately identifiable intangible assets on acquisition have been identified in respect of Brands £252,000 and Customer and related contracts £1,852,000.

Furthermore, on 26 February 2009, the group acquired the trade and assets of Wexner Global Limited by way of share issues. The total consideration of £120,000 has been satisfied by the issue of 888,889 new ordinary shares in the company at a price of 13.50 pence per share, equivalent to the closing middle market price of the Ordinary Shares on 26 February 2009. Goodwill arising on the acquisition totals £120,000.

On 1 June 2009, the group acquired the trade and assets of Quadrum Consulting (Pty) Ltd, a South African company, by way of share issues. Total consideration of £200,000 has been satisfied by the issue of 1,379,310 new ordinary shares in Avisen Plc at a price of 14.50 pence per share, equivalent to the closing middle market price of the Ordinary Shares on 8 July 2009. Goodwill arising on the acquisition totals £200,000. The acquisition is considered a 100% subsidiary of Avisen (Pty) Limited. Avisen (Pty) Limited is a 100% owned subsidiary of Avisen Plc, the ultimate parent.

On 9 September 2009, the group acquired the trade and assets of Morgan Benjamin Limited, a company in Administration. Total consideration payable amounted to £25,100 being £2,000 for chattel assets and £23,100 for intangible fixed assets relating to intellectual property and customer databases.

From the date of acquisition to 31 January 2010, Avisen Plc (formerly Z Group Plc) contributed £nil to turnover, £(423,000) to adjusted EBITDA and £(547,000) to a loss before tax.

From the date of acquisition to 31 January 2010, Eon Enterprises Limited and its subsidiary company Infocube Limited contributed £530,000 to turnover, £(265,000) to adjusted EBITDA and £(318,000) to a loss before tax.

From the date of acquisition to 31 January 2010, Inca Holdings Limited and its subsidiary company Inca Software Limited contributed £3,381,000 to turnover, £200,000 to adjusted EBITDA and £(182,000) to a loss before tax.

From the date of acquisition to 31 January 2010, I-Centric Consulting (Pty) Limited contributed £98,000 to turnover, £(101,000) to adjusted EBITDA and £(108,000) to a loss before tax.

The value of customer and related contracts has been calculated with reference to projected income arising on these contracts and the expected life of the contracts. The value of customer contracts have been discounted at 12.3% to arrive at the figure above. The life of the contracts is estimated to be 5 years based upon past experience.

## 21 Discontinued operations

On 8 October 2009, the group took the decision to liquidate Inca Technology Limited, a company acquired on the purchase of Inca Holdings Limited. The results for Inca Technology Limited are considered immaterial to the group and have not been included in the consolidated figures.

## 22 Earnings per ordinary share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the group by the weighted average number of ordinary shares in issue during the year.

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Loss attributable to equity holders	(3,013)	(95)
Adjustments:		
Amortisation of intangible assets	585	-
Integration, strategic and one off costs	754	75
Adjusted loss	<u>(1,674)</u>	<u>(20)</u>
	<b>Pence</b>	<b>Pence</b>
Basic loss per share	<u>(2.36)</u>	<u>(0.12)</u>
Diluted loss per share	<u>(2.36)</u>	<u>(0.12)</u>
Adjusted basic loss per share	<u>(1.31)</u>	<u>(0.03)</u>
Adjusted diluted loss per share	<u>(1.31)</u>	<u>(0.03)</u>
	<b>Number</b>	<b>Number</b>
	<b>000's</b>	<b>000's</b>
Basic weighted average number of shares	127,510	76,315
Impact of share options and warrants	*	-
Diluted weighted average number of shares	<u>127,510</u>	<u>76,315</u>

\* As disclosed in notes 3 and 19 the Group had 14,066,694 of exercisable share options and warrants in existence at the year end. In accordance with International Accounting Standards (IAS33); options and warrants only have a dilutive effect when the average market price of ordinary shares during the period exceeds the exercise price of the options and warrants. Although the share options and warrants did have exercisable prices below the average market price of the ordinary shares at the year end; the current market price of ordinary shares is below the exercise price of all share options and warrants. On the above basis the board consider the share options and warrants to have no dilutive effect. In association with the above, where there is a loss per share from continuing operations, the share options and share warrants are not considered dilutive and hence the diluted earnings per share is the same as the basic.

On 28 April 2010 the company announced the purchase of the entire share capital of Xploite plc realising the issue of 82,814,227 ordinary new shares.

