

Financial Statements Kerridge Commercial Systems Limited

For the year ended 30 September 2012

Registered number: 07090521

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Company Information

Directors	I B Bendelow K C Briddon N J Bedford D A Liddle D Nangle C Austin M Green
Company number	07090521
Registered office	Unit 2A Herongate Charnham Park Hungerford Berkshire RG17 0YU
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 1020 Eskdale Road IQ Winnersh Wokingham Berkshire RG41 5TS
Bankers	HSBC Bank Plc 26 Broad Street Reading Berkshire RG1 2BU

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Chairman's statement

For the year ended 30 September 2012

The chairman presents his statement for the period

The Group's second year of trading has proved successful in all key respects

Having acquired TIS Software in October last year, the management team has worked hard to ensure that we combine the strengths of both businesses to the benefit of our customers and our staff. As a result, both Kerridge Commercial System's and TIS's customers now have a broader range of product and services available to them.

I would like to say welcome to our 66 new recruits during the year. We have also promoted many from within to further strengthen our businesses management capacity and capability.

Welcome too to our many new customers, UK and international, and we thank them for their vote of confidence in choosing us to partner them in providing improved service to their customers. In what is an apparently bleak economic landscape, we are delighted to be working closely with our customers to support their efforts to improve efficiency and productivity in their business operations.

I am pleased and proud to be a part of a community that is committed to becoming our customer's supplier of choice because of the value we deliver. Our success depends on us continuing to do that in a way that our customers judge to be better than that offered elsewhere in our market.

Equipped as we are with excellent products and services, designed specifically to meet the needs of our customers, knowledgeable, skilful and dedicated employees and an equally dedicated and talented management team, we anticipate continued strong growth for the foreseeable future.

Many of our customers have been refocusing elements of their business towards a higher proportion of own-manufactured content within their product portfolio. We were therefore delighted to announce the strategic acquisition of Datawright on 17th October 2012. Datawright provides software for manufacturing and service management businesses and is an excellent fit to our business and strengthens our ability to serve our customer's needs. We intend to continue our approach of combining the strengths of both businesses to the benefit of all of our customers.

Ken Briddon
Chairman

Date 20 December 2012

Directors' report

For the year ended 30 September 2012

The directors present their report, the Chairman's statements and the financial statements for the year ended 30 September 2012

Principal activities and business review

The Group and Company's principal activity during the year was the continued development and sale of its K8 computer software system together with the provision of hosting and outsourced network services, other services and hardware, consultancy services and training

Financial performance and dividends

During the year (with comparatives shown for the year ended 30 September 2011), the Group generated

- Turnover of £25.5m (2011 £18.9m) and
- Operating profit before depreciation and goodwill amortisation and non-recurring restructuring costs ("EBITDA") of £7.5m (2011 £5.5m)

Both turnover and EBITDA were in line with Board expectations

The acquisition of the Kerridge Commercial Systems ("KCS") business in March 2010, gave rise to goodwill of £15.5m. The Board continues to believe the expected useful life of the purchased goodwill to be five years with a resultant annual amortisation charge of £3.1m through the remainder of the expected useful life of that goodwill

As reported last year, the Group acquired TIS Software Holdings Limited on 14 October 2012 for a cash consideration of £4.1m. The acquisition gave rise to goodwill of £6.0m. The Board have assessed the expected useful life of the goodwill to be seven years with a resultant annual amortisation charge of £0.9m

The Group saw

- an increase in cash balances from £7.5m at the beginning of the year to £8.7m at the year end and
- a fall in net debt from £6.1m at the beginning of the year to £5.8m at the year end

Business review and current trading

Despite challenging economic conditions, the business has continued to perform well, with strong sales to both new and existing customers, all keen to take advantage of the operational benefits provided by the Group's software solutions

The Group continued to spend in excess of £2m on research and development activities in the year. The Board expect this to continue at this level in the current financial year. Significant further progress has been made in providing fast, scalable and resilient platforms for systems to operate on which the Group makes available to customers on a traditional client-server implementation or as a fully hosted cloud solution

The acquired TIS Software business has performed well since acquisition. The Group has continued to support and develop that business' software products and has experienced a positive response from customers to the acquisition. Migration tools and processes have been developed to migrate TIS Software customers to the Group's strategic K8 platform, with the largest TIS Software customer already contracted to move to K8

The acquisition has also added strategic products to the Group's K8 solution, which enhance customer service across the group. While the TIS Software customer base also benefit from the Group's broader technical, hosting and hardware service offering

Directors' report

For the year ended 30 September 2012

On 17 October 2012, the Group completed the acquisition of Datawright Limited, a specialist provider of enterprise systems for the manufacturing and service management sector. The Board saw this as an excellent opportunity to acquire a valuable and complimentary business strengthening the Group's product depth and contracted revenue base.

