Allocate Software plc
Annual Report and Accounts 2012

People, processes and resources...

...Solutions that deliver more with less, predictably

Welcome to Allocate

We are the leading provider of specialist solutions to optimise operational processes and resource planning for organisations with complex workforces. The solutions we provide are vital to the efficient operations and cost control now crucial to the smooth running of people based industries like healthcare and defence.

We deliver significant cost reductions and efficiencies by identifying and reducing waste, managing and monitoring process, governance, risk and compliance issues to ensure that operational front line delivery is maintained and frequently improved.

Over 700 public and private sector organisations, predominantly in healthcare and defence, all choose Allocate for our unrivalled market expertise underpinned by proven technology.

What's in our report

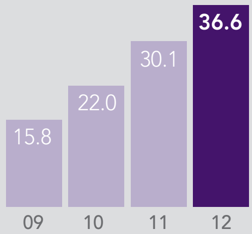
Contents

To find out more visit www.allocatesoftware.com

Financial highlights for 2012

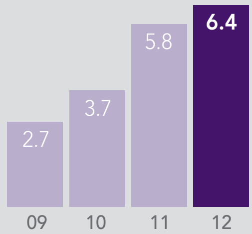
Revenue £m

£36.6m
up 22%



EBITDA £m[1]

£6.4m
up 10%



Diluted adjusted EPS[2]

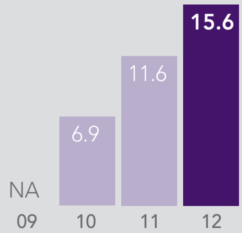
7.4p
up 16%

Full year dividend

1.2p

Recurring revenue £m

£15.6m
up 36%



Financial highlights

> Revenue increased by 22% to £36.6m (2011: £30.1m)
> Recurring revenue increased by 36% to £15.6m or 42% of total revenue (2011: £11.5m or 38% of total revenue)
> Organic revenue growth was 10% in 2012
> Healthcare revenue was £26.2m (2011: £23.1m)
> Investment in R&D increased by £2.2m to £6.8m
> EBITDA[1] increased by 10% to £6.4m (2011: £5.8m)
> Diluted adjusted EPS[2] increased by 16% to 7.4p (2011: 6.4p)
> Operating cash flows were £5.4m (2011: £5.9m). Net cash balance at the year-end was £4.3m (2011: £10.3m), primarily as a result of acquisitions made during the year
> Directors are proposing a dividend of 1.2p per share in respect of the full financial year

1 EBITDA refers to earnings before interest, tax, depreciation, impairment, amortisation and share-based payments and acquisition costs.
2 Diluted adjusted EPS excludes amortisation of intangible assets, impairment, acquisition costs and share-based payments, adjusted for taxation.

Business highlights

> Total Healthcare customers worldwide now number 365, including 262 NHS Trusts and 95 customers overseas
> HealthRoster gained 20 new NHS Trust customers in 2012, making 141 Trusts (after taking account of NHS Trust mergers) with HealthRoster in total at the year-end which represents 47% of 301 Acute, Mental Health and Primary Care Trusts in the United Kingdom
> The Zircadian business acquired in August has made very good progress, with a significant number of cross sell contracts secured within the Allocate customer base and also the integration of the Zircadian applications with the Allocate HealthRoster application
> Time Care in Sweden had another good year meeting management's expectations and growing its customer base by 22 new customers, versus 16 in 2011
> In Australia, a major development has been the integration of RosterOn, acquired in July 2011. The principal component of the RosterOn product, the awards management engine, has now been integrated with HealthRoster
> The Defence business secured a multi-million pound contract for the Australian Defence Forces
> As separately announced today, the Company acquired RealTime Health Limited, a UK supplier of patient flow management software to the NHS for initial consideration of £1.2m

Allocate at a glance

What is driving our growth?

> Allocate solutions proven ROI enables our customers to improve efficiency and reduce staffing costs without compromising patient care

> Healthcare organisations all over the world are under huge pressure to reduce costs, whilst improving patient care as demands for their services inexorably rise

> Defence budgets are equally challenged, requiring reorganisation of force structures, more efficient planning for deployment and training of resources

Healthcare

Allocate's largest sector, with over 360 healthcare customers across 11 countries, is where we witness first hand the effects of changing operational models, evolving legislation, increasing demands on staff and financial pressure.

HealthSuite enables organisations to address these issues by optimising people, processes, performance and assurance without compromising patient care.

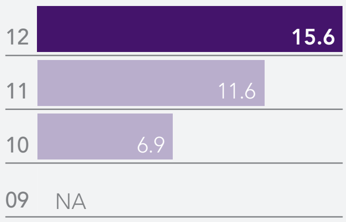
Revenue

£26.2m +13%

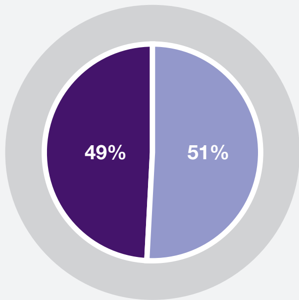
12	26.2
11	23.1
10	14.8
09	11.1

Recurring Revenue £m

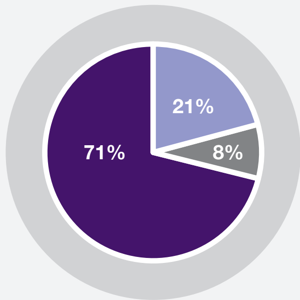
£15.6m
+36%



Revenue split by territory
- UK revenue
- International revenue



Revenue by market sector
- Healthcare
- Defence
- Maritime/LG&E/Other

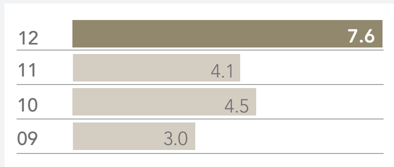


Defence

Allocate's industry leading DefenceSuite is designed to meet the complex requirements of modern defence forces. With a proven track record, it has been deployed in a number of organisations including: the Royal Navy, the British Army, the Royal Australian Navy, NATO, the Australian Army and The Royal Fleet Auxiliary.

Revenue

£7.6m +85%

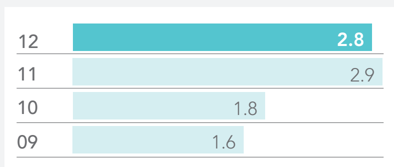


Maritime & Other

Allocate continues to derive revenue from sectors which are required to manage workforces with complex shift and capability requirements. Historically this mainly consisted of Maritime and Offshore engineering customers, however, the acquisition of Time Care and RosterOn have brought a broader customer base including, security services, transport, mining, retail, education and government.

Revenue

£2.8m -3%



Our strategy

2012

Our strategy is underpinned by six key priorities:

Customer satisfaction and success

A stable base of successful and satisfied customers is fundamental to the next stage of our growth. Not only do successful and satisfied customers renew licences, they are also our greatest advocates when acquiring new customers. We will continue to invest in product development to ensure our products maintain our best in class functionality, combining product innovation with our advisory led services to ensure customers drive increasing value from their investments.

Customer acquisition and cross sell

Whilst our growth is driven by new customer acquisition in all our chosen territories, our broad portfolio gives us the opportunity to offer additional applications to existing customers that ensure they continue to realise value from their initial investment. In the UK the NHS represents circa £80m of cross sell opportunity at 100% penetration. However, we believe this is purely the starting point.

Increase recurring revenues

The way software is delivered and consumed by users is changing. More of our services are being delivered as managed services hosted in our Cloud. Combined with increased dependency on our products to manage operational performance, this is driving the growth of recurring revenue from our installed base as more sophisticated levels of support are required.

Expand overseas customer base

Our market share and understanding of our chosen markets around the world places Allocate in a strong position to realise the opportunity this represents. Healthcare providers are facing similar challenges; growing numbers of treatable patients with constrained or decreasing resources. Allocate is well placed to deliver solutions to organisations facing the challenge of doing more with less.

Continue to seek strategic acquisitions

We will continue to acquire companies and applications that enhance our portfolio of solutions or increase our international reach. Our focus is on companies that address the increasingly complex and interdependent resource and compliance challenges in the Healthcare market. Our most recent acquisition, RealTime Health Ltd, delivers solutions that address patient flow, bed management and complex discharge processes.

Attract and retain talented people

Our continued success depends on our people; their ideas, commitment and energy drive our strategy forward. By increasing our investment in employee training, both functional and management, we are helping our employees grow with Allocate and deliver the Company's objectives through their individual achievements. We are also improving our benefits packages and increasing the number of promotion/rotational opportunities available to employees, both in the UK and overseas.

Our year in review

2012

Acquisition of RosterOn
July 2011:

Increasing our presence in the Australian market and extending our capability to include complex award interpretation capability

1st Joint Public Affairs Unit, Credit LS Andrew Dakin, Copyright String Commonwealth

Eight HealthRoster contract extensions

Demonstrating the increasing levels of dependence that NHS Trust have on Allocate to help manage their most expensive and valuable resource, their staff

Major contract signed with Australian Defence Force
December 2011:

Rolling out DefenceSuite to all the Australian Defence and Government agencies to include civilian personnel for the first time

Acquisition of Zircadian
August 2011:

Extending our capability to include the medical workforce starting from service planning, thereby enabling Allocate to develop Clinical Activity Management

HealthRoster V10 launched

HealthRoster V10, a re-engineered version of our core product, was launched and made available as a managed application in the Cloud

New contract signed with McDermott

Building on our success in the offshore market place McDermott will manage their global crewing and skills management requirements using Allocate's OffshoreSuite

Brunei Ministry of Health

This is a national contract to provide HealthRoster delivering a fully integrated e-rostering system to all Government Hospitals controlled by the Ministry of Health, Brunei

Our market sectors

Healthcare

Healthcare – UK

2012 was a year of continued success in the Healthcare market led by further growth within the UK NHS.

We continued to grow our core NHS rostering market where the Company's success rate in competitive tenders for rostering solutions remained very high. The strong position we now hold within the NHS means that we provide at least one software product to over 85% of NHS Trusts.

The launch of HealthRoster V10, our web based rostering product which enables Cloud based delivery and multi-lingual support, provides a platform for us to focus on growth opportunities beyond our current geographic footprint.

The product portfolio continues to expand, with the acquisition of Zircadian. This addition means our solutions now span all staff groups including the important medical staffing area.

The acquisition of Zircadian is a significant event in the development of our Healthcare solutions.

> We are now able to plan, deploy and review the medical staff within hospital and community settings. This enables us to help drive further efficiency and cost reductions with our existing base and new organisations
> Understanding the optimal deployment of medical staff unlocks an enormous potential to realise greater savings in medical activity planning, an issue every healthcare provider is grappling with at the moment

The integration of medical workforce planning managed within the Zircadian product set and operational rostering within HealthRoster offers enormous opportunities and benefits for our customers. This natural alignment of solutions has already led to additional sales within the customer base which would not have been realised otherwise. The combined solutions provide a significantly increased ROI for customers who are tasked with investing in programmes and tools that will help them make savings. This clear ROI case for the combined solutions will help drive further cross sell opportunities.

This year the integration of HealthRoster, Zircadian planning products and HealthAssure has created a Healthcare suite of products that moves Allocate into more areas of a Trust's operations spanning activity planning, workforce management, financial control and clinical governance/patient outcomes. This aligns the Company to the current focus within Healthcare to deliver higher quality care within an increasingly constrained financial regime.

Healthcare – International

Overseas, we achieved significant success in a number of areas.

In Australia, RosterOn's awards engine technology is now integrated into the HealthRoster product and this integrated solution is already being favourably received by the market. This also enables HealthRoster to be sold in other countries where complex pay awards structures have presented barriers to electronic rostering.

In Sweden, there are increasing opportunities for Time Care with the political situation changing and many municipalities now having to offer their employees the right to full time employment. This will lead to an ongoing demand for our consultancy services in that field.

The Swedish localisation of HealthRoster V10 is a significant milestone in the products development. From pre-release demonstrations the feedback has been overwhelmingly positive. HealthRoster V10 will enable a broader range of services incuding Medics and Clinical Activity Management to be delivered in the Nordic markets.

In other territories, Allocate's achievement in securing the countrywide HealthRoster contract in Brunei further reinforces our presence in overseas markets. The securing of this contract has led to several partner opportunities arising alongside HealthRoster V10 which position the company to expand into other territories.

> 141 Trusts represents 47% of 301 Acute, Mental Health and Community Healthcare organisations

> Over 360 Healthcare customers in 11 countries

EUROPE

European healthcare providers face similar challenges to the other markets we serve and we see this as significant market opportunity for Allocate's HealthSuite. Building on our success with Time Care in Sweden, we have signed an important agreement with Aditro, the leading Scandinavian based provider of solutions for human resources management. This partnership will provide Allocate with the opportunity to access Aditro's customer base of some 12,000 customers in Sweden, Norway, Finland and Denmark, in both public and private sectors.

HealthRoster V10 multi-lingual, combined with our complex pay award interpretation capability, developed by RosterOn, enables Allocate to provide a powerful staff scheduling and pay award interpretation solution to some of Europe's heavily unionised healthcare markets. Addressing different levels pay and benefits dependent on grade, start date and shift types, this will unlock a significant opportunity to tackle increasing staff cost pressures across the European Healthcare market.

ASIA/PACIFIC

Australia has been the biggest driver of overseas revenue and following the recent acquisition of RosterOn, we now have a team of over 30 staff in Australia and a strong growing customer base in Healthcare and Defence.

The Healthcare market represents significant opportunity as cost pressures driven by an aging population mean the government is focusing on efficiency programmes in Community Health and Aged Care facilities to deliver better care more efficiently.

This year we secured an agreement for BankStaff with the State of Queensland and as a result we now have two Australian State wide agreements covering more than 1,000 facilities.

In September 2011 the Brunei Ministry of Health signed an agreement to develop the Brunei Healthcare Information System (Bru-HIMS). Bru-HIMS is the digital healthcare framework to provide access to patient data, process automation, workflow design and resource scheduling. HealthRoster is a vital part of this framework.

NORTH AMERICA

North America still represents significant opportunity for Allocate across all market segments.

This year two major customers signed in our emerging US business: Dean Healthcare which supports a 400 strong independent delivery network of ambulatory care centres and Austin Radiological Association, in Austin Texas a regional centre for imaging and radiology services. Both customers have implemented HealthRoster and are in the process of deployment.

Our market sectors

Defence

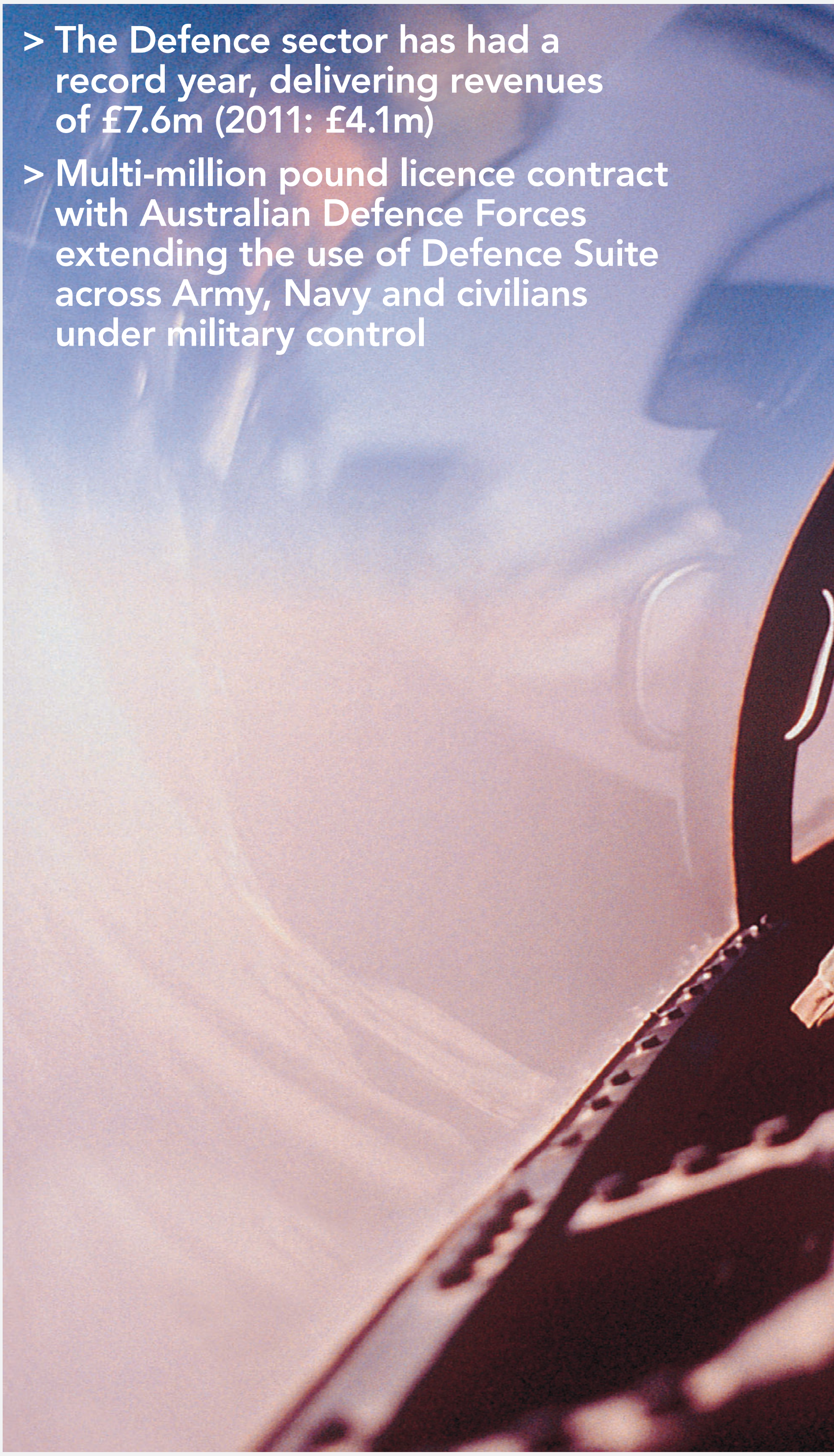
Defence

In an increasingly complex and volatile security environment, defence organisations have to be adaptable and responsive, able to shift emphasis rapidly between prevention, deterrence, protection and intervention.

Allocate DefenceSuite provides the complex information management and analysis required to deliver military enterprise level resource management. This approach enables the alignment of defence force capability with national policies. It integrates operational analysis and force preparation, based on better forecasting, resourcing and costing.

From these four capabilities, DefenceSuite integrates information from disparate databases and systems, including Personnel, Platforms, Logistics and Finance, and consolidates the data in one aggregated view. The solution delivers comprehensive and flexible reporting. For example it can incorporate data ranging from the availability and training status of personnel to the readiness of platforms and the costs of logistical support. The resulting depth of understanding accelerates informed decision-making, improving effectiveness and efficiency in both support and operations.