### 23 Commitments

#### (a) Capital commitments

Capital expenditure contracted for but not yet incurred at 31 January 2010 is £nil (2009: £nil).

#### (b) Operating lease commitments

The future aggregated minimum lease payments under non-cancellable operating leases are as follows:

	<b>2010</b>	<b>2009</b>
	<b>Land &amp; Buildings</b>	<b>Land &amp; Buildings</b>
	<b>£'000</b>	<b>£'000</b>
No later than one year	96	-
Later than one year but no later than five years	256	-
	<b>352</b>	<b>-</b>

The group leases offices under non-cancellable operating lease agreements which are renewable at the end of the lease period at market rates.

### 24 Related-party transactions

#### (a) Key management compensation

The only key management personnel of the group are the directors. Details of the compensation of the key management personnel are disclosed in note 6c to the financial statements.

#### (b) Controlling party

There is no one party which controls the group.

#### (c) Company and subsidiary

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

## 25 Principal subsidiaries of the group as at 31 January 2010

Subsidiary undertakings	Description and proportion of share capital held by Avisen plc	Description and proportion of share capital held by group	Country of incorporation or registration	Nature of business
Avisen Group Limited	Ordinary 100%	-	England & Wales	IT Consultancy
Avisen UK Limited	-	Ordinary 100%	England & Wales	IT Consultancy
Enfourmen Limited	-	Ordinary 100%	England & Wales	Dormant
Solution Minds Limited	-	Ordinary 100%	England & Wales	Dormant
Avisen BV	-	Ordinary 100%	Netherlands	IT Consultancy
Avisen LLC	-	Ordinary 100%	USA	IT Consultancy
Solution Minds (UK) Limited	-	Ordinary 100%	England & Wales	IT Consultancy
Avisen (Pty) Limited SA	Ordinary 100%	-	South Africa	IT Consultancy
i-Centric Consulting (Pty) Limited	-	Ordinary 100%	South Africa	IT Consultancy
EON Enterprises Limited	Ordinary 100%	-	England & Wales	IT Consultancy
Infocube Limited	-	Ordinary 100%	England & Wales	IT Consultancy
Inca Holdings Limited	Ordinary 100%	-	England & Wales	IT Consultancy
Inca Software Limited	-	Ordinary 100%	England & Wales	IT Consultancy

## 26 Events after the balance sheet date

### Xploite Plc – acquisition

On 27 April 2010, the group acquired the entire share capital of Xploite plc, a group of companies whose main operating business was Storage Fusion Limited, a SRA software business which owns a range of tools that are focussed on storage analytics.

Details of the acquisition are as follows:

	<b>£'000</b>
Purchase consideration:	
Value of shares issued	12,008
Total purchase consideration	12,008
Fair value of assets acquired (excluding intangible assets)	3,320
<b>Goodwill and intangible assets</b>	<b>8,688</b>

The goodwill is attributable to the management team and the synergistic benefits that can be brought to the Avisen plc group. The intangible assets relate to customer lists and software.

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The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	<b>Fair value</b>
	<b>£'000</b>
<hr/>	
<b>Assets</b>	
<b>Non current assets</b>	
Property, plant and equipment	165
<b>Current Assets</b>	
Trade receivables	49
Other receivables and prepayments	2,611
Bank and cash balances	2,292
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Trade payables	(484)
Other payables and accruals	(1,313)
	<hr/>
	3,320
	<hr/> <hr/>

#### **Avisen (Pty) Limited SA and subsidiary i-Centric Consulting (Pty) Limited – disposal**

On 14 July 2010 the group transferred the entire interest in its South African subsidiary, to Mr Jones, a director of Avisen (Pty) Limited SA. Avisen (Pty) Limited SA represents the entire South African operating segment.

The consideration for the transfer of the share capital was the purchase of 3,500,000 ordinary shares in Avisen plc which had a fair value of £306,250 at the date of transfer. The directors' do not consider the likely financial effect of the disposal to be material to the 2011 financial results.