Results and dividends

The profit for the year, after taxation, amounted to £1,474,000 (2011 - £865,000)

No interim dividend was paid during the year. The directors do not recommend payment of a final dividend (2011 - £nil)

Future developments

The Board continues to focus on its future business strategy, looking at delivering business growth in a responsible and sustainable way in line with the following key objectives:

- Developing exceptional software and systems for the Group's current and future customers
- Providing excellent levels of service to customers
- Providing rewarding and challenging careers for the Group's employees
- Delivering strong growth in shareholder value

Directors

The directors who served during the year were:

I B Bendelow
K C Briddon
N J Bedford
D A Liddle
D Nangle
C Austin
M Green

Directors' report

For the year ended 30 September 2012

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Summary of key performance indicators

The Board uses a range of performance indicators to monitor and manage the business and ensure focus is maintained on the key priorities of the Group.

The Key Performance Indicators ("KPIs"), which are monitored at Board level, have been devised to allow the Board and shareholders to monitor the Group as a whole. The consolidated KPIs which the Board currently considers to be the most important are as follows:

	Year ended 30 September 2012	Year ended 30 September 2011	Period to 30 September 2010
Revenue	£25.5m	£18.9m	£11.6m
Recurring revenue (Note 1) (% of Revenue)	59%	59%	62%
Gross Profit	£21.2m	£15.0m	£9.2m
Gross Profit (%)	83%	79%	79%
EBITDA (Note 2)	£7.5m	£5.5m	£3m
EBITDA (% of Revenue)	29.4%	29.1%	25.9%
Cash balances held at period end	£8.7m	£7.5m	£4.5m
(Increase)/reduction in working capital	£(1.5)m	£0.8m	£2.6m
Net cash from operations	£5.7m	£6.2m	£5.5m

Note 1 – Revenue from renewable service contracts

Note 2 – Operating profit before depreciation and goodwill amortisation and non-recurring restructuring expenses

Directors' report

For the year ended 30 September 2012

Principal risks and uncertainties facing the business

The Board considers the principal risks and uncertainties facing the business to be those associated with the current general economic climate. That being said, the Board monitors sales pipeline and order take activity and believe this shows that the business' customer base are continuing to invest in their internal systems in order to improve business efficiency and competitiveness.

Financial risk management objectives and policies

The Group uses a variety of financial instruments including cash, equity investments and various items, such as trade debtors and trade creditors, which arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group's operations.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department. The directors are of the view that main risks arising from the Group's financial instruments are exchange risk, interest rate risk, liquidity risk and credit risk.

The directors set and review policies for managing each of these risks and they are summarised below.

Exchange rate risk

Exchange rate fluctuation represents a risk because some sales are priced in currencies other than sterling.

In addition, the Group's overseas operations continue to grow. The directors do not consider that the potential downside associated with this risk at this stage in the Group's development is of sufficient size to require hedging; however due consideration will be given if the risks are sufficiently higher enough to warrant a hedge.

Interest rate risk

The Group finances its operations through a combination of bank and loan note debt finance and shareholders' funds. The interest rate of the debt funding (which is denominated in Sterling) is variable with 'LIBOR'. The directors are of the view that the risk of material interest rate increase is limited but the Group uses certain financial instruments to restrict the effective cost of more than 50% of its bank borrowing over the initial 3 years of the life of the loan. An interest rate cap is in place restricting 'LIBOR' to 2.25% for this year.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The funding for significant new ventures is secured before commitments are made. The cash position is reviewed regularly and cash flows are monitored monthly.

Directors' report

For the year ended 30 September 2012

Credit risk

The Group's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk the directors set a policy of monitoring exposure with customers based on a combination of payment history and third party credit references. Exposure levels are reviewed by senior management on a regular basis in conjunction with debt ageing and collection history.