The Defence sector has had a record year, delivering revenues of £7.6m (2011: £4.1m). This included securing a multi-million pound licence contract with the Australian Defence Forces, extending the use of DefenceSuite across Army, Navy and civilians under military control. As part of their New Generation Navy programme, The Royal Australian Navy also signed a substantial additional services contract extension. Two new services contract wins were also secured with NATO within their Force Operations Group and Special Forces HQ. In the UK we extended our UK Army support contract to 2014.



Maritime & Other

Maritime & Other – UK

Allocate continues to derive revenue from sectors which are required to manage workforces with complex shift and capability requirements. Historically this mainly consisted of Maritime and Offshore engineering customers, however, the acquisition of Time Care and RosterOn have brought a broader customer base now including, security services, transport, mining, retail, education and government.

Allocate OffshoreSuite, MaritimeSuite and commercial workforce planning solutions are designed to solve the problems caused by the disconnect between well established strategic HR management systems and the project management systems. The solutions deliver a range of benefits designed to build operational efficiencies, reduce risk, manage compliance and provide key workforce availability and skillset information in real time.

In a competitive environment, in which speed of response and accuracy of information are crucial to business success, the solution provides a structured management process which is repeatable, consistent and dependable, leading to significant time and cost savings across the enterprise.

These completely integrated workforce planning solutions, combine asset and project planning (e.g. vessels, projects, departments, equipment) and human resources management (e.g. by region, roles, work history and skillset). The core modules provide effective tools for personnel documentation, communication, scheduling, training and skills management with additional modules to cover operational needs such as Travel Administration, KPI reporting, Duty Rosters and Payroll feeds.

Delivery platforms & innovation

All of our software and services are designed and developed in close co-operation with our customers to ensure they meet current and future needs. This is reflected in our continued investment in R&D and has resulted in the release of significant product enhancements and integrations this year; most notably our flagship rostering product HealthRoster V10, a completely new architecture for our core application. This brings not only advancements in functionality and performance 'simpler, faster and more accessible' but flexibility in how the product can be delivered to customers, on premise, hosted remotely or provided as part of a managed service within the Cloud.

The new architecture utilises agile development methodology enabling us to respond to competitive opportunities in the market quickly and develop functionality that enables us to take advantage of new geographic markets. We can now deliver more flexible integration options for both acquired products and existing customer systems to embed them into our solutions to support customers' operations. We have extended our Cloud offering which includes managed application services to enable our entire portfolio to be provided as full managed offering as the market now requires. We have also redesigned our governance, risk and compliance portfolio HealthAssure. This has improved accessibility and performance which makes management of the compliance processes easier to deploy and evidence within healthcare environments.

Over the next period further integration of applications will increasingly automate the planning and operational management of people, process and resources for our customers. This will include applications that help address the complex capacity planning and clinical activity management that lead to disconnected care delivery and avoidable costs. Tablet and mobile based access to our core application is a focus for the next period enabling staff to record information and review data in real time at the point of care. We will also be integrating applications from recently acquired RealTime to address patient flow, complex discharge processes and emergency room management.

Healthcare

Allocate currently works with over 360 healthcare organisations in 11 countries. Our strong presence within the Healthcare market offers the opportunity to build upon our significant position, expanding our revenue via new customers and driving greater cross sell of new products and services to drive continued growth.

Allocate HealthSuite

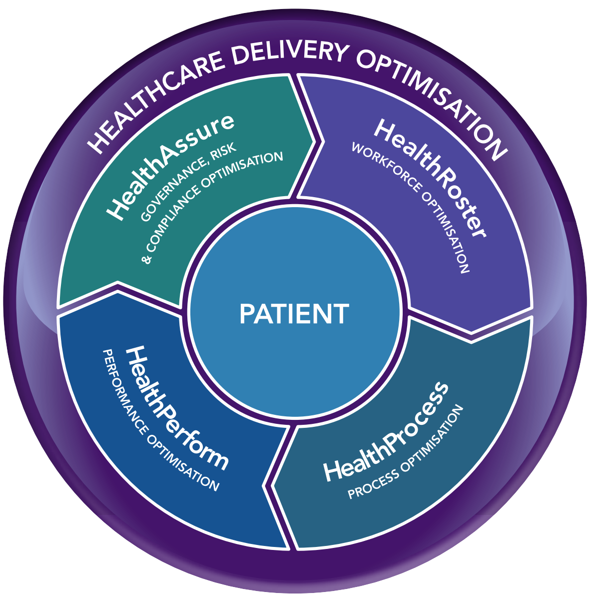
HealthSuite is designed to help healthcare providers manage their largest element of cost, their people, whilst improving the delivery of patient care by optimising people, processes, performance and assurance. Each solution features a range of applications, which together provide an end-to-end approach that helps organisations reduce and manage costs whilst improving patient care and optimising healthcare delivery from the Board to the point of care.

Key features

HealthSuite comprises four component products each with several sub applications: **HealthRoster** for optimising staff, **HealthPerform** for managing performance information, **HealthProcess** automating process flows and **HealthAssure** underpinning quality and reputation management in the form of governance risk and compliance.

Key benefits

HealthSuite delivers significant return on investment for medical facilities by optimising staffing levels, skill sets and cost, both within a single unit and an entire facility.



Defence

Allocate DefenceSuite

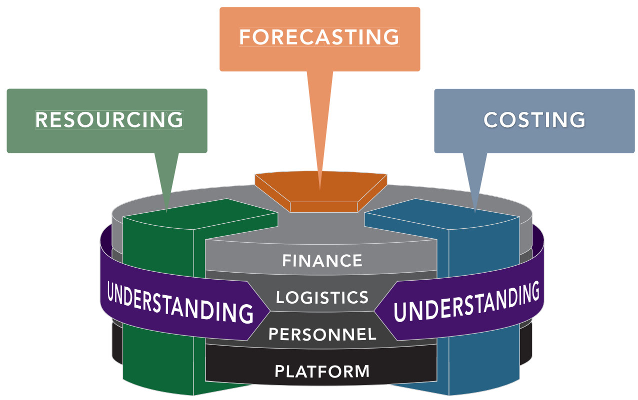
DefenceSuite streamlines operations by integrating information from disparate databases and systems including Personnel, Platforms, Logistics and Finance and consolidates the date into one aggregated view. It delivers comprehensive and flexible reporting and the resulting depth of understanding accelerates informed decision making, improving effectiveness and efficiency to support areas and on operations.

Key features

DefenceSuite has three components: Optimiser, Manager and Administrator, providing holistic time based management of people, preparedness and commitments, scenario planning for alternative option modelling of force structures, streamlined administration processes.

Key benefits

DefenceSuite delivers the force wide visibility of personnel and resources in near real time. Enabling effective decision making in terms of force readiness (training), generation and deployment. This has enabled resource constrained defence organisations to deliver more flexible responses in the face of mounting cost pressures.



Chairman's statement

Terry Osborne Chairman

The 2012 financial year was a strong year for Allocate. We made two further acquisitions, begun the roll-out of a major product upgrade cycle that will open new markets for us and we exceeded City expectations.

The Company was successful in all of its major markets in 2012. The UK Healthcare business prospered driven by strong execution and the continuing productivity demands resulting from the NHS restructuring process. The business in Australia continued to progress with the acquisition of RosterOn. Time Care in Sweden again had a good year and the Defence team had their best ever year also securing their largest ever licencing contract in Australia.

The Company achieved substantial revenue and profit growth for the sixth year in succession. Our Company's balance sheet continues to be secure with another year of high profit to cash conversion. The financing of our acquisitions to date remains comfortably within our balance sheet's funding capacity.

Since the end of the financial year, we have continued our strategy of complementing our strong organic growth with carefully selected acquisitions. On 30 July 2012, we acquired RealTime Health Limited, a UK supplier of patient flow management software to the NHS. This is a vitally important application area and we expect the integration of RealTime Health with our existing product portfolio to provide significant operating and cost savings benefits for our customers. It will open up major new growth opportunities for our next strategic period.

I would like once more to thank our customers for their business and their partnership with Allocate and our Alliance partners for their continuing support. Finally, I would like to recognise and thank all of the Company's growing number of employees in all parts of the world, for another year of hard work and commitment in support of the Company's success.

As an indication of our confidence in the business, the Directors are pleased to propose a dividend in respect of the full financial year of 1.2p per share, payable on 28 November 2012 to shareholders on the register on 2 November 2012.

I would like to thank Mark Loveland, who is stepping down from the Board, for his seven years of exceptional service to our Board and the Company. We wish him well for the future, and a speedy return to full health.

We remain confident of our prospects for the 2013 financial year, and of the fundamental strength of the business.

Terry Osborne
Chairman
30 July 2012

Case study

HealthRoster
Enabling the Trust to do more with the resources they have

Overview

BHRUT, one of the largest trusts in England, has implemented HealthRoster specifically to redesign services so that medical staff are managed more efficiently, yet more effectively to deliver a better quality of care.

Originally implemented to help the Trust achieve a 100% European Working Time Directive (EWTD) compliancy rating, through HealthRoster BHRUT has also realised significant efficiency savings and benefits with the management of medical rotas to achieve a far more patient-focused approach to the delivery of care.

Barking, Havering and Redbridge University Hospitals NHS Trust (BHRUT) use HealthRoster for Junior Doctors and Medical Staff to redesign services enabling greater efficiency, better care and maintaining 100% compliancy.

The new approach to managing the rotas of medical staff has delivered real savings and benefits. Gill Perry, Associate Director of Human Resources, sums this up; "HealthRoster has not only saved us time it has enabled us to make objective decisions about staffing and refocus our delivery of services to meet patient needs better."

The collaboration continues, Leigh Malyon, E-Rostering Head of Service, explains; "The scale of the project has changed massively – we intended to roll out HealthRoster only to junior doctors, but due to the success of this we have now rolled out to all grades of staff including consultants across all areas, including obstetricians and gynaecologists, as well as theatres."

Following the success of this project, the Trust has extended their investment to include all nursing groups to give them one view of the clinical/medical workforce. This has enabled the Trust to utilise all staff across the Trust to the fullest; reducing dependency on temporary staffing, eradicating wasteful and inefficient processes and achieving truly patient-centred care.

In addition the Trust have most recently selected e-Jobplan, e-Rota and e-Monitor solutions to further improve the management of their medical workforce by more closely aligning resources and budget to ensure that the agreed service plan is delivered to time, in line with budget and to the highest possible service level.

Commenting on the collaboration, Paul Scandrett, Allocate Software's Director of Healthcare says, "We have been working closely with BHRUT for the duration of their project. They are an excellent site who have been quite revolutionary in their approach to management of their workforce, particularly on the side of the medical workforce which is an incredibly complex and challenging area for trusts to manage. We have worked together to help them achieve true service redesign across all levels and enabling them to deliver a truly integrated and first rate service."

Chief Executive Officer's statement

Ian Bowles Chief Executive Officer

Overview

The 2012 financial year was another successful period for Allocate and we remain very positive about the future of the business. This year we completed two further acquisitions, we started the roll-out of HealthRoster V10, we launched HealthRoster in the Cloud and we made progress in all of our territories and vertical market sectors.

Allocate has grown revenue and EBITDA by a CAGR of 35% and 41% respectively over the past five years. For a number of years, our growth was led predominantly by revenues earned from new NHS contracts, but over recent years we have driven a change in our business model and growth in recurring revenues is now a key driver.

As recently as 2009 for example, new licence revenue from NHS HealthRoster agreements represented approximately 43% of total revenue of £15.8m with recurring revenues being 21% of total revenue. In 2012 however, the new licence revenue from NHS customers is no more than 10% of total revenue of £36.6m, but with recurring revenues now representing 42% of total revenue.

This increase in recurring revenues, which is driven by cross sell from new products, both organically developed as well as acquired, has significantly improved the predictability of our revenue streams and the visibility of our profits and cash flows.

Business drivers and sources of growth

Overall, our value proposition to customers remains consistent. We offer customers superior applications and services that bring clear returns on investment (ROI) from operational efficiencies and reduced costs. In challenging economic times, demand for applications such as ours is stronger than at any other time in an economic cycle. Allocate solutions offer exactly what customers and prospective customers in our target markets need.

1. ***Customer Satisfaction:***
   Is the number one priority for Allocate. We have invested considerably in people and infrastructure to support customer satisfaction over the past two years. We run regular surveys of CSAT, the results of which tell us that we are continuing to improve our service levels and that we have satisfied customers. Our renewal rates for support remain at or close to 100%.

2. ***New Customers:***
   We will continue to seek and secure agreements with new customers in all sectors and all geographical territories believing there are significant opportunities for continued growth. In the UK, our success rate remains high, winning circa 80% of all bids that we enter. In the UK almost one third of all NHS Trusts has yet to purchase an e-rostering system. Based on our prior performance and growing reputation, we are confident of securing a large number of these Trusts as new customers.

Case study

HealthAssure
Securing significant savings through compliance support

Overview
Largest dedicated women's hospital in Europe used HealthAssure to support their NHSLA/CNST compliance, securing £3.5 million savings in NHS insurance premiums.

Liverpool Women's Hospital uses HealthAssure software to support the Trust's compliance with two of the health services major compliance regimes; NHS Litigation Authority (NHSLA) & Care Quality Commission.

The NHSLA is the pooled risk insurance scheme operated for NHS Trusts by the NHS Litigation Authority, while the CQC authorises Trusts licence to operate services based on them meeting essential standards of quality.

- The HealthAssure system is used to optimise governance, risk and compliance across the organisation
- The Trust is on record as stating that HealthAssure played an important role in helping them structure their processes needed to achieve success in the assessment
- The software was used by the assessors during the NHSLA & CNST inspection, the Trust's approach received praise in the final report
- They are one of only two NHS Trusts to maintain level three accreditation from the National Health Service Litigation Authority for six consecutive years and they are one of only four Trust holding the highest level accreditation (level 3) in both CNST & NHSLA

Receiving level three accreditation is not just important for Hospital finances, as the accreditation also demonstrates the Trust's performance to the public, so they can always have confidence in the performance of the hospital – key as hospital's try to balance savings with maintaining quality and patient experience.

Chief Executive Officer's statement continued

3. New Products:
We continue to invest heavily in research and development (R&D) and have announced a raft of new application modules and services which broaden our applications portfolio in Healthcare beyond e-rostering. The new applications include Clinical Activity Management (CAM), HealthRoster in the Cloud and a National Benchmarking capability. We have also released the next generation of HealthRoster V10. This version of HealthRoster is of great importance to Allocate because it brings many new and important areas of functionality and enhanced performance that will open up new markets and opportunities, both in the UK and also overseas. Our business in Europe has already developed well through Time Care and now the launch of V10 will enable us to accelerate our entry into new territories. The Zircadian products, e-job plan and the Consultants portal are being integrated with the Allocate Medics application and we are now taking this unique solution to market.

4. Business Model:
Allocate continues to drive change in its business model towards one based upon recurring revenues. All new products developed or acquired will be offered on licencing models that are flexible and recurring to support the model. In addition, the NHS HealthRoster term licence renewal cycle has now begun. We have so far renewed 100% of the HealthRoster licences that have come up for renewal. We are confident that we will continue to secure a very high proportion of the future renewals.

5. Acquisitions:
Acquisitions remain part of the growth strategy. We will continue to seek appropriately priced assets that will bring growth to the solution set that we offer to our customers. We now have a very significant customer base and cross sell opportunities are an important element of our growth. By way of example, we have now cross sold either an Allocate or a Zircadian product between 27 of the customers in the ten months since Zircadian were acquired. RealTime Health, our most recent acquisition, once integrated into our applications portfolio, has the potential to drive revenues of a similar scale to e-rostering, with significant ROI for customers.

Healthcare – UK
2012 was a year of continued success in the Healthcare market led by further growth within the UK NHS, with the acquisition of Zircadian continuing the expansion of our Healthcare product portfolio into the medical staffing arena. The release of HealthRoster V10, our completely web based rostering product which enables Cloud based delivery and multi-lingual support, will enable us to target further growth opportunities.

We continued to grow our core NHS rostering market where the Company's success rate in competitive tenders of rostering solutions was very significant. The strong position we now hold within the NHS means that we provide at least one software product to over 85% of NHS Trusts. Ensuring that we continue to deliver proven benefits to our Healthcare customer base creates a significant ongoing opportunity to deliver further products and secure additional revenue within the Healthcare market. At our most recent User Group there were over 275 attendees from 100 NHS Trusts, as well as the independent sector, discussing the benefits they have achieved and sharing best practice.

The acquisition of Zircadian is a significant event in the development of our Healthcare solutions. Firstly, we now have medical staff as part of the team; this greatly expands our product portfolio and experience in the management of the medical workforce. Secondly, it broadens our solutions into the area of clinical and medical activity planning. The integration of medical workforce planning managed within the Zircadian product set and operational rostering within HealthRoster offers enormous opportunities and benefits for our customers. This natural alignment of solutions has already led to additional sales within the customer base which would not have been realised otherwise. The significant benefit to customers, that being of increased ROI due to integration of the solutions, will also help drive further cross sell opportunities in the future.

Allocate also published the first in a series of thought leadership pieces aimed at NHS executive and specialist teams. The first paper titled 'Junior Doctor Rota Review' has helped position Allocate as a thought leader and specialists in medical workforce management. It demonstrates that we are working with a number of Trusts to identify large scale savings by helping the reconfiguration of the medical workforce.

This year the integration of HealthRoster, Zircadian planning products and HealthAssure has created a Healthcare suite of products that moves Allocate into all areas of a Trust's operations spanning activity planning, workforce management, financial control and clinical governance/patient outcomes. This aligns the Company to the current focus within Healthcare to deliver higher quality care within an increasingly constrained financial regime.

Allocate also initiated an Executive Advisory Council that will meet three to four times a year to collaborate with and advise Allocate on market changes and healthcare challenges. The Advisory Council is made up of a broad range of executives from the NHS and will provide a forum to test ideas and explore value and innovation of future strategy and market engagement. The forum will keep Allocate aligned to the issues affecting executives and their organisations. The forum will also be publishing white papers based on agreed topic areas affecting the healthcare market place.

The successful release of our flagship rostering product HealthRoster V10 within a completely rearchitected framework was also achieved. V10 is simpler, faster and more accessible than all of its predecessors. HealthRoster V10 is web based, offering the ability to deliver via the Cloud, reducing the time to deploy and allowing ease of purchase for our customers. In addition, the ability of V10 to support multiple languages will accelerate our sales into non-English speaking countries.

Healthcare – Overseas

Overseas, we achieved significant success in a number of areas:

RosterOn, our acquisition in Australia has had a challenging year post acquisition. However, we have already integrated their awards engine technology with the Allocate HealthRoster product and this integrated solution is already being favourably received by the market.

Time Care had another successful year. The political situation in Sweden is changing and many Swedish municipalities now have to offer their employees the right to full time employment. This we believe will lead to an ongoing demand for our consultancy services in that field. The localisation of HealthRoster V10 is most important and it will be given high priority. The response has been very positive from the clients who have been introduced to the software. We have great expectations from the Swedish private sector and there is a strong trend among customers and prospects to improve their workforce management.

Time Care has also signed an important agreement with Aditro, the leading Scandinavian based provider of solutions for human resources management. This partnership will provide us with the opportunity to access their customer base containing some 12,000 customers in Sweden, Norway, Finland and Denmark, in both public and private sectors. The partnership with Aditro includes not only sales and marketing elements but also development of an interface between their products and ours.