**Avisen plc**  
**Statement of financial position**  
**As at 31 January 2010**

**Registered number: 5429800**

	Note	2010 £'000	2009 £'000
<b>Assets</b>			
<b>Non current-assets</b>			
Goodwill	9	120	-
Intangible assets	9	23	-
Property, plant and equipment	10	-	1
Investments	11	11,761	-
<b>Total non-current assets</b>		<b>11,904</b>	<b>1</b>
<b>Current assets</b>			
Trade and other receivables	12	1,570	547
Cash and cash equivalents	13	14	1,165
<b>Total current assets</b>		<b>1,584</b>	<b>1,712</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	425	289
<b>Total liabilities</b>		<b>425</b>	<b>289</b>
<b>Net assets</b>		<b>13,063</b>	<b>1,424</b>
<b>Shareholders equity</b>			
Share capital	16	7,162	1,187
Share premium account	17	6,463	5,968
Share based payments – options and warrants	17	951	63
Merger reserve	17	4,830	-
Profit and loss account	17	(6,343)	(5,794)
<b>Total equity</b>		<b>13,063</b>	<b>1,424</b>

The financial statements on pages 54 to 66 were approved and authorised for issue by the Board on 30 July 2010 and signed on its behalf by

M Hanke  
 Director

The accompanying notes form an integral part of the financial statements

**Avisen plc**  
**Statement of Changes in Equity**  
**Year ended 31 January 2010**

	Share Capital	Share Premium	Share Based Payments Reserve	Merger Reserve	Retained Earnings	Total
Balance at 1 March 2008	1,187	5,968	700	-	(6,299)	1,556
Share based payment transaction	-	-	(637)	-	-	(637)
Profit for the period	-	-	-	-	505	505
Total comprehensive income for the period	-	-	(637)	-	505	(132)
Balance at 31 January 2009	1,187	5,968	63	-	(5,794)	1,424
Issue of capital	5,975	657	-	-	-	6,632
Cost of issuing warrants in the year	-	(162)	-	-	-	(162)
Share based payment charge	-	-	951	-	-	951
Share based payment credit	-	-	(63)	-	-	(63)
Merger reserve	-	-	-	4,830	-	4,830
Loss for the period	-	-	-	-	(549)	(549)
Total comprehensive income for the period	5,975	495	888	4,830	(549)	11,639
Balance at 31 January 2010	7,162	6,463	951	4,830	(6,343)	13,063

The accompanying notes form an integral part of the financial statements

**Avisen plc**  
**Statement of cash flows**  
**Year ended 31 January 2010**

	Notes	2010 £'000	11 months ended 31 January 2009 £'000
<b>Cash flows from operating activities</b>			
Cash used in operations	(a)	(1,117)	(173)
Interest received		8	64
Interest paid		(1)	-
Other income		-	70
<b>Net cash used in operating activities</b>		<b>(1,110)</b>	<b>(39)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(23)	-
Purchase of property, plant and equipment		(2)	-
Purchase of fixed asset investments		(130)	-
Cost of acquisitions		(386)	-
Proceeds from sale of property, plant and equipment			
<b>Net cash used in investing activities</b>		<b>(541)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary share capital		500	-
Repayment of overdraft		-	1
<b>Net cash generated from financing activities</b>		<b>500</b>	<b>1</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,151)</b>	<b>(38)</b>
Cash and cash equivalents at start of year		1,165	1,203
<b>Cash and cash equivalents at end of year</b>		<b>14</b>	<b>1,165</b>

The accompanying notes form an integral part of the financial statements

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**Notes to the statement of cash flow's**

**(a) Cash (used in)/generated from operations**

	<b>2010</b>	<b>11 months ended</b>
	<b>£'000</b>	<b>31 January 2009</b>
		<b>£'000</b>
<b>Continuing operations</b>		
(Loss)/profit before tax	(548)	505
Adjustments for:		
Depreciation charge	3	3
Share based payment credit	(63)	(637)
(Increase) in trade and other receivables	(637)	(3)
Increase in trade and other payables	135	87
Write down of property, plant and equipment	-	6
Finance income	(8)	(134)
Finance costs	1	-
<b>Cash used in continuing operations</b>	<b>(1,117)</b>	<b>(173)</b>

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**Avisen plc****Notes to the company financial statements for the year ended 31 January 2010****1 Summary of significant accounting policies****Basis of preparation**

The company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the going concern basis under the historical cost convention in accordance with the Companies Act 2006.

See note 2a, Adoption of new and revised International Financial Reporting Standards (IFRSs), in the notes to the consolidated financial statements for further information relating to the preparation of the financial statements.

The company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Statement of Comprehensive Income in these separate financial statements. The loss attributable to members of the parent company for the year ended 31 January 2010 is £(547,818) (2009: £505,229).

**Going Concern**

In assessing the Company's ability to continue as a going concern, the directors have taken into consideration all available information relating to the 12 month period from the date of approval of these accounts. In particular the directors have assessed expenditure, budgets and cash flow forecasts of the Company.