Provision of information to auditor

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

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

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf



I B Bendelow
Director

Date 20.12.12



Independent auditor's report to the members of Kerridge Commercial Systems Limited

We have audited the financial statements of Kerridge Commercial Systems Limited for the year ended 30 September 2012, which comprise the Consolidated profit and loss Account, the Consolidated and Company balance sheets, the Consolidated cash flow statement, the Consolidated statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 Auditing Practices Board'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 Company's affairs as at 30 September 2012 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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



Independent auditor's report to the members of Kerridge Commercial Systems Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

James Rogers (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Reading

Date *21 December 2012*

Consolidated profit and loss account

For the year ended 30 September 2012

	Note	2012 £000	2011 £000
Turnover	1,2	25,521	18,944
Cost of sales		<u>(4,281)</u>	<u>(3,894)</u>
Gross profit		21,240	15,050
Administrative expenses		<u>(18,105)</u>	<u>(12,841)</u>
Operating profit	3	3,135	2,209
Interest receivable and similar income	6	22	22
Interest payable and similar charges	7	<u>(1,210)</u>	<u>(1,073)</u>
Profit on ordinary activities before taxation		1,947	1,158
Tax on profit on ordinary activities	8	<u>(473)</u>	<u>(293)</u>
Profit for the financial year	19	<u>£ 1,474</u>	<u>£ 865</u>

All amounts relate to continuing operations

The notes on pages 14 to 37 form part of these financial statements

Consolidated statement of total recognised gains and losses

For the year ended 30 September 2012

	2012	2011
	£000	£000
Profit for the financial year	1,474	865
Currency translation differences on foreign currency net investments	<u>(71)</u>	<u>(125)</u>
Total recognised gains and losses relating to the year	£ 1,403	£ 740

The notes on pages 14 to 37 form part of these financial statements

Consolidated balance sheet

As at 30 September 2012

	Note	£000	2012 £000	2011 £000
Fixed assets				
Intangible assets	9		12,879	10,854
Tangible assets	10		917	421
			<u>13,796</u>	<u>11,275</u>
Current assets				
Debtors	12	5,639		3,933
Cash at bank		8,658		7,545
		<u>14,297</u>		<u>11,478</u>
Creditors: amounts falling due within one year	14	(12,300)		(8,401)
Net current assets			<u>1,997</u>	<u>3,077</u>
Total assets less current liabilities			<u>15,793</u>	<u>14,352</u>
Creditors: amounts falling due after more than one year	15		(11,963)	(11,925)
Net assets			<u>£ 3,830</u>	<u>£ 2,427</u>
Capital and reserves				
Called up share capital	18		455	455
Share premium account	19		701	701
Employee benefit trust reserve	19		(40)	(40)
Profit and loss account	19		2,714	1,311
Shareholders' funds	21		<u>£ 3,830</u>	<u>£ 2,427</u>

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



I B Bendelow
Director

Date 29.12.12

The notes on pages 14 to 37 form part of these financial statements

Company balance sheet

As at 30 September 2012

	Note	£000	2012 £000	2011 £000
Fixed assets				
Intangible assets	9		7,680	10,778
Tangible assets	10		347	285
Investments	11		4,357	-
			<u>12,384</u>	<u>11,063</u>
Current assets				
Debtors	12	3,904		3,035
Cash at bank		7,420		6,927
		<u>11,324</u>		<u>9,962</u>
Creditors: amounts falling due within one year	14	(9,325)		(7,806)
Net current assets			<u>1,999</u>	<u>2,156</u>
Total assets less current liabilities			<u>14,383</u>	<u>13,219</u>
Creditors: amounts falling due after more than one year	15		(11,963)	(11,925)
Net assets			<u>£ 2,420</u>	<u>£ 1,294</u>
Capital and Reserves				
Called up share capital	18		455	455
Share premium account	19		701	701
Employee benefit trust reserve	19		(40)	(40)
Profit and loss account	19		1,304	178
Shareholders' funds	21		<u>£ 2,420</u>	<u>£ 1,294</u>

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



I B Bendelow
Director

Date 20.12.12

The notes on pages 14 to 37 form part of these financial statements

Consolidated cash flow statement

For the year ended 30 September 2012

	Note	2012 £000	2011 £000
Net cash flow from operating activities	23	5,779	6,174
Returns on investments and servicing of finance	24	(1,140)	(899)
Taxation		(271)	(388)
Capital expenditure and financial investment	24	(285)	(273)
Acquisitions and disposals	24	(3,770)	-
Cash inflow before financing		313	4,614
Financing	24	800	(1,600)
Increase in cash in the year		£ 1,113	£ 3,014