The Company's achievement in securing the countrywide HealthRoster contract in Brunei further reinforces our presence in overseas markets. The securing of this contract has led to several partner opportunities arising which alongside V10 position the Company to expand into other territories.

Allocate currently work with over 350 healthcare organisations in 11 countries. Our strong presence within the Healthcare market offers the opportunity to build upon our significant position, expanding our revenue via new customers and cross sales of new solutions to deliver continued growth. Our strategy is to position Allocate as a solution provider to healthcare organisations that is integral to their operations from activity planning, operational management through to the measurement of patient outcomes.

Defence

The Defence sector had a record year, delivering revenues of £7.6m (2011: £4.1m).

The principal accomplishments include:

> Securing a multi-million pound licence contract with the Australian Defence Forces extending the use of DefenceSuite across Army, Navy and civilians under military control

> Substantial additional services contract extension wins with the Royal Australian Navy, as part of their New Generation Navy programme

> Two new services contract wins in NATO within their Force Operations Group and Special Forces HQ

> The extension of the UK Army contract to 2014

Chief Executive Officer's statement continued

Research and Development

Our continued investment in R&D has resulted in the release of HealthRoster V10, our Cloud Offering as well as enhanced versions of HealthAssure and the integration of core applications with the acquired applications from both Zircadian and RosterOn.

Over the next period we will see further integration of applications and the delivery of new modules such as CAM and further enhancements to our Cloud based applications portfolio.

All of our software and services offerings are designed and developed in close co-operation with our customers to ensure they meet current and future needs.

Organisation

The continued success of Allocate depends on our people; their ideas, commitment and energy drive our continuing success.

We have now grown to over 300 employees from 103 four years ago. We also have over 20% of our employees located overseas in Sweden, Australia, America and Malaysia.

We are embarking upon a number of programmes to help our employees grow with Allocate, to maintain their focus and to support the realisation of the Company's objectives through their individual achievements.

We run an annual employee survey, which this year showed very positive employee satisfaction ratings. We are increasing our investment in employee training, both functional and management, we are improving our benefits packages with the help of a newly appointed supplier. We are increasing the number of promotion/rotational opportunities available to employees, both in the UK and overseas.

Outlook

The outlook for Allocate Software is positive and I am confident our growth will continue.

By working in close co-operation with our customers we will continue to anticipate demand for new solutions that will support their objectives and deliver superior ROI. Our solutions are perfectly suited to the economic challenges currently faced by our customers. Our products have shown on numerous occasions that they bring significant cost reductions and improvements in workforce efficiency.

The breadth and depth of our applications portfolio which now includes a Cloud offering for all of the core applications in healthcare, as well as our ability to localise HealthRoster into any language will create new and exciting opportunities, for the Company and our customers.

RealTime Health, our most recent acquisition, will enable our Healthcare customers to drive further efficiencies as we combine CAM, Staff Deployment and patient flow capabilities into an integrated, holistic solution.

Our track record of the past six years vindicates our belief that we are uniquely equipped to help our current and prospective customers achieve their objectives. We offer proven products that deliver significant improvements in efficiency and demonstrable ROI.

Allocate is now a substantial enterprise with an enviable track record of customer acquisition, market development and new product realisation.

I would like to add my own thanks to our team, partners and especially our customers for their ongoing support.

Ian Bowles
Chief Executive Officer
30 July 2012

Case study

HealthRoster

Generating financial savings by using staff more effectively

Overview

Allocating nursing and medical staff to shifts is a challenging task given the multiple, often conflicting priorities of ensuring that clinical governance requirements are met, best care is provided, and staff requests are accommodated.

Further, it is well known that staff costs account for up to 75% of a healthcare organisation's running costs. So how the time of those staff is managed can not only have an impact on quality of care, it can also significantly impact expenditure.

Ramsay Health Care UK, a leading healthcare provider with an excellent track record in providing the very highest level of care, has over the last four years invested over £125m specifically to maintain this standard, improving facilities and enhancing access to high quality care.

A key part of this investment has involved implementing an e-rostering system to more effectively and efficiently manage the deployment of their 4,000 nurses, healthcare professionals and support staff across 37 separate sites.

Ramsay Health Care selected Allocate's e-rostering solution, HealthRoster. Managers at Ramsay will use HealthRoster to more quickly highlight any gaps in cover and skill mix to ensure the right mix of clinical staff are on duty day or night. In addition, e-rostering will help control demand for temporary staff, optimise the use of permanent staff, and reduce overhead costs through integration with payroll systems.

Part of the implementation has involved a rostering assessment in a number of areas, offering a wide selection of practice areas and rosters. "We asked, 'if we had an electronic system, instead of a paper-based system how could we roster differently? How could we utilise staff better and what savings could be made?" explains Julie Fraser, manager of the e-rostering project.

Through e-rostering, managers can now prepare four week rosters six weeks in advance. Staff can request shifts up to a cut-off point. After this, the department manager can set the system to create an automatic roster, based on requests, shift patterns and the rules set within the system. "This will significantly improve the process of managing our staff, particularly with payroll as it now means staff don't have to keep timesheets." Explains Ms Fraser.

E-rostering will also generate financial savings. Ms Fraser is confident about savings because the emphasis has been to prevent requests for staff going to agencies by using contracted hours to the full, minimising absences and using the bank where necessary.

The organisation is still at an early stage of their implementation. Yet the change that has already been recognised has been significant and sends a signal as to the potential that this new approach to managing staff has to offer. Ms Fraser sums up; "Ultimately this is about ensuring that our teams can work to the best of their ability and give patients the very best levels of care. Through e-rostering I truly believe that we have the tool to not only uphold our excellent record, but also to achieve more."

Chief Financial Officer's review

Chris Gale Chief Financial Officer

Financial report

Revenue in the financial year was £36.6m (2011: £30.1m), an increase over the prior year of 22%. EBITDA was £6.4m (2011: £5.8m), an increase over the prior year of 10%. The resulting trading profit margin was 17.5% (2011: 19.3%), a slight contraction over the previous year due to increased levels of investment in the business, particularly R&D. Diluted adjusted EPS (excluding amortisation of intangibles, impairment, share-based payments, acquisition costs and the deferred tax adjustment) increased by 16% to 7.4p (2011: 6.4p).

Recurring revenues grew by 36% to £15.6m or 42% of total revenue (2011: £11.5m or 38% of total revenue).

Organic revenue (excluding the acquisitions of RosterOn and Zircadian which were both acquired part way through 2012) grew by 10% to £33.0m (2011: £30.1m) during the year.

Licence and subscription revenue grew by 16% to £15.4m (2011: £13.3m).

By sector, Healthcare revenue in the period increased by 13% to £26.2m (2011: £23.1m), reflecting the impact of acquisitions as well as the growth of recurring revenues. Defence revenues rose by 85% to £7.6m (2011: £4.1m), principally due to the large order from the Australian Defence Force secured in the second half of 2012. Maritime and all other revenue remained flat at £2.9m (2011: £2.9m).

EBITDA margins were 17.5% (2011: 19.3%) as a result of an increase in investments made during the year. The principal area for increase in investment has been in R&D, which in 2012 was £6.8m or 19% of revenue (2011: £4.6m or 15% of revenue). The main areas for the increase in spending were into HealthRoster V10 and also spend supporting the move towards more Cloud based solutions, both organic and acquired. Spend in R&D is expected to increase in the future, although not at the level seen recently.

As previously stated, the performance of the Dynamic Change business has continued to be below management's expectations in this period. This is due to the negative impact of the restructuring of Primary Care Trusts (PCTs), proposed and begun by the government in the summer of 2011. A significant proportion of Dynamic Change's customers were commissioning PCTs, some 37%, many of whom cannot renew their subscriptions because they no longer exist as organisations and their replacements have yet to be established. However, over the last 12 months, the Company has seen some improvement in the number of new customers being contracted, but not sufficient to offset those not renewing. As a result, management have revised downwards their forecasts for both revenue and profits from Dynamic Change and, in accordance with the provisions of IAS36, they have impaired the assets of the business. As reported in the interim financial report, this has resulted in a write down of intangible assets and goodwill through an impairment charge of £3.9m to the Income Statement.

As previously stated, we propose to pay a dividend in respect of the full financial year of 1.2p per share, payable on 28 November 2012 to shareholders on the register on 2 November 2012.

Cash generated from operations was £5.4m in 2012, (2011: £5.9m). This is a conversion rate of 84% of EBITDA, a strong performance although slightly lower than in 2011, but only as a result of the late payment of a material sum from a single customer that arrived during the first week following the year end.

Net cash on the Balance Sheet was £4.3m, consisting of gross cash of £8.3m and debt of £4.0m. Net cash, gross cash and debt at the end of 2011 were, respectively, £8.4m, £10.4m and £2.0m.

Chris Gale
Chief Financial Officer
30 July 2012

Case study

HealthRoster
Impartial, fair, and helping deliver the very best in clinical care

Overview

Oxleas NHS FT introduce Allocate's HealthRoster to help managers roster staff more efficiently to cover service needs and enhance the patient experience.

Implementing e-rostering is a significant undertaking which requires not only implementing the software but also a review of the entire workforce management process if the solution is to achieve a true and lasting positive impact on the Trust.

Financial KPIs

Total revenue £m

12	36.6
11	30.1
10	22.0
09	15.8

Recurring revenue £m

12	15.6
11	11.6
10	6.9
09	NA

Licence and subscription revenue £m

12	15.4
11	13.3
10	9.3
09	7.6

EBITDA

12	6.4
11	5.8
10	3.7
09	2.7

Healthcare revenue £m

12	26.2
11	23.1
10	14.8
09	11.1

EBITDA % of revenue

12	17.5
11	19.3
10	16.8
09	17.1

Cash generated from operations £m

12	5.4
11	5.9
10	4.9
09	1.8

Oxleas NHS Foundation Trust recognised a need for a computerised e-rostering system to monitor and optimise its workforce, and to more effectively manage the nursing budget – which represents the largest proportion of the Trust's expenditure.

The Trust's 1,700-strong nursing workforce were historically deployed at ward/unit level by a manually driven paper based solution. The Trust introduced Allocate's HealthRoster to provide a more efficient way of managing staff through improved rostering, to objectively measure how and where staff are being utilised, and to identify where savings could be made through streamlining processes.

Danson Clinic was asked to pilot HealthRoster as part of the first wave of implementation last year and was the only mental health inpatient unit doing so at that time. Antony Hawkins, the Clinical Team Leader for Clinic shares his experience of implementing the solution giving a 'warts n all' account. Danson Clinic is a 17 bed rehabilitation clinic with a nursing staff of 29.

Antony is full of praise for the new solution. "It gives me information at the touch of a button that it would have taken hours to get in the past. For instance if a member of staff came to me asking for more weekend work adding that they think they are not getting enough weekend shifts (staff can earn more for weekend work) I can instantly show them how many weekend shifts they've worked and where they are in the weekend shift league table. It makes for a fairer roster system."

Directors

Terry Osborne
Chairman

Terry joined as the Company's Chairman in October 2005. He enjoyed a distinguished career with IBM over the period 1961 to 1987, where he held vice president positions in Europe and the USA. He was also a director of IBM UK. In 1987, he founded SSA Ltd, a technology company, and was President of SSA Inc for the period 1994 to 1996. Mr Osborne has served on the boards of several technology companies in both the USA and Europe, including Chairman of Dr Solomon's Group plc, Prime Response Inc and Eyretel plc. He was also a director of Mapics Inc, Dendrite International Inc and Witness Inc.

Ian Bowles
Chief Executive Officer

Ian joined as Chief Executive Officer in May 2007. Previously he was Chief Operating Officer at Clearswift Limited, a leading e-mail content security company, where he was responsible for Worldwide Operations including sales and marketing in the UK, Europe, USA, Japan and Asia Pacific, as well as the company's Professional Services, Customer Support and worldwide IT infrastructure. Prior to this he held senior positions at Interwoven Inc as Vice President EMEA, Chordiant Inc as Vice President International and Oracle UK as General Manager.

Chris Gale
Chief Financial Officer

Chris joined as Chief Financial Officer (CFO) in February 2010 and has held senior financial roles in international public companies within the IT industry including: Apple Inc (in USA & European HQ), Cooper and Chyan Technology Inc (USA), Cadence Design Systems (USA & Europe), Interwoven and Clearswift (UK). In his most recent corporate role, Chris was CFO and acting CEO of GFI, a global software and hosted solutions company. Chris is also Treasurer on the Board of Trustees of Picker Institute Europe, a healthcare charitable institution, whose goal is improvements in patient care.

Allen Swann
Business Development Director

Allen joined as Business Development Director in June 2008, having previously acted as an adviser to the Company. Prior to his appointment, Allen served as International President for Chordiant Software Inc, International President of Prime Response Inc and was a founder member of Oracle UK, where he served as Sales Director both direct and non-direct for 12 years. Since 2008 Allen has served as a NED of Solid Technology Inc, which was sold to IBM, Chairman of CopperEye Limited, and NED of Chordiant Software Inc, which was sold to Pega Software Inc.

Andrew Pringle
Non-Executive Director

Andrew joined as a Non-Executive Director in March 2004. Previously, he was Chief of Staff at the UK's Permanent Joint Headquarters ("PJHQ"), responsible for the direction of all UK military operations jointly carried out by the three armed services (Army, Navy, Air Force). He retired in 2001 with the rank of Major General. Previously, Andrew had been commissioned into The Royal Green Jackets and commanded military operations at every level from Platoon to Division, both for the UK Army and for multi-national forces overseas. Andrew has served in the Ministry of Defence, the Assessments Staff of the Joint Intelligence Committee and, while at PJHQ, three years at the heart of the planning and conduct of UK operations worldwide, including Bosnia, Kosovo, Albania, Macedonia, Iraq, East Timor and Sierra Leone.

Ian Lang
Non-Executive Director

Ian joined as a Non-Executive Director in August 1998. He is a graduate in mathematics from Cambridge University. He has held senior roles in ICI in sales, marketing, logistics and corporate planning including portfolio management, risk assessment, acquisition and divestment. As General Manager of Information Systems for Zeneca Agrochemicals he was responsible for the re-engineering of the global supply chain using SAP and Oracle software. He has provided high level business consultancy to BP, Pfizer and Mercedes-Benz.

Richard King
Non-Executive Director

Richard joined as a Non-Executive Director in January 2011 following his retirement, after 35 years, from Ernst and Young where he was promoted as one of the youngest partners in the UK and led a variety of change initiatives as well as advising other fast growth businesses. Prior to his retirement he was the Senior Advisory partner providing advice and co-ordinating services to major clients such as Rank Group plc, Easyjet plc, First Group plc, and Marshall Group Plc and actively led the execution of the D & I strategy. Richard has been Chair of the Willow Foundation since 2009 and recently joined the boards of CSF Group plc and Corac Group plc as a Non-Executive Director. Richard is also currently a member of the Advisory Board for the Frogmore Property Group.

Mark Loveland
Non-Executive Director
(resigned July 2012)

Mark joined as a Non-Executive Director in April 2005. He is a graduate in jurisprudence from Oxford University and has had considerable experience in the support and development of technology companies. He has held positions within Rowe & Pitman and SG Warburg, including Head of UK Technology Research and Deputy Chairman of the Small and Mid-Cap Group, at Dresdner Kleinwort Benson where he was Head of European Technology Research and at JP Morgan Investment Bank as Head of European IT Equity Research and Head of European Technology Strategy.

Senior Managers

Directors from left to right:
Terry Osborne Executive Chairman
Ian Bowles Chief Executive Officer
Chris Gale Chief Financial Officer
Allen Swann Business Development Director
Andrew Pringle Non-Executive Director[1]
Ian Lang Non-Executive Director[1]
Richard King Non-Executive Director[2]
Mark Loveland Non-Executive Director[1]

1 Member of the Audit Committee, Remuneration Committee and Nomination Committee.
2 Member of the Audit Committee and Remuneration Committee

Senior management team from left to right:
Martin Jeffries Director of International Marketing
Jan Watson HR Director
Chris Farnath International Support Director
Iain Bishop Chief Technology Officer

Martin Jeffries
Director of International Marketing

Martin Jeffries was appointed Director of International Marketing in November 2010 and oversees all Group marketing activities on a global basis across all sectors. Previously Martin held senior international marketing roles in public companies within the ICT, Pharmaceutical and Consulting industries including: GlaxoSmithKline, Dell Corporation, Virgin Media Business and Ignetica Ltd. In his most recent corporate role, Martin was Head of Strategy & Programs for Dell across EMEA.

Jan Watson
HR Director

Jan Watson is HR Director of Allocate, joining the Company in October 2007. Since then Jan has shaped the HR function in this fast-growing organisation. This has included management of the integration of acquired businesses as well as working with the management team to reshape the organisation from being a relatively small UK focused business to being the larger international organisation it is today. With a strong background in the IT industry, she has previously held HR management roles at Hewlett Packard, Clearswift and Intercea.

Chris Farnath
International Support Director

Chris Farnath was appointed International Support Director in September 2010. He brings over 20 years experience in technology services in the business-to-business sector. Chris has held senior roles in Europe, Asia & USA for Aspect Software & Siemens and served on the Board of the Association for Services Management International (AFSMI) to achieve a merger with the Technology Services Industry Association (TSIA) between 2006 and 2008.

Iain Bishop
Chief Technology Officer

Iain Bishop was appointed Chief Technology Officer in June 2011 and is responsible for the development of all of the company's products, overseeing the roll out of the new architecture across all sectors on a global basis. He brings over 25 years industry experience joining from Kewill plc where he was the Group CTO and prior to this gained experience at Systems Union plc, Servista and Software House Management Science Ltd.

Report of the Directors

The Directors present their annual report on the affairs of the Group, together with the audited accounts and auditor's report for the year ended 31 May 2012.

Principal activities and business review

The principal activities of the Group are the development, sale and support of workforce management solutions, and the provision of related IT services to major healthcare, defence, government and commercial customers.

The business of Allocate is focused principally on the Healthcare market in addition to Defence. The business has grown significantly over the last six years from annual revenue of £8.3m in 2007 to £36.6m annual revenue in 2012.

Allocate's revenue is earned through four principal streams, those being licence revenue, subscription revenue, professional services revenue and support and maintenance revenue. Allocate sells its products on a variety of licencing bases, ranging from permanent or term licence through to an annual subscription basis, the latter basis relating mainly to the HealthAssure and the products of Zircadian, the company which we acquired in August 2011.

The Company's principal markets are in the UK; the principal customers being NHS Trusts and also the British Army in addition to other branches of the British Armed Forces. Internationally, business has developed a great deal in recent years to the point that it is now approximately 51% of total revenues. The Group now has significant customers and revenue streams in Australia, in Healthcare and also in the Defence market.

Results and dividends

As an indication of their confidence in the business, the Directors are pleased to propose a dividend in respect of the full financial year of 1.2p per share, payable on 28 November to shareholders on the register on 2 November 2012.