**Significant accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Impairment of goodwill*

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use. These calculations require the use of estimates.

*Valuation of intangible assets*

Management have to make a number of estimates and judgements when valuing intangible assets. For example expected growth rates, attrition rates, useful economic lives and royalty rates.

*Share-based payments*

The company issues share-based payments to certain employees. The fair value and the vesting periods use management assumptions in their calculation. While management believes that the assumptions used are appropriate, a change in the assumptions used would impact the results of the Company.

**Revenue recognition**

Revenue is stated net of Value Added Tax and net of any applicable discounts or rebates.

**Share-based payments**

The Company operates a number of equity-settled, share-based payment compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the company. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

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Where options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

### **Goodwill**

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. If, after reassessment, the company's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the excess is recognised immediately in profit and loss as a bargain purchase gain. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is charged to the income statement. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing

For further information in respect of impairment see the group accounting policies on page 26 and note 10 to the consolidated financial statements.

### **Intangible assets**

Identifiable intangible assets acquired are initially recognised separately from goodwill if the asset's fair value can be measured reliably. For intangible assets that have finite useful lives, amortisation is calculated so as to write off the cost of an asset less its estimated residual value over its useful economic life as follows:

Software and intellectual property – 3 years

Intangible assets are tested annually for impairment and are carried at amortised cost less accumulated impairment losses. Any impairment is charged to the income statement in the year it arises. See note 10 to the consolidated financial statements for further information.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value over their expected useful lives on the following basis:

Computer equipment - 25% straight line

Impairment reviews are conducted in accordance with IFRS11 (Impairment of fixed assets and goodwill). Any impairment losses are recognised in the profit and loss account. Impairment write downs are determined by reference to the higher of net realisable value or value in use.

### **Fixed asset investments**

Fixed asset investments in group undertakings are carried at cost less any provision for impairment.

### **Leases**

Assets held under leases that result in the company receiving substantially all the risks and rewards of ownership are classified as finance leases and capitalised as property plant and equipment at the lower of cost and the estimated present value of the underlying lease payments. The interest element of the rental obligation is allocated to the accounting periods to reflect a constant rate of interest on the outstanding obligation. The corresponding finance lease obligation is included within payables. These assets are depreciated over the term of the lease or the estimated useful life of the asset, whichever is shorter.

Rentals under operating leases are charged to the income statement on a straight line basis over the period of the lease.

### **Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

## Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and laws that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle that carrying amount of its assets and liabilities.

## Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in the period in which they arise.

## 2 Business and geographical segments

The directors consider that the Company has no separate business or geographical segments to report on.

## 3 Operating loss

	2010 £'000	11 months ended 31 January 2009 £'000
The Company's operating (loss)/profit is shown after charging/(crediting):		
Share based payments credit	(63)	(637)
Depreciation	3	3
Auditors' remuneration	18	5
Auditors' remuneration for non audit work	7	11
Foreign exchange differences	1	-

## 4 Finance income and costs

	2010 £'000	11 months ended 31 January 2009 £'000
Finance income:		
Bank interest receivable	8	64
Dividends	-	70
	8	134

	2010 £'000	11 months ended 31 January 2009 £'000
Finance costs:		
Bank interest payable	(1)	-
	(1)	-

## 5 Staff costs

	2010 £'000	11 months ended 31 January 2009 £'000
The average monthly number of personnel (including directors) employed by the Company during the period was:		
Management	2	2
Staff costs for the above persons:		
Wages and salaries	60	84
Social security	8	10
	68	94

### Directors remuneration

The directors received total emoluments of £60,000 (2009: £84,000).

### Employee Pensions

The Company operates a stakeholder pension plan for which all employees are eligible. No employees have as yet joined the scheme.

### Highest paid director

The highest paid director had a remuneration package of £60,000 (2009: £84,000).

### Share option credit

There was a share option credit of £63,000 (2009: £637,000). The basis of the calculation is outlined in note 15.

### Gains on exercise of options

No options were exercised in the year.

## 6 Income tax

	2010 £'000	11 months ended 31 January 2009 £'000
Factors affecting the tax charge for the period:		
(Loss)/profit on ordinary activities before tax	(548)	505
Tax on (loss)/profit on ordinary activities at standard CT rate of 28% (2009: 28%)	(153)	142
Effects of:		
Expenses not deductible for tax purposes	59	20
Group income		(20)
Group loss relief	30	-
Depreciation in excess of capital allowances	-	3
Other short term timing differences	64	(179)
Losses not recognised for tax purposes	-	34
	-	-

The Company has tax losses of approximately £177,000 (2009: £384,000) which, subject to agreement with HM Revenue & Customs, are available to carry forward against future profits of the same trade.