Reconciliation of net cash flow to movement in net funds/debt

For the year ended 30 September 2012

	2012 £000	2011 £000
Increase in cash in the year	1,113	3,014
Repayment of bank borrowings	2,200	1,600
Receipts from issue of new loans	(3,000)	-
Change in net debt resulting from cash flows	313	4,614
Other non-cash changes	(49)	(151)
Movement in net debt in the year	264	4,463
Net debt at 1 October 2011	(5,578)	(10,041)
Net debt at 30 September 2012	£ (5,314)	£ (5,578)

The notes on pages 14 to 37 form part of these financial statements

Notes to the financial statements

For the year ended 30 September 2012

1. Accounting policies

1.1 Basis of preparation of financial statements

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

1.2 Basis of consolidation

The Group financial statements consolidate the financial statements of Kerridge Commercial Systems Limited and its subsidiary undertakings drawn up to 30 September each year. No profit and loss account is presented for Kerridge Commercial Systems Limited as permitted by section 408 of the Companies Act 2006.

In the Group financial statements the acquisition method is adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are consolidated for the periods from or to the date on which control passed. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and amortised over its expected useful life, being not more than 20 years. Provision is made for impairment.

In accordance with this standard, the results and cash flows of all the combining entities have been brought into the consolidated financial statements as if they had always been part of the same Group.

The results of subsidiaries acquired during the year are included from the effective date of acquisition.

1.3 Going concern

The financial statements have been prepared under the going concern basis as the directors have undertaken a review of the future financing requirements for the ongoing operation of the Company, and wider Group, taking into account expected level of recurring revenue and current pipeline for new businesses. The board closely monitor overheads and aim to keep the Group's cost base as low as possible and only a small proportion of the total bank loans and other loans are due for repayment within 12 months at the year end. The directors are satisfied that sufficient cash facilities are secured, in respect of positive cash inflows from operations, to meet its working capital requirement for at least 12 months from the date of signing of these financial statements. The directors accordingly consider it appropriate for the financial statements to be prepared on a going concern basis.

1.4 Turnover

Turnover represents amounts derived from the sale of software licences, installation, consultancy support, training services and maintenance, which falls within the Company's ordinary continuing activities after deduction of trade discounts and value added tax.

Revenues from software licence sales are recognised on delivery to a customer, when there are no significant vendor obligations remaining and the collection of the resulting receivable is considered probable. In instances where significant vendor obligations exist, revenue recognition is delayed until the obligation has been satisfied. Maintenance is recognised on a straight line basis over the period of the contract. Installation, training services and consultancy support are recognised when the services are performed.

Notes to the financial statements

For the year ended 30 September 2012

1. Accounting policies (continued)

1.5 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life.

1.6 Impairment testing of goodwill

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. 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 monitors the related cash flows.

An impairment loss is recognised for the amount by which the asset's 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 and related intangible assets. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold property	-	length of lease
Motor vehicles	-	4 years
Fixtures & fittings	-	2 to 4 years
Computer equipment	-	2 to 4 years
Computer software	-	2 to 4 years

1.8 Fixed asset investments

Investments in subsidiaries are valued at cost less provision for impairment.

Fixed asset investments are shown at cost less any amounts written off. Provisions are made for impairment. Only dividends received and receivable are credited to the Company's profit and loss account. Fixed asset investments are shown at cost less any provision for impairment.

1.9 Operating leases

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profits on a straight line basis over the period of the lease.

Notes to the financial statements

For the year ended 30 September 2012

1. Accounting policies (continued)

1.10 Pensions

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the profit and loss account.

1.11 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date will result in an obligation to pay more, or a right to pay less or receive more tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.12 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rate. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains or losses on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

1.13 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Notes to the financial statements

For the year ended 30 September 2012

1. Accounting policies (continued)

1.14 Share based payments

All significant share-based payment arrangements are recognised in the financial statements. The Company operates equity-settled share based compensation plans for remuneration of some 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 fair value of the shares awarded. Their value is appraised at the grant date and excludes the impact of any non-market conditions (for example, profitability and sales growth targets).

All share based compensation is ultimately recognised as an expense in the profit and loss account with a corresponding credit to reserves.

No adjustment to expense recognised in prior periods is made if the number of share options ultimately exercised differs from the number originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transactions costs up to the nominal value of the shares issued are reallocated to share capital with any excess being recorded as additional paid in capital.