The audited accounts for the year ended 31 May 2012, which comprise the Principal Accounting Policies, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Statements of Financial Position, the Statements of Changes in Equity, the Cash Flow Statements and the related notes, are set out on pages 33 to 71. The Group loss for the year after tax amounted to £3,397,000 (2011: £797,000 profit).

Research and development

Research and development expenditure in 2012 was £6,789,000 (2011: £4,558,000). The main areas of this increase in spending were in HealthRoster V10 and supporting the move towards more Cloud based solutions. Spend in R&D is expected to increase in the future, although not at the level seen recently.

Post balance sheet event

On 30 July 2012, the Company acquired RealTime Health Limited, a UK supplier of patient flow management software to the NHS, for consideration of up to £7,200,000. Further details are set out in Note 29.

Directors

T H Osborne (Executive Chairman)
I J Bowles (Chief Executive Officer)
C D Gale (Chief Financial Officer)
A A Swann (Business Development Director)
J I Lang (Non-Executive Director)[1]
M J S Loveland (Non-Executive Director)[1]
R J Morgan-Evans (Non-Executive Director) (Resigned 14 September 2011)
A R D Pringle (Non-Executive Director)[1]
R W King (Non-Executive Director)[2]

1 Member of the Audit Committee, Remuneration Committee and Nomination Committee.
2 Member of the Audit Committee and Remuneration Committee.

Directors and their shareholdings
The Directors who served during the year and their interests in the shares of the Company, held directly or indirectly on behalf of the Directors, as recorded in the register of Directors' interests were as follows:

	5p ordinary shares	
	31 May 2012	1 June 2011
T H Osborne	**50,000**	50,000
I J Bowles	**348,500**	348,500
C D Gale	**–**	–
A A Swann	**1,119,000**	1,119,000
J I Lang	**566,437**	566,437
M J S Loveland	**1,550,000**	1,550,000
R J Morgan-Evans	**182,318**	–
A R D Pringle	**7,000**	7,000
R W King	**50,000**	50,000

Details of Directors' interests in options to acquire shares of the Company are set out in the remuneration section of this report.

The Board has resolved to comply with the provisions of the UK Corporate Governance Code concerning the annual election of directors. Accordingly, all members of the Board will retire and seek re-election at this year's AGM.

Substantial shareholdings
At 30 June 2012 notification had been received of the following interests that exceed a 3% interest in the issued share capital of the Company, in addition to those of the Directors referred to above.

Name of holder	Number	% of issued share capital
Herald Investment Management	**11,736,477**	18.4
BlackRock Investment Management (UK)	**8,035,000**	12.6
Artemis Fund Managers	**6,095,550**	9.6
Hargreave Hale	**5,375,631**	8.4
SVG Capital	**5,214,847**	8.2
Jupiter Asset Management	**4,442,329**	7.0
Henderson Global Investors	**4,233,924**	6.6
Allianz Global Investors KAG	**2,000,000**	3.1

Relations with shareholders
The Company encourages two way communications with both institutional and private investors and responds promptly to queries received. All shareholders have at least 21 working days notice of the AGM. The Directors and Committee Chairs are introduced and are available for questions at the AGM. Every shareholder receives a full Annual Report each year-end. The preliminary and interim results are published by the Regulatory News Service and on the Company's website.

Care is exercised to ensure that any price sensitive information is released to all shareholders, institutional and private, at the same time in accordance with the Financial Services Authority's requirements.

Corporate governance
While, as an AIM listed company, there is no requirement to comply with the UK Corporate Governance Code and the Turnbull Guidance, the Board has applied the Code and the Guidance as it feels appropriate for a Company of this size.

In applying the principle that the Board should maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets, the Directors recognise that they have overall responsibility for ensuring that the Group maintains proper accounting records and a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. However, there are inherent limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable and not absolute, assurance particularly against misstatement or loss.

Report of the Directors continued

Board responsibilities

The Board has adopted a formal schedule which sets out the various matters for which it is responsible and that are reserved to it. The Board meets regularly during the year and it met formally on four occasions, plus held eight telephone meetings, during the period from 1 June 2011 to 31 May 2012.

The Board is responsible for the overall strategy and direction of the Group and for approving acquisitions and disposals, management performance, major capital and development expenditure and significant financial matters. It monitors exposure to key business risks and reviews the strategic direction of the Company and its subsidiaries, their annual budgets, their progress against those budgets and their development programmes. The Board also considers employee issues and key appointments.

The Board has established an Audit Committee, a Nomination Committee and a Remuneration Committee. Each Committee operates within defined terms of reference. The Nomination Committee comprises J I Lang, A R D Pringle and M J S Loveland, Non-Executive Directors. The Audit and Remuneration Committees consist of R W King, J I Lang, A R D Pringle and M J S Loveland, Non-Executive Directors. The Audit Committee is chaired by R W King, the Nomination Committee is chaired by A R D Pringle and the Remuneration Committee is chaired by J I Lang. The Audit Committee is required to meet at least twice a year and its primary responsibilities include monitoring internal controls, approving the Group's accounting policies and reviewing the interim and annual reports.

Board meeting attendance has been as follows in 2012:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
T H Osborne	12/12			
I J Bowles	12/12			
C D Gale	12/12			
A A Swann	8/12			
J I Lang[1]	11/12	4/4	5/5	[4]
M J S Loveland[1]	11/12	2/4	4/5	[4]
R J Morgan-Evans[3]	4/5			
A R D Pringle[1]	8/12	1/4	4/5	[4]
R W King[2]	8/12	4/4	5/5	

1 Member of the Audit, Remuneration and Nomination Committees.
2 Member of the Audit and Remuneration Committees.
3 Resigned 14 September 2011.
4 During the year ended 31 May 2012 there were no meetings of the Nomination Committee.

Clear management responsibilities have been determined for each subsidiary and division with authorisation limits and segregation of duties established for the operating functions of the Group. Financial reports are reported regularly to the Board with a comparison against budget in addition to quarterly income statement and cash forecasts. Towards the end of each financial year, the annual business plan, as well as appropriately detailed functional and business unit budgets for the following year, are reviewed by the Board.

Financial risk management

The Company uses various financial instruments, which include loans, cash and other items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations.

The existence of these financial instruments exposes the Company to a number of financial risks. These are currency risk, liquidity risk, interest rate risk and credit risk. The Directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Currency risk

The Company is exposed to translation and transaction foreign exchange risk. In relation to translation risk, so far as possible, the assets held in the foreign currency are matched to an appropriate level of borrowings or liabilities in the same currency.

Approximately 51% (2011: 50%) of the Group's sales are to customers overseas and in currencies other than UK Sterling. The Company's policy is to try to match the timing of all foreign currency transactions to eliminate, so far as possible, currency exposures. Foreign exchange differences on transactions relating to foreign currency assets and liabilities are taken to the income statement of the Group.

The table below shows the net amount of foreign currency assets and liabilities, which expose the Group to foreign exchange risk.

	Swedish Krona £'000	Australian Dollars £'000	US Dollars £'000	Other £'000
2012	**549**	**556**	**897**	**502**
2011	259	1,709	1,302	347

Liquidity
The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Additionally, the Company has entered into loan arrangements with HSBC. At year end, the loan in place had a value of £4.0m (2011: £2.0m).

A cash forecast is updated regularly and provided to the Board quarterly in order to monitor the Group's medium term cash position and to identify funding requirements as appropriate.

Risk management
Given the size of the Company and the close involvement of the Executive Directors in all its activities, the Directors do not consider that an internal audit function is necessary.

The Board has identified the following key risks which are controlled as set out below:

Customer retention
The Board recognises the importance of maintaining positive and enduring customer relationships. As such, the Board reviews customer support performance measures each quarter in addition to monitoring the investment in customer support of both staff and others, including systems.

Product quality and services delivery
In order to ensure the quality of its product and service delivery the Group has a Quality Management System which is registered with the British Standard Institute as ISO 9001 compliant. In addition, a formal programme is being reviewed to bring the Group into certification under ISO 27001.

Product development and intellectual property
A new global hosting and networking infrastructure was introduced this year in partnership with a highly respected Tier 1 vendor to make more robust the Group's physical operations for server security, network security and protection of confidential data. In addition, work is continuing to examine the legal and taxation implications of our ownership of intellectual property, given the recent acquisitions that have been made, particularly with respect to those located in overseas territories.

Forecast and pipeline review
The Board regularly reviews the status of the outstanding sales forecast and pipeline. This information is then taken into account in considering and evaluating future business and investment activity.

Cost management
As specified in the Board powers, significant investment decisions, including capital expenditure, are considered by the Board for authorisation. Appropriate management accounts are prepared and presented monthly and quarterly, which review business metrics and the Income Statement, actual and budget, with significant variances identified.

International taxation and foreign exchange
The Board recognises that as the proportion of the Group's revenues and profits earned outside of the UK rises, that additional consideration needs to be given to matters of international taxation and also foreign exchange. As a result of this, an international transfer pricing study from a firm of experts commissioned by the Board is under way, which will provide an appropriate framework for future risk management.

Report of the Directors continued

Key Performance Indicators (KPIs)
The following financial and non-financial KPIs are used by the Board and management to monitor the performance of the business:

	2008	2009	2010	2011	**2012**
Total revenue (£m)	11.6	15.8	22.0	30.1	**36.6**
Licence and subscription revenue (£m)	5.8	7.6	9.3	13.3	**15.4**
Healthcare revenue (£m)	6.6	11.1	14.8	23.1	**26.2**
Recurring revenue (£m)	–	–	6.9	11.5	**15.6**
EBITDA	2.0	2.7	3.7	5.8	**6.4**
EBITDA % of revenue	17.2%	17.1%	16.8%	19.3%	**17.5%**
Cash generated from operations (£m)	2.3	1.8	4.9	5.9	**5.4**

Non-financial indicators include:
- Customer satisfaction levels
- New customer acquisition and customer retention
- Employee turnover

The above mentioned indicators will be measured going forward.

Going concern basis
After review of the 2012 financial statements as well as the approved business plan for 2013 and cash flow forecasts, the Directors have formed the view, at the time of approving the accounts, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the accounts.

Employees
During the year, the Group has continued to provide employees with relevant information and to seek their views on matters of common concern. Priority is given to ensuring that employees are aware of significant matters affecting the Group's trading position and organisational changes, subject to Stock Exchange and other disclosure requirements.

It is the policy of the Group to support the employment of disabled employees where possible, both in recruitment and by retention of employees who become disabled while in the employment of the Group.

Remuneration committee
The members of the Committee are Non-Executive Directors. The Company Chairman also attends on a regular basis.

During the year, the Committee has met formally on five occasions to review and agree Executive Directors' basic salaries, annual bonuses and performance conditions, quarterly performance and award of bonuses, award of options, and the creation of a Long Term Retention Plan (LTRP) for the CEO. The Committee took advice from a remuneration adviser on the creation of the LTRP, and consulted a number of major shareholders.

The remuneration of the Non-Executive Directors is determined by the Board as a whole within limits set out in the Articles of Association.

Remuneration policy
The policy of the Group is to provide levels of remuneration that attract, motivate and retain Executive Directors of the high calibre required to achieve the Group's demanding profitability and growth objectives and to reward them for enhancing shareholder value.

The main elements of the remuneration package for Executive Directors and senior management are:
- Basic annual salary
- Annual performance related bonus
- Pension contribution and benefits in kind
- Share Option awards
- A LTRP for the CEO

Directors' remuneration
Basic annual salary
Salaries and bonuses are reviewed annually at the start of each financial year, and are paid as a fixed cash sum monthly. They are designed to be competitive with salaries for similar levels of responsibility and achievement in comparable companies.

The increase in basic annual salary for 2012 ranged between 5% and 7.5%. No increase is planned for 2013.

Annual performance related bonus
The Company's policy is that a substantial proportion of the remuneration of Executive Directors should be performance related. The total bonus pool is related to the total planned profit for the year.

The bonus elements are dependent on the Executive Directors achieving performance criteria set out by the Remuneration Committee.

In 2012 the majority of the bonus was dependent on meeting demanding quarterly revenue and profit plans. Bonuses were also paid on meeting staff and customer satisfaction targets and an earnings per share target.

For 2013 the majority of the bonus will again be dependent on meeting demanding quarterly revenue and profit plans. Bonuses will also be paid on meeting staff and customer satisfaction targets and a cost control target.

Pension contribution and benefits in kind
I J Bowles, C D Gale and A A Swann receive a pension contribution of 10% of basic salary and benefits in kind of car allowance, private medical cover and life cover. The value of the pension contributions and benefits in kind is shown in the table of Directors' remuneration below.

Share Options
Share Option Plans
During the year ended 31 May 2012 there were five option schemes in operation: the Manpower Software plc Approved Share Option Scheme; the Manpower Software plc Unapproved Executive Share Option Scheme; Manpower Software plc Enterprise Management Scheme (an EMI scheme); the Allocate Software plc 2010 Executive Share Option Scheme (a CSOP scheme); and the Allocate Software plc 2010 Unapproved Share Option Scheme. The options vest three years after award conditional on meeting earnings per share targets.

LTRP
On 2 December 2011, the Company announced that the Board had, following consultation with the Company's major shareholders, established a new long term incentive and retention plan for its CEO, I J Bowles (the Allocate Software plc 2011 Long Term Retention Plan).

Under this plan, I J Bowles was awarded 1,000,000 nil-price options over Ordinary Shares in the Company which will vest between September 2014 and September 2016 subject to (a) the Company's earnings per share increasing at or above a 15% annual compound growth rate and (b) a demanding absolute total shareholder return target against which options will vest on a sliding scale. 20% of the options will vest at a 15% annual compound total shareholder return (TSR) and the options will vest in full at or above a 25% annual compound TSR. Subject to the meeting of the performance criteria and to continuing employment, 600,000 options will vest in September 2014 and a further 200,000 in each of September 2015 and September 2016. No consideration was paid for the grant of the options. The Company will continue to operate within its 15% rolling dilution limit. The new plan will entail the use of a trust so that existing issued shares can be purchased by the trustee in the market to satisfy any exercise of options.

The current holdings by Directors of options are shown in the table below.

	At 1 June 2011	Granted in the year	Exercised in the year	Lapsed in the year	**At 31 May 2012**
T H Osborne	550,000	–	–	–	**550,000**
I J Bowles	1,600,000	1,000,000	–	–	**2,600,000**
C D Gale	500,000	–	–	–	**500,000**
A A Swann	500,000	–	–	–	**500,000**
R J Morgan-Evans	540,000	–	440,000	–	**100,000**
A R D Pringle	50,000	–	–	–	**50,000**
	3,740,000	1,000,000	440,000	–	**4,300,000**

Report of the Directors continued

Directors' detailed emoluments and remuneration packages

The remuneration of the Directors was as follows:

For the year ended 31 May 2012

	Salary/Fees £'000	Bonus £'000	Benefits £'000	Total £'000	Pension £'000	Gain on exercise of options £'000
Executive Directors						
I J Bowles	**274**	**154**	**1**	**429**	**26**	**–**
C D Gale	**156**	**94**	**1**	**251**	**15**	**–**
T H Osborne	**45**	**27**	**–**	**72**	**–**	**–**
A A Swann	**156**	**147**	**1**	**304**	**17**	**–**
Non-Executive Directors						
J I Lang	**30**	**–**	**–**	**30**	**–**	**–**
M J S Loveland	**25**	**–**	**–**	**25**	**–**	**–**
A R D Pringle	**25**	**–**	**–**	**25**	**–**	**–**
R J Morgan-Evans	**20**	**–**	**–**	**20**	**–**	**84**
R W King	**26**	**–**	**–**	**26**	**–**	**–**
	757	**422**	**3**	**1,182**	**58**	**84**

For the year ended 31 May 2011

	Salary/Fees £'000	Bonus £'000	Benefits £'000	Total £'000	Pension £'000	Gain on exercise of options £'000
Executive Directors						
I J Bowles	265	160	1	426	13	–
C D Gale	148	76	1	225	7	–
T H Osborne	45	32	–	77	–	–
A A Swann	150	150	1	301	8	–
Non-Executive Directors						
J I Lang	30	–	–	30	–	–
M J S Loveland	25	–	–	25	–	–
A R D Pringle	25	–	–	25	–	–
R J Morgan-Evans	25	–	–	25	–	40
R W King[1]	10	–	–	10	–	–
	723	418	3	1,144	28	40

1 from date of appointment.

Directors' service contracts

Executive Directors	Contract date	Unexpired term	Notice period
I J Bowles	1 May 2007	Rolling	12 months
C D Gale	15 Feb 2010	Rolling	6 months
A A Swann	1 Jul 2008	Rolling	3 months

Other matters

I J Bowles has a service agreement which is terminable upon 12 months notice. All other Directors have service contracts which are terminable upon six months notice except for A A Swann on three months notice. There is no contractual provision for compensation for early termination of any of the Directors' contracts.

The Board has resolved to comply with the provisions of the UK Corporate Governance Code concerning the annual election of Directors. Accordingly, all members of the Board will retire and seek re-election at this year's AGM.

T H Osborne (Executive Chairman), J I Lang, A R D Pringle, M J S Loveland and R W King (Non-Executive Directors) monitor the actions of management and the Group's performance. Other than their shareholdings, options and remuneration they have no other relationship with the Company or its subsidiaries. Together, they bring a complementary set of skills and experience to the Board.

Communication with shareholders on remuneration matters is largely undertaken by way of this report.

Executive Directors are permitted to accept external directorships only with the Company's prior permission and provided their ability to act in the best interest of the Group is not impaired.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). 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 and profit or loss of the Company and 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 applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- There is no relevant audit information of which the Company's auditors are unaware
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Payment of creditors

The Group does not follow any published code or standard on payment practice in respect of any of its suppliers. The Group's policy in respect of the majority of its trade creditors is to negotiate terms and conditions with the suppliers and, provided the suppliers comply with these, payments are made in accordance with the agreed terms and conditions. Where payment terms are not specifically agreed, suppliers are paid in accordance with local commercial practice. The average number of days' credit for the year is 26 days (2011: 33 days).

Auditor

Grant Thornton UK LLP have offered to be reappointed as auditor in accordance with section 489 of the Companies Act 2006.

By order of the Board

C D Gale
Company Secretary
30 July 2012

Independent Auditor's Report to the members of Allocate Software plc

We have audited the financial statements of Allocate Software plc for the year ended 31 May 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company cash flow statements, the consolidated and company statements of changes in equity, the principal accounting policies 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:
- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 May 2012 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 Miller
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
30 July 2012

Principal accounting policies

Basis of preparation

The Group financial statements are for the year ended 31 May 2012. They have been prepared in compliance with IFRS and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 31 May 2012.

Allocate Software plc, is a public limited company, incorporated and domiciled in the United Kingdom and is listed on the AIM market of the London Stock Exchange. The address of the registered office is 180 Piccadilly, London, W1J 9ER.