## 7 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

	2010 Number	31 January 2009 Number
Weighted average number of shares:		
For basic earnings per share	127,509,672	23,745,885
Dilutive effect of share options and warrants*	-	200,775
For dilutive earnings per share	127,509,672	23,946,660
	£'000	£'000
(Loss)/profit for the period	(548)	505
Loss/earnings per share:	pence	pence
- Basic	(0.43)	2.13
-Diluted	(0.43)	2.11

\* As per note 22 to the group financial statements there is no dilutive effect of share options and warrants.

## 8 Financial risk management

The Company's financial instruments comprise amounts due to/from subsidiary undertakings, cash and cash equivalents, other receivables and trade and other payables. The Company's approach to the financial risks is discussed in note 3, Financial Instruments, to the consolidated financial statements.

### Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility. The Company's policy is to manage working capital so as to ensure that liquidity is maintained so as to meet peak funding requirements.

### Foreign currency risk

As at 31 January 2010 and 31 January 2009, there was no foreign exchange currency expose to the Company.

### Borrowing facilities

The Company has not arranged a borrowing facility at the balance sheet date (2009: £nil).

## 9 Intangible assets

	Goodwill £'000	Software £'000	Total £'000
<b>Cost</b>			
At 1 February 2009	-	-	-
Additions	120	23	143
At 31 January 2010	120	23	143
<b>Impairment and amortisation</b>			
At 1 February 2009 and 31 January 2010	-	-	-
<b>Net book value</b>			
At 31 January 2010	120	23	143
At 31 January 2009	-	-	-

On 26 February 2009, the company acquired the trade and assets of Wexner Global Limited by way of share issues. The total consideration of £120,000 has been satisfied by the issue of 888,889 new ordinary shares in the company. Goodwill arising on acquisition amounted to £120,000.

On 14 September 2009, the company acquired chattel assets, software and intellectual property in respect of Morgan Benjamin Limited, a company in administration. The total consideration of £25,100 was satisfied in cash. Intangible assets arising on acquisition amounted to £23,100.

Impairment of intangible assets is reviewed on an annual basis, in line with the Company's accounting policy. Impairment is discussed in more detail at note 10, Intangible assets, to the consolidated financial statements.

## 10 Property, plant and equipment

	<b>Computer Equipment £'000</b>
<b>Cost</b>	
Balance at 1 February 2009	10
Additions	2
<b>Balance at 31 January 2010</b>	<b>12</b>
<b>Accumulated depreciation</b>	
Balance at 1 February 2009	9
Charge for the year	3
<b>Balance at 31 January 2010</b>	<b>12</b>
<b>Net book amount</b>	
<b>At 31 January 2010</b>	<b>-</b>
At 31 January 2009	1

## 11 Investments

	<b>Total £'000</b>
<b>Shares in group undertakings</b>	
<b>Cost</b>	
At 1 February 2009	-
Additions	11,761
At 31 January 2010	11,761
<b>Net book value</b>	
At 31 January 2010	11,761
At 31 January 2009	-

Details of the principal subsidiaries are provided in note 25 to the consolidated financial statements.

## 12 Trade and other receivables

	<b>2010 £'000</b>	<b>2009 £'000</b>
<b>Current:</b>		
Amounts owed by group undertakings	1,407	94
Other receivables	129	129
Other taxes and social security	11	52
Prepayments and accrued income	23	272
	<b>1,570</b>	<b>547</b>

The fair value of trade and other receivables is consistent with their book values. Trade and other receivables are unsecured.

### 13 Cash and cash equivalents

	2010	2009
	£'000	£'000
Bank deposit account	-	1,139
Bank accounts	14	26
	14	1,165

### 14 Trade and other payables

	2010	2009
	£'000	£'000
<b>Current:</b>		
Trade payables	106	258
Amounts owed to group undertakings	32	-
Other payables	132	12
Accruals	155	19
	425	289

The carrying value of trade and other payables is consistent with their book values. Trade and other payables are unsecured. It is the company's policy to settle trade payables within normal credit terms.

### 15 Share based payments

Disclosures in relation to the share options and warrants in issue are made in notes 3 and 19 to the consolidated financial statements.