1.15 Employee benefit trust

Urgent Issues Task Force abstract 38 'Accounting for ESOP trusts' requires the recognition of the assets and liabilities of the Employee Benefit Trust on the balance sheet of the sponsoring Company as if those assets and liabilities were its own. The Company's own shares held in the Employee Benefit Trust are accounted for as a deduction from shareholders' funds. No gains or losses are reported in the profit and loss account or the statement of total recognised gains or losses on the purchase, sale, issue or cancellation of the Company's own shares.

1.16 Research and development

Research and development costs are expensed through the profit and loss account as incurred.

Notes to the financial statements

For the year ended 30 September 2012

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the Group

An analysis of turnover is given below by geographical region

	2012 £000	2011 £000
United Kingdom	20,788	13,373
South Africa	4,733	5,571
	<u>£ 25,521</u>	<u>£ 18,944</u>

3. Operating profit

The operating profit is stated after charging

	2012 £000	2011 £000
Amortisation - intangible fixed assets	3,976	3,122
Depreciation of tangible fixed assets		
- owned by the group	242	161
Auditor's remuneration - in respect of the parent company	23	21
Auditor's remuneration - in respect of the subsidiaries	21	6
Operating lease rentals		
- plant and machinery	165	-
- other operating leases	474	288
Difference on foreign exchange	4	10
Non audit fees	6	3
	<u> </u>	<u> </u>

Notes to the financial statements

For the year ended 30 September 2012

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2012 £000	2011 £000
Wages and salaries	8,783	5,875
Social security costs	1,208	895
Other pension costs	636	581
	<u>£ 10,627</u>	<u>£ 7,351</u>

The average monthly number of employees, including the directors, during the year was as follows

	2012 No.	2011 No
Sales staff	21	17
Operations staff	102	82
Technical staff	64	42
Administrative staff	22	12
	<u>209</u>	<u>153</u>

5. Directors' remuneration

	2012 £000	2011 £000
Emoluments	<u>£ 515</u>	<u>£ 558</u>
Company pension contributions to defined contribution pension schemes	<u>£ 46</u>	<u>£ 44</u>

During the year retirement benefits were accruing to 4 directors (2011 - 4) in respect of defined contribution pension schemes

The highest paid director received remuneration of £151,000 (2011 - £157,000)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £22,000 (2011 - £20,000)

6. Interest receivable

	2012 £000	2011 £000
Bank interest receivable	<u>£ 22</u>	<u>£ 22</u>

Notes to the financial statements

For the year ended 30 September 2012

7. Interest payable

	2012 £000	2011 £000
On bank loans and overdrafts	566	429
On other loans	644	644
	<u>£ 1,210</u>	<u>£ 1,073</u>

8. Taxation

	2012 £000	2011 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	487	49
Adjustments in respect of prior periods	(20)	-
	<u>467</u>	<u>49</u>
Foreign tax on income for the year	-	345
	<u>467</u>	<u>394</u>
Total current tax		
	<u>467</u>	<u>394</u>
Deferred tax (see note 13)		
Origination and reversal of timing differences	6	(101)
	<u>6</u>	<u>(101)</u>
Tax on profit on ordinary activities	<u>£ 473</u>	<u>£ 293</u>

Notes to the financial statements

For the year ended 30 September 2012

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - higher than) the standard rate of corporation tax in the UK of 25.5% (2011 - 26.5%). The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before tax	£ 1,947	£ 1,158
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.5% (2011 - 26.5%)	496	307
Effects of:		
Expenses not deductible for tax purposes	69	22
Capital allowances for year in excess of depreciation	-	(10)
Utilisation of tax losses	(33)	-
Higher rate taxes on overseas earnings	-	75
Adjustments to tax charge in respect of prior periods	(20)	-
Unrelieved loss on foreign subsidiaries	14	-
Other timing differences	(59)	-
Current tax charge for the year (see note above)	£ 467	£ 394

9. Intangible fixed assets

	Goodwill £000
Group	
Cost	
At 1 October 2011	15,596
Additions	6,001
At 30 September 2012	21,597
Amortisation	
At 1 October 2011	4,742
Charge for the year	3,976
At 30 September 2012	8,718
Net book value	
At 30 September 2012	£ 12,879
At 30 September 2011	£ 10,854

On 14 October 2011, the company acquired the entire share capital of TIS Software Holdings Limited, giving rise to goodwill of £6,001,000, as disclosed in note 22