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 June 2011

Standard/interpretation	Content	Applicable for financial years beginning on/after
IAS 24 (revised)	Related party transactions	1 January 2011

IAS 24 (revised), 'Related Party Transactions'

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party transactions of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

'Improvements to IFRS' (issued in May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of these amendments has not resulted in any changes in the Group's accounting policies and has no impact on the financial position or performance of the Group.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group in the 31 May 2012 financial statements

At the date of authorisation of these financial statements certain new Standards, amendments and Interpretations to existing standards have been published but are not yet effective. The Group has not early adopted any of these pronouncements. The new Standards, amendments and Interpretations that are expected to be relevant to the Group's financial statements are as follows:

Standard/Interpretation	Content	Applicable for financial years beginning on/after
IAS 1	Financial Statement Presentation	1 July 2012
IAS 27	Separate Financial Statements	1 January 2013
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013

IAS 1, 'Presentation of Financial Statements'

The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management does not expect this will change the current presentation of items in other comprehensive income, nor will it affect the measurement or recognition of such items.

Consolidation standards

A package of consolidation standards are effective for annual periods beginning on or after 1 January 2013. Information on those new standards relevant to the Group is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

IAS 27, 'Separate Financial Statements'

As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

Principal accounting policies continued

IFRS 10, 'Consolidated Financial Statements'
IFRS 10 supersedes IAS 27 'Consolidated and Separate Financial Statements' and SIC 12 'Consolidation – Special Purpose Entities'. It revises the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interest and changes in control remain the same.

IFRS 9, 'Financial Instruments'
The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed. The Group's management have yet to assess the impact of this new standard on the Group's consolidated financial statements. However, they do not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all of the changes.

IFRS 13 'Fair Value Measurement'
IFRS 13 does not affect which items are required to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

In 2012, the Group did not early adopt any new or amended standards and does not plan to early adopt any of the standards issued not yet effective.

The principal accounting policies adopted by the Group in conformity with IFRS in force at 31 May 2012 are set out below:
Consolidation

(i) Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of over one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated on the date control ceases.

The Group uses the purchase method of accounting for the acquisition of a subsidiary. The cost of an acquisition is measured by the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed in the period in which they are incurred. Where the purchase price includes amounts payable contingent on key staff retentions this is treated as remuneration and not consideration in line with the requirements of IFRS 3 'Business Combinations'. This does not form part of the cost of acquisition and is instead expensed to the Income Statement on a straight line basis over the period of the intended staff retentions as defined in the purchase agreement. This charge is included within the 'Acquisitions and related costs' line of the Income Statement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. 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 the acquisition is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

(ii) Employee Benefit Trust
During the year the Company has formed a trust with Ogier Employee Benefit Trustee Limited as trustee to operate in connection with the Group's LTRP. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Shares held by the Employee Benefit Trust are deducted from contributed equity. At 31 May 2012, the Employee Benefit Trust did not hold any shares in the Company.

Investments
Investments held as non-current assets comprise investments in subsidiary undertakings and are stated at cost less any provision for any impairment.

Revenue recognition
General
Revenue is the fair value of the total amount receivable by the Group for supplies of services which are provided in the normal course of business. VAT or similar local taxes and trade discounts are excluded.

Revenue from the provision of services is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
(a) the amount of revenue can be measured reliably;
(b) it is probable that the economic benefits associated with the transaction will flow to the entity;
(c) the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Licensing
The Group licenses software under non-cancellable licence agreements. Licence fee revenues are recognised when a non-cancellable licence agreement has been signed, there are no uncertainties surrounding product acceptance, there are no significant vendor obligations, the fees are fixed and determinable and collection is considered probable.

Where appropriate, the Group allocates a portion of contracted fees to post-contract activities covered under the contract, which may include installation assistance, training services and first year maintenance.

Subscription fees
The Group sells managed services under a Software as a Service (SaaS) subscription model. This fee is invoiced in advance and recognised on a straight line basis over the term of the contract. The revenue which is not yet recognised as at the balance sheet date is classified as deferred income in the statement of financial position.

Professional services
The Group provides professional services which include installation, consulting, and training. Revenues for training or consulting services are recognised as the services are performed.

Product support
Revenues from support agreements are recognised over the support period.

Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its CODM is the Board of Directors of the Group.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

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 Company's functional currency is Sterling. The Company's and the Group's presentation currency is Sterling.

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 reporting period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except where the gains and losses are attributable to part of the net investment in a foreign operation. Where gains and losses are attributable to part of the net investment in a foreign operation, these gains and losses are recognised through other comprehensive income.

c) Group companies
The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position
- Income and expenses for each income statement are translated at actual rates, the average exchange rate is used as an acceptable approximation where there are no significant rate fluctuations during the period
- On consolidation, exchange differences arising from the translation of the net investment in foreign entities is recognised in other comprehensive income and accumulated in the foreign exchange reserve

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.

Principal accounting policies continued

Intangible assets

Internally generated intangibles

An internally generated intangible asset arising from the development of software is recognised only if all of the following conditions are met:

- It is probable that the asset will create future economic benefits
- The development costs can be measured reliably
- The technical feasibility of completing the intangible asset can be demonstrated
- There is the intention to complete the asset and use or sell it
- There is the ability to use or sell the asset
- Adequate technical, financial and other resources to complete the development and to use or sell the asset are available

Where no intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided to write off the cost of each intangible asset over its useful economic life, which is between three to five years.

Research expenditure is recognised as an expense in the period in which it is incurred.

Intangibles acquired as part of a business combination

In accordance with IFRS 3 'Business Combinations', an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the Group are not reliably measurable. Where the individual fair values of the complementary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided to write off the cost of each intangible asset over its useful economic life, which is between three to eight years.

Goodwill

Goodwill arising from business combinations is the difference between the fair value of the consideration transferred and the fair value of the assets acquired and liabilities and contingent liabilities assumed. It is recognised initially as an intangible asset at cost and is subject to impairment testing on an annual basis or more frequently if circumstances indicate that the asset may have been impaired. Details of impairment testing are described in the accounting policies.

Where the Company acquires the trade, assets and liabilities of its subsidiaries, goodwill is recognised on the excess of the carrying value of the Company's investment in the subsidiary over the carrying value of the assets and liabilities acquired. This excess amount is recognised as goodwill rather than a diminution in the carrying value of the Company's investment in the subsidiary because there is no change in the value of the trade and assets of the Company and its subsidiary as a whole, only a movement of trade and assets to the Company from its subsidiary.

Property, plant and equipment

Property, plant and equipment are recorded at cost net of accumulated depreciation and any provision for impairment. Depreciation is provided using the straight line method to write off the cost of the asset less any residual value over its useful economic life as follows:

Equipment	33%
Leasehold improvements	25%
Long leasehold property (999 years)	nil

Impairment

The Group's goodwill, other intangible assets and property, plant and equipment are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Goodwill is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash generating units are tested 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 assets or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Leases
All leases are regarded as operating leases and payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease. The Group does not act as a lessor.

Financial assets
Financial assets comprise loans and receivables and are assigned to the appropriate category by management on initial recognition, depending on the contractual arrangements. Loans and receivables are non-derivative financial assets which are recognised when the Group becomes a party to the contractual provisions of the instrument and measured at fair value plus transaction costs. Trade and other receivables are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any provision for impairment. Any change in value resulting from impairment or the reversal of impairment is recognised in profit or loss.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount by which they are written down is determined as the difference between the receivables carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each statement of financial position date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities
The Group's financial liabilities include bank loans and overdrafts, trade and other payables.

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recorded initially at fair value, net of direct issue costs and subsequently measured at amortised cost using the effective interest method, less settlement payments. Interest related charges are recognised as an expense in finance costs in the income statement.

Finance charges, including premiums payable on settlement or redemption and direct issue costs are charged to the income statement on an accruals basis using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is discharged, cancelled or expires.

Dividend distributions to shareholders are included in 'Other short term financial liabilities' when the dividends are approved by the shareholders meeting.

Income taxes
Current income tax assets and liabilities comprise those obligations to fiscal authorities in the countries in which the Group carries out its operations. They are calculated according to the tax rates and tax laws applicable to the fiscal period and the country to which they relate. All changes to current tax liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amount of assets and liabilities in the consolidated financial statements with their respective tax bases.

However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of financial position date.

Principal accounting policies continued

The deferred tax asset relating to share based payment awards reflects the estimated value of tax relief available on the vesting of the awards at the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short term bank deposits.

Share-based employee compensation

The Group operates equity settled share-based compensation plans (share options) for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share option awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability or sales growth targets) but includes the impact of market conditions.

All share-based compensation is ultimately recognised as an expense in the income statement with a corresponding credit to share-based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of shares options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expenses recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated during the vesting period.

(i) Share option plans

The Group operates five share option schemes: two HMRC Approved Schemes, two schemes which have not been approved by HMRC and an Enterprise Management Incentive Scheme.

The Company issues shares when these options are exercised. Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, up to the nominal value of the shares issued are reallocated to share capital with any excess being recorded as additional share premium.

(ii) Long term incentive plan

In addition to the share option plans above, during the year the Group established a LTRP. The LTRP operates in conjunction with the Allocate Software plc Employee Benefit Trust (Trust). The trustees of the Trust acquire shares in the Company over time to meet the exercise requirements of the LTRP. Options are granted to participants by the Company, and when exercised the trustee of the Trust transfers the appropriate amount of shares to the employee. The proceeds received net of any transaction costs are credited directly to equity.

Equity

Equity comprises the following:

- ‘Share capital’ represents the nominal value of equity shares
- ‘Share premium’ represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue
- ‘Share-based payment reserve’ represents equity-settled share-based employee and non-employee remuneration until such share options are exercised
- ‘Retained earnings’ represents retained profits and losses
- ‘Foreign exchange reserve’ represents translation differences arising on the consolidation of investments in overseas subsidiaries

Use of accounting estimates and judgements

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below.

Judgements in applying accounting policies:

Corporate acquisitions require the Directors to make judgements regarding the value of the net assets that have been acquired. Specifically, to value the amount of future service revenues that are likely to flow from the current customer base.

Management make judgements as to which costs incurred meet the requirements of IAS 38 'Intangible Assets' and are therefore capitalised.

Sources of estimation uncertainty:

Depreciation and amortisation rates are based on estimates of the useful economic lives and residual values of the assets involved. The assessment of these useful economic lives is made by projecting the economic lifecycle of the asset and, particularly for computer software intangibles, this is subject to alteration as a result of product development and innovation. Depreciation and amortisation rates are changed where economic lives are reassessed and technically obsolete items written off where necessary. Refer to Notes 11 and 13.

Estimates are required as to asset carrying values and impairment charges. Full details are shown in Note 14.

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The models used by the Group are the Black-Scholes and Monte Carlo valuation models. Full details are shown in Note 19.

Business combinations:

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their provisional fair values. In measuring fair value, management uses estimates about future cash flows and discount rates, however, actual results may vary. Management also uses a best estimate to determine the future payable contingent consideration. Details of acquired assets and liabilities are given in Note 21.

Contingent consideration:

Where contingent consideration is payable in cash and discounting would have a material effect, the liability is discounted to its present value. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the fair value of the likely consideration payable is made. See Note 21.

Consolidated income statement
For the year ended 31 May 2012

	Notes	2012 £'000	2011 £'000
Licence revenue		**10,413**	10,177
Subscription revenue		**4,993**	3,169
		15,406	13,346
Support revenue		**10,121**	8,067
Service revenue		**10,620**	8,387
Other revenue		**502**	313
Total revenue	1	**36,649**	30,113
Costs of goods sold		**(11,069)**	(9,180)
Research and development		**(6,789)**	(4,558)
Sales, general and administration		**(12,394)**	(10,537)
Total costs before interest, tax, depreciation, amortisation, share based payments and acquisition costs		**(30,252)**	(24,275)
EBITDA before share based payments and acquisition costs		**6,397**	5,838
Acquisition costs	3	**(1,754)**	(64)
Share based payments		**(477)**	(150)
Depreciation		**(395)**	(331)
Amortisation		**(4,538)**	(4,427)
Impairment	14	**(3,935)**	–
Total costs		**(41,351)**	(29,247)
Operating (loss)/profit	2, 3	**(4,702)**	866
Finance income	5	**108**	49
Foreign exchange gains/(losses)	3	**231**	(140)
Finance charges	6	**(123)**	(28)
Net finance income/(expense)		**216**	(119)
(Loss)/profit for the year before taxation	2	**(4,486)**	747
Tax on (loss)/profit for the year	7	**1,089**	50
(Loss)/profit for the year		**(3,397)**	797
(Loss)/earnings per share	10		
Basic (pence per share)		**(5.35p)**	1.28p
Diluted (pence per share)		**(5.35p)**	1.24p

Consolidated statement of comprehensive income
For the year ended 31 May 2012

	2012 £'000	2011 £'000
(Loss)/profit per the income statement	**(3,397)**	797
Exchange differences on translation of foreign operations	**(951)**	1,165
Total comprehensive (loss)/income attributable to the owners of the Company	**(4,348)**	1,962

Consolidated statement of financial position
As at 31 May 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Property, plant and equipment	11	**908**	763
Goodwill	12	**6,939**	2,935
Intangible assets	13	**9,661**	12,960
Other financial assets		**60**	66
Deferred tax asset	16	**561**	1,030
Total non-current assets		**18,129**	17,754
Current assets			
Corporation tax receivable		**120**	52
Trade and other receivables	17	**14,838**	10,632
Cash and cash equivalents		**8,338**	10,398
Total current assets		**23,296**	21,082
Total assets		**41,425**	38,836
Equity and liabilities			
Equity			
Share capital	18	**3,192**	3,154
Share premium account	18	**7,908**	7,752
Share-based payment reserve	19	**1,035**	694
Foreign exchange reserve		**367**	1,318
Retained earnings		**3,258**	6,655
Total equity		**15,760**	19,573
Non-current liabilities			
Borrowings	20	**4,000**	–
Deferred tax liability	16	**2,129**	3,012
Total non-current liabilities		**6,129**	3,012
Current liabilities			
Trade and other payables	22	**18,895**	14,062
Borrowings	20	**–**	2,000
Corporation tax		**641**	189
Total current liabilities		**19,536**	16,251
Total liabilities		**25,665**	19,263
Total equity and liabilities		**41,425**	38,836

The financial statements were approved by the Board of Directors on 30 July 2012.

I J Bowles – Director **C D Gale – Director**

Company no. 2814942

Company statement of financial position
At 31 May 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Property, plant and equipment	11	**493**	333
Goodwill	12	**9,148**	–
Intangible assets	13	**783**	1,279
Investments	15	**16,018**	19,324
Deferred tax asset	16	**472**	951
Total non-current assets		**26,914**	21,887
Current assets			
Trade and other receivables	17	**12,591**	9,479
Cash and cash equivalents		**4,726**	4,958
Total current assets		**17,317**	14,437
Total assets		**44,231**	36,324
Equity and liabilities			
Equity			
Share capital	18	**3,192**	3,154
Share premium account	18	**7,908**	7,752
Share-based payment reserve	19	**1,035**	694
Retained earnings		**12,726**	13,843
Total equity attributable to the owners of the Company		**24,861**	25,443
Non-current liabilities			
Borrowings	20	**4,000**	–
Total non-current liabilities		**4,000**	–
Current liabilities			
Trade and other payables	22	**15,361**	8,881
Corporation tax		**9**	–
Borrowings	20	**–**	2,000
Total current liabilities		**15,370**	10,881
Total liabilities		**19,370**	10,881
Total equity and liabilities		**44,231**	36,324

The financial statements were approved by the Board of Directors on 30 July 2012.

I J Bowles – Director

C D Gale – Director

Company no. 2814942

Consolidated statement of changes in equity

For the year ended 31 May 2012

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 1 June 2010	**3,060**	**7,380**	**408**	**153**	**5,858**	**16,859**
Equity settled share options	94	372	150	–	–	616
Deferred tax on share options	–	–	136	–	–	136
Total transactions with owners	94	372	286	–	–	752
Profit for the year	–	–	–	–	797	797
Other comprehensive income	–	–	–	1,165	–	1,165
Total comprehensive income	–	–	–	1,165	797	1,962
At 31 May 2011	**3,154**	**7,752**	**694**	**1,318**	**6,655**	**19,573**
Equity settled share options	38	156	477	–	–	671
Deferred tax on share options	–	–	(136)	–	–	(136)
Total transactions with owners	38	156	341	–	–	535
Loss for the year	–	–	–	–	(3,397)	(3,397)
Other comprehensive (loss)/income	–	–	–	(951)	–	(951)
Total comprehensive (loss)/income	–	–	–	(951)	(3,397)	(4,348)
At 31 May 2012	**3,192**	**7,908**	**1,035**	**367**	**3,258**	**15,760**

Company statement of changes in equity

For the year ended 31 May 2012

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 June 2010	**3,060**	**7,380**	**408**	**10,735**	**21,583**
Equity settled share options	94	372	150	–	616
Deferred tax on share options	–	–	136	–	136
Total transactions with owners	94	372	286	–	752
Profit and total comprehensive income for the year	–	–	–	3,108	3,108
At 31 May 2011	**3,154**	**7,752**	**694**	**13,843**	**25,443**
Equity settled share options	38	156	477	–	671
Deferred tax on share options	–	–	(136)	–	(136)
Total transactions with owners	38	156	341	–	535
Loss and total comprehensive loss for the year	–	–	–	(1,117)	(1,117)
At 31 May 2012	**3,192**	**7,908**	**1,035**	**12,726**	**24,861**

Consolidated cash flow statement

For the year ended 31 May 2012

	2012 £'000	2011 £'000
Cash flow from operating activities		
(Loss)/profit for the year	**(3,397)**	797
Adjustments for:		
Net finance charge/(income)	**15**	(21)
Foreign exchange	**(231)**	140
Income tax	**(1,089)**	(50)
Loss/(profit) on disposal of intangible assets	**12**	(11)
Depreciation	**395**	331
Acquisition and related costs	**1,754**	64
Amortisation	**4,538**	4,427
Impairment of intangibles and goodwill	**3,935**	–
Share-based payment	**477**	150
Increase in trade and other receivables	**(2,628)**	(1,625)
Increase in trade and other payables	**1,604**	1,713
Net cash generated from operations before acquisition and related costs	**5,385**	5,915
Acquisition and related costs	**(1,544)**	(64)
Net cash generated from operations after acquisition and related costs	**3,841**	5,851
Interest expense	**(123)**	(28)
Income tax	**(301)**	(14)
Net cash generated by operating activities	**3,417**	5,809
Cash flows from investing activities		
Interest received	**108**	49
Deferred consideration on prior acquisitions	**–**	(250)
Investment to acquire subsidiaries	**(8,664)**	–
Cash acquired with subsidiaries	**1,843**	–
Proceeds from disposal of intangible assets	**50**	181
Payments to acquire intangible assets	**(268)**	(368)
Payments for property, plant and equipment	**(485)**	(324)
Net cash used in investing activities	**(7,416)**	(712)
Cash flows from financing activities		
Repayment of borrowings	**–**	(172)
Proceeds from loan	**2,000**	–
Proceeds from the issue of equity shares	**194**	466
Net cash generated by financing activities	**2,194**	294
Net (decrease)/increase in cash and cash equivalents	**(1,805)**	5,391
Foreign exchange differences	**(255)**	(35)
Cash and cash equivalents at the start of the year	**10,398**	5,042
Cash and cash equivalents at the end of the year	**8,338**	10,398

Company cash flow statement

For the year ended 31 May 2012

	2012 £'000	2011 £'000
Cash flow from operating activities		
(Loss)/profit for the year	**(1,117)**	3,108
Adjustments for:		
Net finance (income)/charge	**(16)**	16
Foreign exchange	**(110)**	(12)
Income tax	**352**	530
Loss/(profit) on disposal of intangible assets	**12**	(11)
Depreciation	**294**	224
Amortisation	**599**	573
Impairment of investment	**3,935**	–
Share-based payment	**477**	150
Increase in trade and other receivables	**(2,962)**	(2,772)
Increase in trade and other payables	**6,633**	858
Net cash generated from operations	**8,097**	2,664
Interest expense	**(116)**	(27)
Income tax	**–**	–
Net cash generated by operating activities	**7,981**	2,637
Cash flows from investing activities		
Interest received	**132**	11
Deferred consideration on prior acquisitions	**–**	(250)
Investment to acquire subsidiary	**(7,680)**	–
Loan to Allocate Software Pty Limited	**(2,197)**	–
Proceeds from disposal of intangible assets	**50**	181
Payments to acquire intangible assets	**(268)**	(369)
Payments for property, plant and equipment	**(403)**	(230)
Net cash used in investing activities	**(10,366)**	(657)
Cash flows from financing activities		
Repayment of borrowings	**–**	(172)
Proceeds from loan	**2,000**	–
Proceeds from the issue of equity shares	**194**	466
Net cash generated by financing activities	**2,194**	294
Net (decrease)/increase in cash and cash equivalents	**(191)**	2,274
Foreign exchange differences	**(41)**	25
Cash and cash equivalents at the start of the year	**4,958**	2,659
Cash and cash equivalents at the end of the year	**4,726**	4,958

Notes to the financial statements

1. Revenue

	Year ended 31 May 2012			Year ended 31 May 2011		
	Non-recurring £'000	**Recurring £'000**	**Total £'000**	Non-recurring £'000	Recurring £'000	Total £'000
Licence	**10,413**	**–**	**10,413**	10,177	–	10,177
Subscriptions	**–**	**4,993**	**4,993**	–	3,169	3,169
Sub-total	**10,413**	**4,993**	**15,406**	10,177	3,169	13,346
Support	**–**	**10,121**	**10,121**	–	8,067	8,067
Services	**10,620**	**–**	**10,620**	8,387	–	8,387
Other/hosting	**59**	**443**	**502**	35	278	313
Total revenue	**21,092**	**15,557**	**36,649**	18,599	11,514	30,113
Recurring revenue as a % of total revenue		**42%**			38%	

Recurring revenue comprises subscriptions, support & maintenance and hosting revenues.