The total credit in the income statement is £63,000 (2009: £637,000). This credit has resulted from the reversal of previous charges, the reversal arising from the forfeiture of options, as continued employment is a pre-condition of holding options in the company.

The movement in the share option reserve arises due to the grant by the company of options over its equity instruments to the employees of subsidiary undertakings. In line with the Company's accounting policy the, fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

### 16 Share capital

	2010	2009	
	£'000	£'000	
	Number of shares '000	Allotted and issued £'000	Allotted and issued £'000
At 31 January 2010	143,231	7,162	1,187

During the year, 119,484,768 ordinary shares of 5p each were issued at prices between 5.25p and 15.75p each. Those share issues were in respect of the following transactions:

Transaction detail		Share price (pence)	Number of shares
Avisen Group Limited	Acquisition	5.25p	86,666,667
Inca Holdings Limited	Acquisition	15.25p	22,950,820
Eon Enterprises Limited	Acquisition	15.75p	2,889,711
Quadrum Consulting (Pty) Limited	Asset purchase*	14.50p	1,379,310
Wexner Global Limited	Asset purchase	13.50p	888,889
I-Centric Consulting (Pty) Limited	Acquisition*	13.00p	1,430,688
Share issue	Placing	15.25p	3,278,652

\* Quadrum Consulting (Pty) Limited and i-Centric Consulting (Pty) Limited are both acquisitions within Avisen (Pty) Limited SA, a wholly owned subsidiary of Avisen Plc.

The market price of the shares at 31 January 2010 was 14p (2009: 13.4p).

## 17 Reserves

	Merger reserve	Share premium account	Share based payments reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
<b>At 1 March 2008</b>	-	5,968	700	(6,299)	369
Release of share options forfeited to profit and loss reserves	-	-	(637)	-	(637)
Profit for the financial year	-	-	-	505	505
<b>At 1 February 2009</b>	-	5,968	63	(5,794)	237
Loss for the financial year	-	-	-	(549)	(549)
Issue of shares	4,830	657	-	-	5,487
Cost of issuing warrants in the year	-	(162)	-	-	(162)
Movement on share based payment reserve	-	-	951	-	951
Release of share options forfeited to profit and loss reserves	-	-	(63)	-	(63)
<b>At 31 January 2010</b>	4,830	6,463	951	(6,343)	5,901

## 18 Commitments

### a) Capital commitments

Capital expenditure contracted for but not yet incurred at 31 January 2010 £nil (2009: £nil)

### b) Operating lease commitments

There were no operating lease commitments at 31 January 2010 (2009: £nil)

## 19 Related party disclosures

The only key management personnel of the company are the directors. Details of remuneration of the key management personnel is contained in note 6 to the consolidated financial statements.

The following transactions with subsidiaries occurred in the year.

	2010	11 months ended 31 January 2009
	£'000	£'000
Opening debt due from related parties	94	328
Cash forwarded by the Company to related parties	2,232	-
Cash forwarded by the related parties to the Company	(1,343)	(234)
Other re-charges from the Company	486	-
Other re-charges from the related parties	(94)	-
<b>Closing debt due from related parties</b>	<b>1,375</b>	<b>94</b>

No purchase or sales transactions were entered into between the company and subsidiary undertakings.

The amounts owed by/(owed to) subsidiary companies is shown below:

	<b>2010</b>	<b>11 months ended</b>
		<b>31 January</b>
	<b>£'000</b>	<b>2009</b>
		<b>£'000</b>
Avisen Group Limited	62	-
Avisen UK Limited	178	-
Solution Minds UK Limited	20	-
Avisen (Pty) Limited	386	-
Infocube Limited	(32)	-
Inca Holdings Limited	100	-
Inca Software Limited	661	-
Net2Roam Limited	-	52
Onshare limited	-	42
	<b>1,375</b>	<b>94</b>

#### **20 Post balance sheet events**

Disclosures in relation to post balance sheet events is shown in note 26 to the consolidated financial statements.

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## Company information

### Directors

Marcus Hanke	Chief Executive Officer
Jonathan Hill	Chief Operating Officer
Claire Milverton	Chief Financial Officer
Marcus Yeoman	Non-Executive
Mark Bernard Battles	Interim Non-Executive Chairman

### Company secretary

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### Company number

5429800

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### Independent auditors

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Chartered Accountants and Statutory Auditors  
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### Bankers

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High Wycombe  
Buckinghamshire, HP11 2EE

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### Nominated adviser

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### Legal adviser

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