Notes to the financial statements

For the year ended 30 September 2012

9. Intangible fixed assets (continued)

Company	Goodwill £000
Cost	
At 1 October 2011 and 30 September 2012	<u>15,487</u>
Amortisation	
At 1 October 2011	4,709
Charge for the year	<u>3,098</u>
At 30 September 2012	<u>7,807</u>
Net book value	
At 30 September 2012	£ <u>7,680</u>
At 30 September 2011	£ <u>10,778</u>

Notes to the financial statements

For the year ended 30 September 2012

10. Tangible fixed assets

Group	Freehold property £000	Computer and other equipment £000	Computer software £000	Total £000
Cost				
At 1 October 2011	-	1,105	33	1,138
Additions	-	223	64	287
Transfers on acquisition	717	3,650	-	4,367
Disposals	-	(7)	-	(7)
Foreign exchange movement	-	(10)	-	(10)
At 30 September 2012	<u>717</u>	<u>4,961</u>	<u>97</u>	<u>5,775</u>
Depreciation				
At 1 October 2011	-	706	11	717
Charge for the year	14	208	20	242
Transfers on acquisition	329	3,579	-	3,908
On disposals	-	(5)	-	(5)
Foreign exchange movement	-	(4)	-	(4)
At 30 September 2012	<u>343</u>	<u>4,484</u>	<u>31</u>	<u>4,858</u>
Net book value				
At 30 September 2012	<u>£ 374</u>	<u>£ 477</u>	<u>£ 66</u>	<u>£ 917</u>
At 30 September 2011	<u>£ -</u>	<u>£ 399</u>	<u>£ 22</u>	<u>£ 421</u>

Notes to the financial statements

For the year ended 30 September 2012

10. Tangible fixed assets (continued)

Company	Computer and other equipment £000	Computer software £000	Total £000
Cost			
At 1 October 2011	883	33	916
Additions	141	64	205
At 30 September 2012	1,024	97	1,121
Depreciation			
At 1 October 2011	620	11	631
Charge for the year	123	20	143
At 30 September 2012	743	31	774
Net book value			
At 30 September 2012	£ 281	£ 66	£ 347
At 30 September 2011	£ 263	£ 22	£ 285

11. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Kerridge Commercial Systems (South Africa) (Proprietary) Limited	Ordinary	100%
Kerridge Commercial Systems Trustee Company Limited	Ordinary	100%
TIS Software Holdings Limited	Ordinary	100%
TIS Software Limited*	Ordinary	100%
Smartpoint Technologies Limited*	Ordinary	100%
Strategix Software Plc**	Ordinary	100%
Strategix-ASP com Limited**	Ordinary	100%
TIS Software (EBT) Limited**	Ordinary	100%

Notes to the financial statements

For the year ended 30 September 2012

11. Fixed asset investments (continued)

Name	Business	Registered office
Kerridge Commercial Systems (South Africa) (Proprietary) Limited	Provision of computer software, consultancy services and training	South Africa
Kerridge Commercial Systems Trustee Company Limited	Dormant	United Kingdom
TIS Software Holdings Limited	Holding company	United Kingdom
TIS Software Limited*	Provision of computer software, consultancy services and training	United Kingdom
Smartpoint Technologies Limited*	Provision of computer software, consultancy services and training	United Kingdom
Strategix Software Plc**	Dormant	United Kingdom
Strategix-ASP com Limited**	Dormant	United Kingdom
TIS Software (EBT) Limited**	Corporate Trustee	United Kingdom

* Held indirectly by the company through TIS Software Holdings Limited

** Held indirectly by the company through TIS Software Limited

Company	Investments in subsidiary companies £000
Cost or valuation	
Additions	4,357
At 30 September 2012	4,357
Net book value	
At 30 September 2012	£ 4,357

The additions in the year relate to the acquisition of TIS Software Holdings Limited, as outlined in note 22

Notes to the financial statements

For the year ended 30 September 2012

12. Debtors

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Trade debtors	4,494	2,691	2,776	2,060
Amounts owed by group undertakings	-	-	281	-
Other debtors	2	3	2	2
Prepayments and accrued income	1,007	1,064	845	973
Tax recoverable	-	33	-	-
Deferred tax asset (see note 13)	136	142	-	-
	£ 5,639	£ 3,933	£ 3,904	£ 3,035