2. Segmental reporting

Management has determined the operating segments based on the revenue streams within the reports reviewed by the strategic decision maker comprising the Board of Directors. These segments are consistent with how the business is structured, managed and its resources are deployed by the Board.

Licence and subscription revenue represents revenue from the sale of non-cancellable software licence agreements and subscriptions associated with that software. Support and service revenue represents revenue from the provision of installation, consulting, training and product support.

2012	**Licence £'000**	**Subscriptions £'000**	**Support £'000**	**Services £'000**	**Hosting/ other £'000**	**Total £'000**
Revenue	**10,413**	**4,993**	**10,121**	**10,620**	**502**	**36,649**
Costs of goods sold	**(827)**	**(910)**	**(2,049)**	**(6,915)**	**(368)**	**(11,069)**
Sub-total	**9,586**	**4,083**	**8,072**	**3,705**	**134**	**25,580**
Research and development costs						**(6,789)**
Sales, general and administration[1]						**(23,493)**
Operating loss						**(4,702)**
Finance income						**108**
Foreign exchange gains						**231**
Finance charges						**(123)**
Loss before tax						**(4,486)**

2011	Licence £'000	Subscriptions £'000	Support £'000	Services £'000	Hosting/ other £'000	Total £'000
Revenue	10,177	3,169	8,067	8,387	313	30,113
Costs of goods sold	(480)	(476)	(1,644)	(6,246)	(334)	(9,180)
Sub-total	9,697	2,693	6,423	2,141	(21)	20,933
Research and development costs						(4,558)
Sales, general and administration[1]						(15,509)
Operating profit						866
Finance income						49
Foreign exchange losses						(140)
Finance charges						(28)
Profit before tax						747

1 Includes acquisition costs, amortisation, impairment of intangible assets and share-based payment charges.

Notes to the financial statements continued

2. Segmental reporting continued

Under IFRS 8 there is a requirement to show operating profit and total assets for the operating segments, however, attributable expenses and total assets cannot be allocated on a reasonable basis and, as a result, the analysis is limited to the Group revenue less costs of goods sold which is then reconciled to the profit before tax.

There are no material intersegment revenues.

Revenues from external customers in the Group's domicile, the United Kingdom, as well as its major markets, the European Union, Australia and the USA, have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location.

Revenue arises from customers in the following locations:

	2012 £'000	2011 £'000
UK	**17,978**	15,064
Europe	**7,829**	7,345
USA	**1,149**	1,174
Australia	**9,284**	6,187
Rest of World	**409**	343
	36,649	30,113

In addition to the requirements of IFRS 8, the Directors present a schedule of revenue analysed by vertical business sector:

	2012 £'000	2011 £'000
Healthcare	**26,162**	23,101
Defence	**7,615**	4,112
Maritime	**2,111**	1,681
Other	**761**	1,219
	36,649	30,113

There was one customer (2011: one) who contributed in excess of 10% of total revenues. Their aggregate contribution to revenue amounted to 15% (2011: 14%) of revenue.

The internal reporting of the Group's performance does not require that statement of financial position information is gathered on the basis of the business streams 'Licences', 'Subscriptions', 'Services' and 'Other' reported above. This information is therefore not accessible and, as a result, the segmental analysis does not include statement of financial position details. However, the Group operates within discrete geographical markets and the non-current assets of the Group are split between these locations:

Non-current assets by location 2012	**UK £'000**	**Europe £'000**	**USA £'000**	**Australia £'000**	**R o W £'000**	**Total £'000**
Intangible assets	**5,633**	**3,209**	**–**	**819**	**–**	**9,661**
Goodwill	**3,946**	**2,168**	**–**	**825**	**–**	**6,939**
Financial assets	**–**	**60**	**–**	**–**	**–**	**60**
Property, plant and equipment	**778**	**83**	**10**	**35**	**2**	**908**
Deferred tax assets	**561**	**–**	**–**	**–**	**–**	**561**
Total non-current assets	**10,918**	**5,520**	**10**	**1,679**	**2**	**18,129**

Non-current assets by location 2011	UK £'000	Europe £'000	USA £'000	Australia £'000	R o W £'000	Total £'000
Intangible assets	6,919	6,041	–	–	–	12,960
Goodwill	540	2,395	–	–	–	2,935
Financial assets	–	66	–	–	–	66
Property, plant and equipment	639	112	4	4	4	763
Deferred tax assets	1,030	–	–	–	–	1,030
Total non-current assets	9,128	8,614	4	4	4	17,754

3. Operating (loss)/profit

	2012 £'000	2011 £'000
Operating (loss)/profit has been arrived at after charging/(crediting):		
Foreign exchange (gains)/losses (included in the following line items):		
– Costs of goods sold	**(11)**	232
– Net finance costs	**(231)**	140
	(242)	372
Acquisition costs		
RosterOn		
– Transaction costs	**292**	64
– Consideration treated as remuneration	**161**	–
Zircadian		
– Transaction costs	**725**	–
– Consideration treated as remuneration	**500**	–
RealTime Health (Note 29)	**76**	–
Total acquisition costs	**1,754**	64
Loss/(profit) on disposal of intangible assets	**12**	(11)
Depreciation of property, plant and equipment	**395**	331
Amortisation of intangible assets (Note 11)	**4,538**	4,427
Impairment of intangibles and goodwill (Notes 12, 13 and 14)	**3,935**	–
Employee costs (Note 4)	**20,394**	15,161
Land and buildings held under operating leases	**823**	443
Other operating leases	**38**	14
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements.	**65**	66
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**31**	28
Interim review	**9**	9
Tax services	**3**	1

4. Employees

Group	2012 £'000	2011 £'000
Employee costs (including Directors):		
Wages and salaries	**16,791**	12,586
Social security costs	**2,301**	1,844
Share-based payment	**477**	150
Payments into defined contribution pension scheme	**825**	581
	20,394	15,161

The average number of employees (including Directors) during the year was made up as follows:		
Sales and services	**175**	136
Development	**92**	58
Administration	**35**	24
Executive Directors	**4**	4
Non-Executive Directors	**4**	4
	310	226

5. Finance income

	2012 £'000	2011 £'000
Interest income	**108**	49
	108	49

Notes to the financial statements continued

6. Finance charges

	2012 £'000	2011 £'000
Interest expense	**123**	28
	123	28

7. Income tax

	2012 £'000	2011 £'000
Current tax:		
Corporation tax on (loss)/profit for the year	**–**	–
Prior period adjustments	**(184)**	(132)
Overseas tax	**813**	487
Total current tax	**629**	355
Deferred tax:		
Origination and reversal of temporary differences:		
Current period	**(1,716)**	(340)
Prior period adjustments	**97**	124
Rate change adjustment	**(99)**	(189)
Total deferred tax	**(1,718)**	(405)
Tax on (loss)/profit for the year	**(1,089)**	(50)

The rate change adjustment in the year arises due to a reduction in the UK rate of corporation tax from 26% to 24%.

Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:

	2012 £'000	2011 £'000
Net deferred tax – (credited)/charged to equity	**(136)**	136
	(136)	136

The tax assessed for the year differs from the standard rate of corporation tax as applied in the respective trading domains where the Group operates. The differences are explained below:

	2012 £'000	2011 £'000
(Loss)/profit for the year before tax	**(4,486)**	747
(Loss)/profit for year multiplied by the respective standard rate of corporation tax applicable in each domain 25.67% (2011: 27.66%).	**(1,152)**	207
Effects of:		
Tax rate change adjustment	**(99)**	(280)
Adjustment to tax in respect of prior periods	**(87)**	(9)
Difference in overseas tax rates	**11**	(25)
Movement on deferred tax not recognised	**(36)**	65
Research and development enhanced relief	**(511)**	(242)
Share based payments	**–**	(212)
Other timing differences	**(20)**	388
Uncertain tax positions	**189**	–
Expenses not deductible for tax purposes		
– Acquisition costs	**429**	–
– Impairment of goodwill	**139**	–
– Other	**48**	58
Tax on (loss)/profit for the year	**(1,089)**	(50)

8. Profit attributable to Allocate Software plc

The loss for the financial year of the parent company, Allocate Software plc, was £1,117,000 (2011: profit of £3,108,000). As permitted by section 408 of the Companies Act 2006, no separate income statement is presented in respect of the parent company.

9. Dividends

Since the year end the Directors have proposed the payment of a dividend in respect of the full financial year of 1.2p per fully paid Ordinary Share (2011: £nil). The aggregate amount of the proposed dividend is expected to be paid on 28 November out of retained earnings at 31 May 2012, but not recognised as a liability at the year end is £766,000 (2011: £nil).

10. Earnings per Ordinary Share

	31 May 2012 £'000	31 May 2011 £'000
(Loss)/profit for the year attributable to shareholders	**(3,397)**	797
(Loss)/earnings per share		
Basic (pence per share)	**(5.35p)**	1.28p
Diluted (pence per share)	**(5.35p)**	1.24p

Weighted average number of shares	**Number of shares**	Number of shares
Shares in issue at opening	**63,074,353**	61,195,314
Shares issued during the year	**766,900**	1,879,039
Shares in issue at closing	**63,841,253**	63,074,353
Weighted average shares for basic earnings per share	**63,409,261**	62,364,597
Effect of dilutive potential Ordinary Shares	**1,671,842**	2,088,799
Weighted average shares for diluted earnings per share	**65,081,103**	64,453,396

Adjusted earnings per Ordinary Share

An adjusted earnings per share has been calculated in addition to the post tax earnings per share which eliminates the effects of share-based payments, impairment and amortisation of intangibles, acquisition costs and the deferred tax adjustment. It has been calculated to allow shareholders to gain a clearer understanding of the trading performance of the Group. The basis of the calculation of the basic and adjusted profit per share is set out below:

	2012 £'000	2011 £'000
(Loss)/profit for the year attributable to shareholders	**(3,397)**	797
Amortisation of intangibles	**4,538**	4,427
Impairment charge	**3,935**	–
Share-based payments	**477**	150
Acquisition costs	**1,754**	64
Tax on amortisation, share-based payment and acquisition costs	**(2,480)**	(1,283)
Adjusted profit for the year attributable to shareholders	**4,827**	4,155
Basic adjusted earnings per share	**7.60p**	6.66p
Diluted adjusted earnings per share	**7.42p**	6.44p

Notes to the financial statements continued

11. Property, plant and equipment

Group	Long leasehold property £'000	Leasehold improvements £'000	Equipment £'000	Total £'000
Cost				
At 1 June 2010	285	264	1,321	1,870
Additions	–	–	324	324
Disposals	–	(38)	(195)	(233)
Foreign exchange rate movement	–	–	31	31
At 31 May 2011	285	226	1,481	1,992
Acquisition of RosterOn	–	–	97	97
Acquisition of Zircadian	–	–	126	126
Additions	–	14	471	485
Disposals	–	–	(25)	(25)
Foreign exchange rate movement	–	–	(45)	(45)
At 31 May 2012	**285**	**240**	**2,105**	**2,630**
Depreciation				
At 1 June 2010	–	232	868	1,100
Provided in the year	–	18	313	331
Disposals	–	(45)	(176)	(221)
Foreign exchange rate movement	–	–	19	19
At 31 May 2011	–	205	1,024	1,229
Acquisition of Roster On	–	–	76	76
Acquisition of Zircadian	–	–	87	87
Provided in the year	–	34	361	395
Disposals	–	–	(25)	(25)
Foreign exchange rate movement	–	–	(40)	(40)
At 31 May 2012	**–**	**239**	**1,483**	**1,722**
Net book value at 31 May 2012	**285**	**1**	**622**	**908**
Net book value at 31 May 2011	285	21	457	763
Net book value at 31 May 2010	285	32	453	770

Netted off the cost of property plant and equipment are accumulated landlord capital contributions amounting to £304,000 (2011: £304,000) at the year end. Of this amount £187,000 (2011: £126,000) had been taken to the income statement by way of a reduction to accumulated depreciation.

At 31 May 2012 the Group had a £4,000,000 (2011: £2,000,000) revolving loan facility which was secured against certain assets of the Group.

11. Property, plant and equipment continued

Company	Leasehold improvements £'000	Equipment £'000	Total £'000
Cost			
At 1 June 2010	226	778	1,004
Additions	–	220	220
Transfer from subsidiary	–	39	39
At 31 May 2011	226	1,037	1,263
Additions	14	389	403
Transfer from subsidiaries	–	259	259
At 31 May 2012	**240**	**1,685**	**1,925**
Depreciation			
At 1 June 2010	187	490	677
Provided in the year	18	206	224
Transfer from subsidiary	–	29	29
At 31 May 2011	205	725	930
Provided in the year	34	260	294
Transfer from subsidiaries	–	208	208
At 31 May 2012	**239**	**1,193**	**1,432**
Net book value at 31 May 2012	**1**	**492**	**493**
Net book value at 31 May 2011	21	312	333
Net book value at 31 May 2010	39	288	327

Netted off the cost of property plant and equipment are accumulated landlord capital contributions amounting to £304,000 (2011: £304,000) at the year end. Of this amount £187,000 (2011: £126,000) had been taken to the income statement by way of a reduction to accumulated depreciation.

At 31 May 2012 the Company had a £4,000,000 (2011: £2,000,000) revolving loan facility which is secured against certain assets of the Company.

12. Goodwill

Group	Total £'000
Cost	
At 1 June 2010	2,661
Foreign exchange rate movement	274
At 31 May 2011	2,935
Acquisition of RosterOn (Note 21)	863
Acquisition of Zircadian (Note 21)	3,946
Foreign exchange rate movement	(265)
At 31 May 2012	**7,479**
Accumulated impairment	
At 1 June 2010 and 31 May 2011	–
Impairment of goodwill relating to Dynamic Change (Note 14)	540
At 31 May 2012	**540**
Net book value at 31 May 2012	**6,939**
Net book value at 31 May 2011	2,935
Net book value at 31 May 2010	2,661

The details of the acquisitions are set out in Note 21. The details of annual impairment testing of goodwill are set out in Note 14.

Notes to the financial statements continued

12. Goodwill continued

Company	Total £'000
Cost	
At 1 June 2010 and 31 May 2011	–
Transfer from investments	9,148
At 31 May 2012	**9,148**
Accumulated impairment	
At 1 June 2010 and 31 May 2011	–
At 31 May 2012	**–**
Net book value at 31 May 2012	**9,148**
Net book value at 31 May 2011	–
Net book value at 31 May 2010	–

On 1 June 2011 the Company acquired the trade and assets of its subsidiary Dynamic Change Limited and on 1 March 2012 acquired the trade and assets of its subsidiary Zircadian Limited. In both cases the assets were transferred at their book value. The excess of the carrying value of the Company's investment in each company over the book value of the assets acquired has been reclassified as goodwill.

13. Intangible assets

Group	Software £'000	Customer lists and brands £'000	Total £'000
Cost/valuation			
At 1 June 2010	6,221	12,962	19,183
Additions	368	–	368
Disposals	–	(394)	(394)
Foreign exchange rate movement	–	1,130	1,130
At 31 May 2011	6,589	13,698	20,287
Additions	268	–	268
Acquisition of RosterOn	–	1,054	1,054
Acquisition of Zircadian	33	3,941	3,974
Disposals	(70)	(527)	(597)
Foreign exchange rate movement	–	(999)	(999)
At 31 May 2012	**6,820**	**17,167**	**23,987**
Amortisation			
At 1 June 2010	–	2,819	2,819
Charge for the year	830	3,597	4,427
Disposals	–	(225)	(225)
Foreign exchange rate movement	–	306	306
At 31 May 2011	830	6,497	7,327
Acquisition of Zircadian	6	–	6
Charge for the year	652	3,886	4,538
Disposals	(15)	(395)	(410)
Impairment	3,395	–	3,395
Foreign exchange rate movement	–	(530)	(530)
At 31 May 2012	**4,868**	**9,458**	**14,326**
Net book value at 31 May 2012	**1,952**	**7,709**	**9,661**
Net book value at 31 May 2011	5,759	7,201	12,960
Net book value at 31 May 2010	6,221	10,143	16,364

13. Intangible assets continued

Intangible assets comprise both assets arising from the internal development of software, and intangibles acquired through a business combination. Intangible assets are amortised over periods of three to eight years.