13. Deferred taxation

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
At beginning of year	142	55	-	-
(Charge for)/released during the year	(6)	101	-	-
Other movement	-	(14)	-	-
At end of year	£ 136	£ 142	£ -	£ -

The deferred taxation balance is made up as follows

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Other timing differences	£ 136	£ 142	£ -	£ -

Notes to the financial statements

For the year ended 30 September 2012

14. Creditors:

Amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Bank loans and overdrafts	2,118	1,518	2,118	1,518
Trade creditors	774	894	490	692
Amounts owed to group undertakings	-	-	567	301
Corporation tax	211	49	154	49
Social security and other taxes	805	563	498	498
Other creditors	868	318	842	305
Accruals and deferred income	7,524	5,059	4,656	4,443
	<u>£ 12,300</u>	<u>£ 8,401</u>	<u>£ 9,325</u>	<u>£ 7,806</u>

15. Creditors:

Amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Bank loans and overdrafts	3,976	3,798	3,976	3,798
Loan notes	7,878	7,807	7,878	7,807
Other creditors	109	320	109	320
	<u>£ 11,963</u>	<u>£ 11,925</u>	<u>£ 11,963</u>	<u>£ 11,925</u>

Notes to the financial statements

For the year ended 30 September 2012

Borrowings

Creditors include borrowings which are due for repayment as follows

	2012 £000	2011 £000
Group and company		
Amounts repayable:		
In one year or less or on demand		
Bank loans and overdrafts	2,200	1,600
In more than one year but not more than two years		
Bank loans and overdrafts	2,200	1,600
In more than two years but not more than five years		
Bank loans and overdrafts	2,000	2,400
Loan notes	8,053	8,053
Total borrowings	<u>14,453</u>	<u>13,653</u>
Unamortised capitalised loan fees and bank charges	<u>(481)</u>	<u>(529)</u>
Total borrowings	<u>£ 13,972</u>	<u>£ 13,124</u>

The bank loans currently attract interest at a variable rate of between 2.75% and 3.75% (2011 - 2.75%) per annum above LIBOR. The loans are repayable in equal quarterly instalments up to 21 March 2015. The loans are secured by a debenture by the borrower including fixed and floating legal charges over the Group's assets.

The Group has also taken out an interest rate cap on 50% of the bank loan outstanding restricting 'LIBOR' to a maximum of 2.25%. The interest rate cap arrangement costs the Group £6,000 per quarter.

The loan notes amount to £8,053,000 and are repayable in full on 31 March 2015. The loan notes attract interest at 5% above LIBOR subject to a minimum interest rate of 8% per annum. The rights of the note holders are subordinated to the rights of the bank.

16. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £470,000 (2011 - £581,000). Contributions totalling £70,000 (2011 - £nil) were payable to the fund at the balance sheet date.

Notes to the financial statements

For the year ended 30 September 2012

17. Operating lease commitments

At 30 September 2012 the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		2012 £000	Leases 2011 £000
	2012 £000	2011 £000		
Group				
Operating leases which expire				
Within 1 year	132	-	105	10
Between 2 and 5 years	-	252	74	101
After more than 5 years	250	-	-	-
	<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>

At 30 September 2012 the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		2012 £000	Other 2011 £000
	2012 £000	2011 £000		
Company				
Operating leases which expire:				
Within 1 year	24	-	85	10
Between 2 and 5 years	-	140	74	101
After more than 5 years	150	-	-	-
	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

For the year ended 30 September 2012

18. Share capital

	2012 £000	2011 £000
Authorised, allotted, called up and fully paid		
20,454,545 A Ordinary shares of £0.01 each	205	205
10,000 B Ordinary shares of £0.01 each	-	-
25,000,000 C Ordinary shares of £0.01 each	250	250
5 D Ordinary shares of £0.01 each	-	-
	£ 455	£ 455

The A Ordinary shares have the right to enhanced voting rights upon certain events or defaults occurring as noted in the Company's articles of association. A Ordinary share holders have rights to participate in a capital distribution and these rights rank pari passu to all other issued shares save for the B Ordinary Shares whose rights are set out below.

The B Ordinary shares have the right to enhanced voting rights upon certain events or defaults occurring as noted in the Company's articles of association. B Ordinary share holders have rights to participate in a capital distribution and are entitled to an additional payment, out of the sales proceeds, where the total Exit Capitalisation (as defined in the articles) is less than £17,000,000.