The Group completed its initial assessment of the fair values of the assets acquired as part of the business combination of RosterOn Pty Ltd resulting in the recognition of goodwill of £863,000 and an intangible asset of £1,054,000 in relation to the customer lists and product acquired. The Group has also completed its initial assessment of the fair values of the assets acquired as part of the business combination of Zircadian Holdings Limited resulting in the recognition of goodwill of £3,946,000 and an intangible asset of £3,941,000 in relation to the customer lists and products acquired. In both cases the useful life of the intangible asset has been assessed as five years and will therefore be amortised over five years.

The details of any impairment testing of intangible assets are set out in Note 14.

Company	Software £'000	Customer lists £'000	Total £'000
Cost/valuation			
At 1 June 2010	–	2,636	2,636
Additions	368	–	368
Disposals	–	(394)	(394)
At 31 May 2011	368	2,242	2,610
Additions	268	–	268
Transfer from subsidiary	28	–	28
Disposals	(71)	(527)	(598)
At 31 May 2012	**593**	**1,715**	**2,308**
Amortisation			
At 1 June 2010	–	983	983
Charge for the year	52	521	573
Disposals	–	(225)	(225)
At 31 May 2011	52	1,279	1,331
Transfer from subsidiary	6	–	6
Charge for the year	136	463	599
Disposals	(16)	(395)	(411)
At 31 May 2012	**178**	**1,347**	**1,525**
Net book value at 31 May 2012	**415**	**368**	**783**
Net book value at 31 May 2011	316	963	1,279
Net book value at 31 May 2010	–	1,653	1,653

Intangible assets comprise both assets arising from the internal development of software, and intangibles arising on the acquisition of businesses. Intangible assets are amortised over periods of three to six years.

14. Impairment

(a) Impairment testing of goodwill

For the purpose of annual impairment testing, the carrying value of goodwill acquired through business combinations is allocated to the following cash-generating units (CGU):

	After impairment 2012 £'000	**Before impairment 2012 £'000**	2011 £'000
Zircadian	**3,946**	**3,946**	–
RosterOn	**825**	**825**	–
Dynamic Change	**–**	**540**	540
Time Care	**2,168**	**2,168**	2,395
	6,939	**7,479**	2,935

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Notes to the financial statements continued

14. Impairment continued

(b) Key assumptions in value in use calculations

The recoverable amount of all CGU's has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one year period followed by an extrapolation of expected cash flows for a further four year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates appropriate to the industry. This growth rate does not exceed the long term average growth rate for the industry in which the CGU operates.

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

	2012		2011	
	Growth rate[1]	**Discount rate**	Growth rate[1]	Discount Rate
Zircadian	**10.0%**	**11.0%**	–	–
RosterOn	**10.0%**	**11.0%**	–	–
Dynamic Change	**10.0%**	**11.0%**	13.6%	14.0%
Time Care	**10.0%**	**11.0%**	12.5%	14.0%

1 Weighted average growth rate used to extrapolate cash flows beyond the budget period.

The reduction in the discount rate from the prior year is due to the Company's increased borrowings and the impact of a lower risk-free rate which reflects decreased rates on long term government bonds.

The projected performance of each business is driven by the acquisition of new customers, cross sell and up-sell of products into complimentary customer bases and also maintenance of existing customer renewals. The cross sell and up-sell opportunities will increase more gradually for Time Care AB and RosterOn Pty Limited as compared to the UK businesses.

Management has determined the key assumptions based on their significant experience of the customer base in the UK and for Sweden and Australia the historical performance of these businesses. The growth-rates are based on a combination of historical performance and management's judgements on the cross selling opportunities afforded by long standing customer relationships in addition to a go to market model of proven endurance.

(c) Impairment of goodwill and intangible assets

For the year ended 31 May 2012, the Group recognised an impairment loss in respect of goodwill allocated to the Dynamic Change cash generating unit of its full book value of £540,000 (2011: £nil), and an impairment charge of the related intangible assets totalling £3,395,000 (2011: £nil). The impairment charge has been separately disclosed on the face of the income statement.

An impairment charge of £3,935,000 has also been recorded in the Company in relation to its investment in Dynamic Change Limited.

These impairment charges have resulted from the impact on the CGU following the government's decision to abolish Primary Care Trusts (which comprised some 37% of the acquired customer base) as part of its healthcare reforms. This charge reflects the resultant loss of PCT customers.

15. Investments

Group

There are no non-current asset investments held by the Group.

Company

Investments in subsidiaries:

	£'000
Cost	
At 1 June 2010	19,324
At 31 May 2011	19,324
Acquisition of Zircadian	7,680
Loan to Allocate Software Pty Limited	2,197
Foreign exchange	(100)
Impairment of investment in Dynamic Change Limited	(3,935)
Transfer to goodwill	(9,148)
At 31 May 2012	16,018
Net book value at 31 May 2012	**16,018**
Net book value at 31 May 2011	19,324
Net book value at 31 May 2010	19,324

The details of the acquisitions are set out in Note 21. The details of any impairment testing are set out in Note 14. The details of the transfer to goodwill are set out in Note 12.

Principal investments

The Company holds investments either directly or indirectly in the equity share capital of the following:

Subsidiary	Country of registration and operation	Class of share	Percentage held	Nature of business
Time Care AB	Sweden	Ordinary SEK 1	100%	Sales of software
Time Care Sverige AB	Sweden	Ordinary SEK 1,000	100%	Sales of software
Calistrum AB	Sweden	Ordinary SEK 1,000	100%	Dormant
Time Care UK Limited	England and Wales	Ordinary £1	100%	Dormant
Dynamic Change Limited	England and Wales	Ordinary 1p	100%	Dormant
Allocate Software Worldwide Limited	England and Wales	Ordinary £1	100%	Dormant
Allocate Software Inc	USA	Common Stock US$0.01	100%	USA sales and support
Allocate Software Pte Limited	Singapore	Common Stock Singapore $1	100%	Dormant
Allocate Software PTY Limited	Australia	Ordinary Aus $1	100%	Sales of software
MSW Technology Limited	England and Wales	Ordinary £1	100%	Dormant
Allocate Software Technology Systems Limited	England and Wales	Ordinary £1	100%	Dormant
Allocate Software Sendrian Berhad	Malaysia	Ordinary MYR1	100%	Sales of software
Allocate Sendrian Berhad	Malaysia	Ordinary MYR1	70%	Dormant
Manpower Software Limited	England and Wales	Ordinary £1	100%	Dormant
Allocate Limited	England and Wales	Ordinary £1	100%	Dormant
Zircadian Holdings Limited	England and Wales	Ordinary £1	100%	Dormant
Zircadian Limited	England and Wales	Ordinary £1	100%	Dormant
RosterOn Pty Limited	Australia	Ordinary Aus $1	100%	Sales of software

Notes to the financial statements continued

16. Deferred tax

Deferred tax asset

Group	Tax Losses £'000	Decelerated Capital Allowances £'000	Other Timing Differences £'000	Total £'000
At 1 June 2010	1,143	144	240	1,527
Net creation/utilisation	(461)	(11)	66	(406)
Prior year adjustment	–	(1)	(126)	(127)
Tax rate change adjustment	(82)	(10)	(8)	(100)
Movement in equity	–	–	136	136
At 31 May 2011	600	122	308	1,030
At 1 June 2011	**600**	**122**	**308**	**1,030**
Net creation/utilisation	**(141)**	**23**	**(57)**	**(175)**
Prior year adjustment	**(187)**	**(63)**	**153**	**(97)**
Tax rate change adjustment	**(32)**	**(4)**	**(25)**	**(61)**
Movement in equity	**–**	**–**	**(136)**	**(136)**
At 31 May 2012	**240**	**78**	**243**	**561**

Deferred tax assets are only recognised for tax losses arising in Group companies where it is probable future taxable profits will be available against which to use these losses. Tax losses for which a deferred tax asset has been recognised total £922,000 (2011: £2,689,000). In addition the Group has tax losses totalling £265,000 for which a deferred tax asset has not been recognised.

Company	Tax Losses £'000	Decelerated Capital Allowances £'000	Other Timing Differences £'000	Total £'000
At 1 June 2010	1,091	140	114	1,345
Net creation/utilisation	(489)	(10)	65	(434)
Tax rate change adjustment	(78)	(10)	(8)	(96)
Movement in equity	–	–	136	136
At 31 May 2011	524	120	307	951
At 1 June 2011	**524**	**120**	**307**	**951**
Net creation/utilisation	**(199)**	**23**	**(47)**	**(223)**
Prior year adjustment	**(148)**	**(62)**	**147**	**(63)**
Tax rate change adjustment	**(29)**	**(4)**	**(24)**	**(57)**
Movement in equity	**–**	**–**	**(136)**	**(136)**
At 31 May 2012	**148**	**77**	**247**	**472**

Tax losses carried forward in the Company total £618,000 (2011: £2,015,000). A deferred tax asset has been recognised in respect of these losses.

16. Deferred tax continued

Deferred tax liability

Group	Intangible Assets £'000	Other timing differences £'000	Total £'000
At 1 June 2010	4,047	3	4,050
Prior year adjustment	–	(3)	(3)
Tax rate change adjustment	(289)	–	(289)
Net creation/utilisation	(746)	–	(746)
At 31 May 2011	3,012	–	3,012
At 1 June 2011	**3,012**	**–**	**3,012**
Prior year adjustment	**–**	**–**	**–**
Tax rate change adjustment	**(160)**	**–**	**(160)**
Acquisition of RosterOn	**264**	**32**	**296**
Acquisition of Zircadian	**985**	**9**	**994**
Foreign exchange	**(120)**	**(2)**	**(122)**
Net creation/utilisation	**(1,852)**	**(39)**	**(1,891)**
At 31 May 2012	**2,129**	**–**	**2,129**

17. Trade and other receivables

Group	**2012 £'000**	2011 £'000
Current		
Trade receivables	**12,123**	7,942
Accrued income	**1,820**	1,694
Prepayments and other receivables	**895**	996
	14,838	10,632

Credit quality of receivables

Trade receivables are derived from the supply of licenses and services to clients who are substantial and creditworthy organisations. These clients include government health and defence departments, major listed companies and significant private companies.

The following financial assets are overdue for receipt. The fair value of receivables is not materially different from the carrying value shown. The receivables are overdue by:

	2012 £'000	2011 £'000
Trade receivables		
Not more than three months	**3,730**	1,698
More than three months but not more than six months	**306**	711
More than six months	**285**	203
	4,321	2,612

There are no receivables which have been impaired.

Trade and other receivables are due in the following currencies:

	2012 £'000	2011 £'000
Australian Dollars	**3,113**	2,216
Swedish Krona	**1,277**	925
US Dollars	**156**	462
Euros	**5**	36
Malaysian Ringgits	**13**	24
	4,564	3,663

Notes to the financial statements continued

17. Trade and other receivables continued

Company	2012 £'000	2011 £'000
Current		
Trade receivables	**8,874**	4,869
Amounts owed by subsidiary companies	**1,730**	2,784
Accrued income	**1,359**	1,028
Prepayments and other receivables	**628**	798
	12,591	9,479

Amounts owed by subsidiary companies are payable on demand.

The following financial assets are overdue for receipt. The fair value of receivables is not materially different from the carrying value shown. The receivables are overdue by:

	2012 £'000	2011 £'000
Trade receivables		
Not more than three months	**3,393**	1,225
More than three months but not more than six months	**280**	665
More than six months	**285**	133
	3,958	2,023

There are no receivables which have been impaired.

Trade receivables are due in the following currencies:

	2012 £'000	2011 £'000
US Dollars	**134**	235
Euros	**5**	36
	139	271

The Group's and Company's receivables are unsecured.

18. Share capital

Equity

	2012 £'000	2011 £'000
Ordinary Shares of 5p each		
Authorised		
100 million (2011: 100 million)	**5,000**	5,000
Allotted, called up and fully paid		
63,841,253 (2011: 63,074,353)	**3,192**	3,154

Equity: allotted, called up and fully paid

	Number of shares	Share capital £'000	Share premium £'000	Total £'000
At 1 June 2010	61,195,314	3,060	7,380	10,440
Issue of shares on exercise of options	1,879,039	94	372	466
At 31 May 2011	63,074,353	3,154	7,752	10,906
Issue of shares on exercise of options	766,900	38	156	194
At 31 May 2012	**63,841,253**	**3,192**	**7,908**	**11,100**

The mid-market price of the Ordinary Shares at 31 May 2012 was 74.38p and the range during the year was 64.00p to 84.63p.

19. Reserves

(i) Nature and purpose of reserves

Retained earnings – comprises the accumulated retained profits from current and prior periods.

Share based payments – the share based payments reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

(ii) Share Based Payments

There are six share option schemes in operation: two HMRC Approved Schemes (the 'Approved Schemes'), two schemes which have not been approved by HMRC (the 'Unapproved Schemes') and an Enterprise Management Incentive Scheme (the 'EMI Scheme') which complies with the requirements of HMRC, and a Long Term Retention Plan (the 'LTRP').

Approved Schemes, Unapproved Schemes & EMI Scheme (the 'Option Plans')

Options in the Option Plans vest subject to demanding earnings per share targets being achieved over specified performance periods (generally three years). Options vest at the end of the performance period and can be exercised over the period between vesting date and expiry date. Options expire ten years from the date of grant. Options are forfeited if the employee leaves the Company before the options become available for exercise.

The fair values of the services received in exchange for share based payments were calculated using a Black-Scholes pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for term of the option. No account is taken of any services and performance conditions in the calculation of the fair value.

The expected price volatility is based on historic volatility.

LTRP

Options in the LTRP vest subject to both demanding earnings per share targets being achieved over a specified performance period, and a total absolute shareholder return target against which options will vest on a sliding scale. 20% of the options will vest at a 15% annual compound TSR and the options will vest in full at or above a 25% annual compound TSR. Subject to the meeting of the performance criteria and to continuing employment, 600,000 options will vest in September 2014 and a further 200,000 in each of September 2015 and September 2016.

The fair values of the services received in exchange for share based payments were calculated using a Monte Carlo simulation, which takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for term of the option. No account is taken of any services and performance conditions in the calculation of the fair value other than the performance conditions linked to the share price in the Company (ie TSR conditions).

Fair Value of Options Granted

The table below lists the inputs to the option pricing models for options granted during the period.

Date of issue	Number granted	Share price on issue date	Exercise price pence	Expected volatility%	Expiry years period	Vesting period	Risk free rate %	Expected dividend yield %
2012								
Option Plans								
14 Sept 2011	400,000	74.0p	73.0p	40	10	3	1.15	nil
LTRP								
1 Dec 2011	600,000	77.5p	0.0p	26	6	3	0.44	nil
1 Dec 2011	200,000	77.5p	0.0p	28	6	4	0.66	nil
1 Dec 2011	200,000	77.5p	0.0p	33	6	5	0.95	nil
2011								
Option Plans								
4 Feb 2011	670,000	84.5p	85.50p	40	10	3	2.69	nil

Notes to the financial statements continued

19. Reserves continued

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2012		2011	
	No. of options	WAEP pence	No. of options	WAEP pence
Outstanding at the beginning of the year	**5,846,900**	**52.88p**	7,108,591	42.16p
Granted during the year	**1,400,000**	**20.71p**	670,000	85.50p
Exercised during the year	**(766,900)**	**25.37p**	(1,879,039)	24.25p
Forfeited during the year	**(10,000)**	**71.50p**	(13,400)	14.75p
Expired during the year	**(6,000)**	**25.00p**	(39,252)	26.67p
Outstanding at the end of the year	**6,464,000**	**49.18p**	5,846,900	52.88p
Exercisable at the year end	**2,259,000**	**35.72p**	2,281,900	29.00p

The total cost of the share option schemes charged to the Consolidated Income Statement is £477,000 (2011: £150,000).
The weighted average share price at the date of exercise of options was 73.90p.

The weighted average fair value of options granted during the year was 20.70p per option (2011: 45.99p).

Share options remaining in the schemes are as follows:

Scheme	Grant date	Exercise from	Lapse date	Options remaining	Ex price	Time to expiry Years	Time to expiry Months
EMI	14/05/2003	14/05/2005	13/05/2013	105,000	10.00	–	11
EMI	05/03/2004	05/03/2006	04/03/2014	1,500	45.00	1	9
Unapproved	18/03/2004	18/03/2006	17/03/2014	50,000	45.00	1	9
EMI	17/06/2004	17/06/2006	16/06/2014	20,500	33.00	2	–
EMI	27/03/2006	27/03/2009	26/03/2016	534,500	25.50	3	9
Unapproved	27/03/2006	27/03/2009	26/03/2016	112,500	25.50	3	9
EMI	09/10/2006	09/10/2009	08/10/2016	225,000	18.50	4	4
EMI	16/02/2007	16/02/2010	15/02/2017	150,000	36.25	4	8
EMI	02/05/2008	02/05/2011	01/05/2018	310,000	53.00	5	11
EMI	07/04/2009	07/04/2012	06/04/2019	750,000	45.50	6	10
EMI	14/04/2010	14/04/2013	13/04/2020	735,000	71.50	7	10
Unapproved	07/05/2010	07/05/2013	06/05/2020	1,098,221	70.25	7	11
EMI	07/05/2010	07/05/2013	06/05/2020	301,779	70.25	7	11
Unapproved	04/02/2011	04/02/2014	03/02/2021	670,000	85.50	8	8
Approved	14/09/2011	14/09/2014	13/09/2021	82,758	72.50	9	4
Unapproved	14/09/2011	14/09/2014	13/09/2021	317,242	72.50	9	4
LTRP	01/12/2011	01/09/2014	30/11/2017	600,000	0.00	5	6
LTRP	01/12/2011	01/09/2015	30/11/2017	200,000	0.00	5	6
LTRP	01/12/2011	01/09/2016	30/11/2017	200,000	0.00	5	6
				6,464,000			

20. Borrowings

The Company has a two year revolving facility secured against the assets of the UK companies in the Group, which it originally took out in 2010 to fund the acquisition of Dynamic Change Limited and then renegotiated as a £4,000,000 revolving facility in August 2011 to fund the acquisition of Zircadian Holdings Limited. The amount outstanding at the statement of financial position date is £4,000,000 (2011: £2,000,000). The interest rate is 2% above HSBC bank base rate. The new facility will expire on 12 August 2013 and is therefore presented as a non-current liability. As the previous facility was due to expire in May 2012, the £2,000,000 loan was presented as a current liability in the statement of financial position as at 31 May 2011.

21. Business combinations

Acquisitions have been accounted for by the purchase method of accounting. The goodwill arising on these acquisitions is subject to annual impairment review. The following tables set out the book values of the identifiable assets and liabilities acquired during the year ended 31 May 2012 and their fair values:

RosterOn Pty Ltd

On 4 July 2011 the Group acquired 100% of the share capital of RosterOn Pty Ltd, an Australian based provider of workforce management software with a focus on the Australian healthcare market. The consideration for the acquisition was £2,209,000 (A$3,358,000) which was paid in cash during the year including a payment for the net asset value of the company of £496,000 (A$758,000). The net assets acquired included cash of £586,000 (A$890,000).

The net assets acquired and the resultant fair value adjustments are shown below:

	Book value £'000	Provisional fair value adjustment £'000	Fair value £'000
Cash	586	–	586
Intangibles (note 13)	–	1,054	1,054
Property, plant and equipment	21	–	21
Receivables	588	–	588
Trade payables and other payables	(607)	–	(607
Deferred tax liability	(32)	(264)	(296)
Net assets	556	790	1,346
Goodwill arising on acquisition	–	863	863
Total purchase consideration			**2,209**

Purchase consideration:	
Cash	**2,209**

Analysis of cash flows on acquisition:	
Purchase consideration	2,209
Net cash acquired with the subsidiary (included in cash flows from investing activities)	(586)
Net cash flow on acquisition	**1,623**
Transaction costs of the acquisition (included in cash flows from operating activities)	292

In addition to the £2,209,000 purchase consideration, a further £264,000 (A$400,000) is payable 18 months after the acquisition contingent on key staff retentions. For accounting purposes, IFRS 3 'Business Combinations' requires this to be treated as remuneration and not consideration. Consequently this does not form part of the cost of acquisition and instead will be expensed to the Income Statement on a straight line basis over the 18 month period between the date of acquisition and the payment date. This charge is included within the 'Acquisition & related costs' line of the Income Statement.

The goodwill of £863,000 comprises certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce. Goodwill is allocated entirely to the RosterOn cash generating unit. None of the goodwill is expected to be deductible for income tax purposes.

In the period since acquisition, RosterOn Pty Ltd contributed revenues of £1,291,000 and a profit after tax of £46,000 to the Group for the period from 4 July 2011 to 31 May 2012. If the acquisition had occurred on 1 June 2011, the Group's annualised consolidated revenue and loss after tax for the year ended 31 May 2012 would have been £36,766,000 and £3,440,000 respectively. This includes not only an estimate of the full year contribution of RosterOn but also the impact of a full year of amortisation charge (after tax) of the intangible assets which arose on the acquisition.

Zircadian Holdings Limited

On 12 August 2011 the Group acquired 100% of the share capital of Zircadian Holdings Limited, a UK based SaaS provider of software used to plan rotas of junior doctors and consultants in the NHS. The consideration for the acquisition was £6,455,000, all payable in cash. £6,455,000 was paid during the year, including a deferred consideration payment of £1,000,000 paid in April 2012 which had been contingent on financial targets being met. This acquisition was funded in part through a renewal of the Group's revolving facility for a further two years and an increase in this by £2,000,000 to £4,000,000. The net assets acquired included cash of £1,257,000.

Notes to the financial statements continued

21. Business combinations continued

The net assets acquired and the resultant fair value adjustments are shown below:

	Book value £'000	Provisional fair value adjustment £'000	Fair value £'000
Cash	1,257	–	1,257
Intangibles – acquired	27	–	27
Intangibles – identified at acquisition (Note 13)	–	3,941	3,941
Property, plant and equipment	39	–	39
Receivables	620	–	620
Trade payables and other payables	(368)	–	(368)
Deferred income	(2,013)	–	(2,013)
Deferred tax liability	(9)	(985)	(994)
Net (liabilities)/assets	(447)	2,956	2,509
Goodwill arising on acquisition	–	3,946	3,946
Total purchase consideration			**6,455**
Purchase consideration:			
Cash paid on completion			5,455
Contingent consideration			1,000
Total consideration			**6,455**
Payments treated as remuneration			500
Acquisition costs			725
Total cost of investment (Note 15)			**7,680**
Analysis of cash flows on acquisition:			
Purchase consideration			6,455
Net cash acquired with the subsidiary (included in cash flows from investing activities)			(1,257)
Net cash flow on acquisition			**5,198**
Transaction costs of the acquisition (included in cash flows from operating activities)			1,225

In addition to the purchase consideration of £6,455,000, a further £500,000 payment was made during the year in respect of key staff retentions for a period of six months post acquisition. As for the RosterOn acquisition, IFRS 3 requires this amount to be treated as remuneration and not consideration. Consequently this does not form part of the cost of acquisition and was instead expensed to the Income Statement over the six month period between the date of acquisition and the payment date. This charge is included within the 'Acquisition & related costs' line of the Income Statement.

The goodwill of £3,946,000 comprises certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce. Goodwill is allocated entirely to the Zircadian cash generating unit. None of the goodwill is expected to be deductible for income tax purposes.

In the period since acquisition, Zircadian Holdings Limited contributed revenues of £2,330,000 and a profit after tax of £167,000 to the Group for the period from 12 August 2011 to 31 May 2012. If the acquisition had occurred on 1 June 2011, the Group's annualised consolidated revenue and loss after tax for the year ended 31 May 2012 would have been £37,262,000 and £3,478,000 respectively. This includes not only an estimate of the full year contribution of Zircadian but also the impact of a full year of amortisation charge (after tax) of the intangible assets which arose on acquisition.

22. Trade and other payables

Group	2012 £'000	2011 £'000
Trade payables	**996**	987
Other taxation and social security	**2,755**	1,892
Accruals and deferred income	**15,144**	11,183
	18,895	14,062

Company	2012 £'000	2011 £'000
Trade payables	**818**	852
Amounts owed to subsidiary companies	**1,511**	1
Other taxation and social security	**1,780**	988
Accruals and deferred income	**11,252**	7,040
	15,361	8,881

The Group's and Company's payables are unsecured and approximate to fair value.

23. Financial instruments

Group

The Group's financial instruments comprise cash and liquid resources, short term receivables, borrowings and payables. These all arise directly from the Group's operations.

It is and has been throughout the period under review, the Group's policy that no other trading in financial instruments shall be undertaken.

Financial instruments by category

	2012 £'000	2011 £'000
Financial assets:		
Non-current financial asset – loans and receivables	**60**	66
Trade and other receivables – loans and receivables	**13,943**	9,636
Trade and other receivables – non-financial assets	**895**	996
Total trade and other receivables	**14,838**	10,632
Cash and cash equivalents – loans and receivables	**8,338**	10,398
Financial liabilities:		
Non-current financial liabilities – borrowings	**4,000**	–
Borrowings – other financial liabilities	**–**	2,000
Trade and other payables – other financial liabilities	**3,556**	3,494
Trade and other payables – non-financial liabilities	**15,339**	10,568
Total trade and other payables	**18,895**	14,062

There is no material difference between the book value and the fair value of these financial assets and financial liabilities.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies were fully reviewed by the Board during the year and no significant changes were required.

Notes to the financial statements continued

23. Financial instruments continued

Market risk

Foreign exchange risk

The Group undertakes transactions in foreign currencies and as a result is exposed to foreign exchange risk. These consist of the monetary assets and liabilities of Group companies that are not denominated in the functional currency of the respective Group company. The resulting exposures are summarised below:

	Euro £'000	Swedish Krona £'000	Australian Dollars £'000	US Dollars £'000	Malaysian Ringgits £'000
2012	**5**	**549**	**556**	**897**	**497**
2011	36	259	1,709	1,302	311

The figures above are based on the following exchange rates:

	2012	2011
Swedish Krona	**11.250**	10.187
Australian Dollars	**1.5937**	1.5427
US Dollars	**1.5576**	1.6491
Malaysian Ringgits	**4.9168**	4.9530

For a movement of plus or minus 5% in the above exchange rates, the carrying values would be changed as set out below. Profit and equity would be impacted by these amounts.

Resulting change	**2012 £'000**	2011 £'000
Euro	**–**	2
Swedish Krona	**26**	12
Australian Dollars	**26**	81
US Dollars	**43**	62
Malaysian Ringgits	**24**	15

The Group's approach to managing foreign currency risk is set out in the Report of the Directors.

Interest rate risk

The Group finances itself through a combination of equity and short term debt. The Group's policy is to borrow on a floating rate basis and if appropriate, it will enter into arrangements to fix the cost of borrowings. The Group has not used interest rate derivatives in the year.

At 31 May 2012 the Group's financial assets, other than short term receivables, amounted to cash and cash deposits totalling £8,338,000 (2011: £10,398,000).

At 31 May 2012 the Group had a £4,000,000 (2011: £2,000,000) loan facility. The interest rate is 2% above HSBC bank base rate.

The Directors do not intend to use swap arrangements to mitigate the risk of interest rate movements as any likely movement in the interest rate of this will not be significant. A movement of plus or minus 1% in the interest rate charged on borrowings will result in a reduction or increase in profit and equity of £40,000 (2011: plus or minus £20,000).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours only to deal with companies and public sector bodies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of the Group's financial assets £22,341,000 (2011: £20,100,000).

The majority of the Group's trade receivables are from government health, defence, education and local authorities. The Group has trade receivables resulting from sales of products and services, which management consider to be of low risk, other receivables consist predominantly of deposits and prepayments. Management does not consider there is any concentration of risk within either trade or other receivables.

As at 31 May 2012 there were four customers who individually accounted for 5% or more of total outstanding trade receivables (2011: three customers). These four customers comprised 44% of trade receivables (2011: three customers 46%).

Deposits of cash are placed only with financial institutions whose credit rating is high.

23. Financial instruments continued

Liquidity risk

Deposits with the Group's bankers are placed when cash is available surplus to immediate requirements. In addition, the Group has a loan facility of £4,000,000 (2011: £2,000,000). At the statement of financial position date the amount drawn down was £4,000,000, being the loan used to fund the acquisitions of Dynamic Change Limited and Zircadian Holdings Limited.

The provision of cash for the payment of day to day business commitments is carefully monitored and forecasts are made of future cash requirements. There are no significant single amounts due for payment in the foreseeable future other than those arising in the normal course of business. The loan facility is repayable on or before 12 August 2013.

Financial liabilities mature according to the following schedule:

2012	Within one year £'000	One to two years £'000	Two to five years £'000	Over five years £'000
Trade and other payables	**3,556**	**–**	**–**	**–**
Borrowings	**100**	**4,025**	**–**	**–**

2011	Within one year £'000	One to two years £'000	Two to five years £'000	Over five years £'000
Trade and other payables	3,494	–	–	–
Borrowings	2,048	–	–	–

Capital risk management

The Group's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders. The Group will also seek to minimise the cost of capital and attempt to optimise the capital structure which currently comprises equity raised through the AIM market of the London Stock Exchange. The details of the Group's issued share capital and any share issues are disclosed in Note 18.

The Group monitors cash balances and prepares regular forecasts which are reviewed by the Board. Since the year end the Directors have proposed the payment of a dividend. In order to adjust or maintain the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders issue shares or sell assets to reduce debt.

Company

The Company's financial instruments comprise cash and liquid resources, short term receivables, borrowings and payables. These all arise directly from the Company's operations.

It is and has been throughout the period under review, the Company's policy that no other trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies were fully reviewed by the Board during the year and no significant changes were required.

Notes to the financial statements continued

23. Financial instruments continued

Financial instruments by category

	2012 £'000	2011 £'000
Financial assets:		
Trade and other receivables – loans and receivables	**11,963**	8,681
Trade and other receivables – non-financial assets	**628**	798
Total trade and other receivables	**12,591**	9,479
Cash and cash equivalents – loans and receivables	**4,726**	4,958
Financial liabilities:		
Non-current financial liabilities – borrowings	**4,000**	–
Current financial liabilities		
Borrowings – other financial liabilities	**–**	2,000
Trade and other payables – other financial liabilities	**3,914**	2,640
Trade and other payables – non financial liabilities	**11,447**	6,241
Total trade and other payables	**15,361**	8,881

There is no material difference between the book value and the fair value of these financial assets and financial liabilities.

Market risk

Foreign exchange risk

The Company's exposure to foreign exchange risk has decreased during the year.

The table below shows the Company's currency exposures. These consist of the monetary assets and liabilities of the Company that are not denominated in the Company's reporting currency, which is UK pounds Sterling.

	Euro £'000	Swedish Krona £'000	Australian Dollars £'000	US Dollars £'000	Malaysian Ringgits £'000
2012	**5**	**549**	**556**	**897**	**497**
2011	36	–	1,709	1,302	311

Foreign exchange positions are regularly monitored and managed, through mitigating (where possible) the Company's foreign currency assets and liabilities to appropriate levels. The Company's approach to foreign currency risk management is set out in the Report of the Directors.

For a movement of plus or minus 5% in the above exchange rates, the carrying values would be changed as set out below. Profit and equity would be impacted by these amounts.

Resulting change

	2012 £'000	2011 £'000
Euro	**–**	2
Swedish Krona	**26**	–
Australian Dollars	**26**	81
US Dollars	**43**	62
Malaysian Ringgits	**24**	15

Interest rate risk

The Company finances itself through a combination of equity and short term debt. The Company's policy is to borrow on a floating rate basis and, if appropriate, it will enter into arrangements to fix the cost of borrowings. The Company has not used interest rate derivatives in the year. At 31 May 2012, the Company had a revolving loan facility which is at floating rates based on HSBC Bank's Sterling base rate plus 2.0%.

The Directors do not intend to use swap arrangements to mitigate the risk of interest rate movements as any likely movement in the interest rate of this will not be significant. A movement of plus or minus 1% in the interest rate charged on borrowings will result in a reduction or increase in profit and equity of £40,000 (2011: plus or minus £20,000).

23. Financial instruments continued

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. In order to minimise this risk the Company endeavours only to deal with companies and public sector bodies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of the Company's financial assets £16,689,000 (2011: £13,639,000).

The Company has trade receivables resulting from sales of products and services, which the management consider to be of low risk, other receivables consist predominantly of deposits and prepayments. A substantial majority of trade receivables are due from national or local government bodies in the health and defence sectors. The management do not consider that there is any concentration of risk within either trade or other receivables.

Deposits of cash are placed only with financial institutions whose credit rating is high.

Liquidity risk

Deposits with the Company's bankers are placed when cash is available surplus to immediate requirements. In addition, the Group has a loan facility of £4,000,000 (2011: £2,000,000). At the statement of financial position date the amount drawn down was £4,000,000.

The provision of cash for the payment of day to day business commitments is carefully monitored and forecasts are made of future cash requirements. There are no significant single amounts due for payment in the foreseeable future other than those arising in the normal course of business. The loan is repayable on or before 12 August 2013.

Fair value

The fair values of all financial assets and liabilities at 31 May 2012 and 31 May 2011 were not materially different from their book values.

24. Operating lease commitments

The table shows the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

Group	**2012 £'000**	2011 £'000
Land and buildings:		
Within one year	**357**	443
Two to five years	**324**	320
	681	763
Equipment:		
Within one year	**14**	15
Two to five years	**15**	11
	29	26

Company	**2012 £'000**	2011 £'000
Land and buildings:		
Within one year	**333**	418
Two to five years	**305**	302
	638	720
Equipment:		
Within one year	**1**	–
Two to five years	**1**	–
	2	–

Notes to the financial statements continued

25. Related party transactions

(i) Remuneration of Key Management Personnel

Group and Company	2012 £'000	2011 £'000
Short term employee benefits	**1,179**	1,141
Post-employment benefits	**58**	28
Remuneration benefits	**3**	3
Share-based payments	**193**	111
	1,433	1,283

The Group and Company consider that the Directors are their key management personnel and further details of their remuneration is disclosed in the Directors' report.

No dividends were paid to Directors in the year (2011: nil).

(ii) Intercompany Transactions

The Company had the following intercompany transactions:

	2012 £'000	2011 £'000
Intercompany sales	**3,680**	5,093
Intercompany purchases	**(231)**	(457)
Intercompany dividend income	**832**	338
Intercompany interest expense	**(21)**	(5)
Intercompany interest income	**130**	–
	4,390	4,969

At the year end the Company had the following balances with subsidiaries:

	2012 £'000	2011 £'000
Allocate Software Inc.	**615**	399
Allocate Software Technology Systems Limited	**194**	107
Allocate Software Sendrian Berhad	**497**	311
Allocate Software Pty Ltd	**(556)**	1,709
Dynamic Change Limited	**(372)**	(1)
Time Care AB	**(549)**	259
Zircadian Holdings Limited	**424**	–
Zircadian Limited	**(34)**	–
Net balances	**219**	2,784

In addition, as part of the net investment in Note 15, an amount of £2,096,000 (2011: £nil) is a long term loan with Allocate Software Pty Ltd and this long term loan, as well as the long term loan from Time Care AB included above, is interest-bearing. All other intercompany balances are non-interest bearing and are repayable on demand.

26. Transfers of trade and assets

On 1 June 2011 the trade and assets of Dynamic Change Limited were transferred to Allocate Software plc with consideration equal to the net assets value transferred.

On 1 March 2012 the trade and assets of Zircadian Limited were transferred to Allocate Software plc with consideration equal to the net assets value transferred.

27. Contingent liabilities

Neither the Group nor the Company had any contingent liabilities at either 31 May 2012 or 31 May 2011.

28. Comparatives

For the year ended 31 May 2012 the Group has changed the presentation of the income statement to provide, in the opinion of the Directors, a clearer and more meaningful presentation of the Group's performance. As a result of this it has been necessary to reclassify the comparatives to ensure a consistent presentation of the 2011 Income Statement. This change in presentation does not impact on the 2011 revenue, profit or total comprehensive income.

29. Events after the statement of financial position date

On 30 July 2012 the Group acquired 100% of the share capital of RealTime Health Limited, a UK supplier of patient flow management software to the NHS. The maximum total consideration, based on zero net assets, of up to £7,200,000 is structured as an initial payment of £1,200,000 and an earn-out of up to £6,000,000 in tranches. The initial consideration comprises a cash payment of £1,200,000 paid from existing cash resources. Deferred consideration of up to £6,000,000 in cash is contingent upon the meeting of conditions, including achieving a number of demanding billings targets, during the 24 months following acquisition. Included within acquisition costs in the Income Statement is £76,000 incurred prior to 31 May in relation to the acquisition of RealTime Health.

As at the date of approval of the financial statements, the initial accounting has not been completed for this business combination. Consequently it has not been possible to disclose the following information required by IFRS 3 'Business Combinations': a description of the goodwill arising; the fair values of assets and liabilities acquired; details of contingent liabilities (if any); total goodwill deductible for tax purposes; and transactions recognised separately from the acquisition of assets and assumption of liabilities in the business combination.

30. Capital commitments

Neither the Group nor the Company had any capital commitments at either 31 May 2012 or 31 May 2011.

Directors and advisers

Company registration number:	2814942
Registered office:	180 Piccadilly London W1J 9ER
Directors:	I J Bowles J I Lang M J S Loveland T H Osborne A R D Pringle A A Swann R W King C D Gale
Secretary:	C D Gale
Nominated adviser and broker:	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Bankers:	HSBC Bank plc 65 Packhorse Road Gerrards Cross Buckinghamshire SL9 8PH
Solicitors:	Taylor Wessing LLP 5 New Street Square London EC4A 3TW
Auditor:	Grant Thornton UK LLP Registered Auditors Chartered Accountants Grant Thornton House Melton Street Euston Square London NW1 2EP
Website:	www.allocatesoftware.com

Designed and produced by **Emperor Design Consultants Ltd**
Telephone **+44 (0)121 262 3830 www.emperordesign.co.uk**

Allocate Software plc
180 Piccadilly
London
W1J 9ER

Tel: +44 (0)20 7355 5555
Fax: +44 (0)20 7355 5588
www.allocatesoftware.com