The C Ordinary shares have the right to enhanced voting rights upon certain events or defaults occurring as noted in the Company's articles of association. C Ordinary share holders have rights to participate in a capital distribution and these rights rank pari passu to all other issued shares save for the B Ordinary Shares whose rights are set out above.

The D Ordinary shares have no voting rights. D Ordinary share holders have restricted rights to participate in a capital distribution and these rights rank below those attached to the A, B and C Ordinary shares.

Notes to the financial statements

For the year ended 30 September 2012

19. Reserves

	Share premium account £000	Employee benefit trust reserve £000	Profit and loss account £000
Group			
At 1 October 2011	701	(40)	1,311
Profit for the year	-	-	1,474
Currency translation differences on foreign currency net investment	-	-	(71)
At 30 September 2012	<u>£ 701</u>	<u>£ (40)</u>	<u>£ 2,714</u>
	Share premium account £000	Employee benefit trust reserve £000	Profit and loss account £000
Company			
At 1 October 2011	701	(40)	178
Profit for the year	-	-	1,126
At 30 September 2012	<u>£ 701</u>	<u>£ (40)</u>	<u>£ 1,304</u>

The Kerridge Commercial Systems Employee Benefit Trust (EBT) was set up for the benefit of employees and directors of Kerridge Commercial Systems Limited and its subsidiaries

The EBT owns 3,977,272 C ordinary shares. Options have been granted over 3,409,091 (2011 - 3,545,454) C ordinary shares, leaving 568,101 C ordinary shares not subject to options

Notes to the financial statements

For the year ended 30 September 2012

20. Share based payments

The Company has a share option scheme for its employees (including directors). Options are exercisable over C Ordinary shares at an estimated market value at the date of the grant. The options vest on a stock market listing, IPO or similar "float" event.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Company before the options vest.

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

	No	2012 WAEP £	No	2011 WAEP £
Outstanding at the beginning of the year	3,545,454	0.02	681,815	0.01
Granted during the year	-	-	2,863,639	0.02
Lapsed during the year	(136,363)	0.02	-	-
Outstanding at the end of the period	3,409,075	0.02	3,545,454	0.02

No share options were exercised during the period.

In the year ended 30 September 2012, 136,363 options lapsed (2011: 2,863,639 granted). The estimated fair value of the options lapsed was £0.02 (£0.02) per share. The fair values were calculated using the Black-Scholes pricing model.

The inputs into the model were as follows:

	2011
Weighted average exercise price - £	0.02
Expected volatility - %	75
Expected life - years	10
Risk free rate - %	1
Market value at date of grant - £	0.02

No inputs have been used in 2012 as no further options were granted.

Expected volatility was determined as 75% based on the standard deviation of the estimated share issue prices. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group has not recognised an expense in period on the grounds that the directors consider it to not be material to the financial statements. No options have been granted to employees after the period end.

The C ordinary shares available for issue under the Group's share scheme are held by Kerridge Commercial Systems employee benefit trust. At 30 September 2012, 568,181 (2011: 431,818) C ordinary shares held by the trust were available for future options to be granted.

Notes to the financial statements

For the year ended 30 September 2012

21. Reconciliation of movement in shareholders' funds

	2012	2011
	£000	£000
Group		
Opening shareholders' funds	2,427	1,687
Profit for the year	1,474	865
Currency translation differences on foreign currency net investment	(71)	(125)
Closing shareholders' funds	<u>£ 3,830</u>	<u>£ 2,427</u>
	2012	2011
	£000	£000
Company		
Opening shareholders' funds	1,294	1,233
Profit for the year	1,126	61
Closing shareholders' funds	<u>£ 2,420</u>	<u>£ 1,294</u>

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

The profit for the year dealt with in the accounts of the Company was £1,126,000 (2011 - £62,000)

Notes to the financial statements

For the year ended 30 September 2012

22. Acquisitions

On 14 October 2011, the company acquired the entire share capital of TIS Software Holdings Limited for a total consideration of £4,055,000. The purchase of this entity has been accounted for by the acquisition method of accounting and the goodwill arising has been recognised in accordance with Financial Reporting Standard No 10 'Goodwill and Intangible Assets'.

Acquisitions

	Vendors' book value £000	Fair value adjustments £000	Fair value to the group £000
Assets and liabilities acquired			
Tangible fixed assets	459	-	459
Debtors	973	(152)	821
Cash at bank	588	-	588
Other creditors and provisions	(3,350)	(162)	(3,512)
Net assets acquired	<u>£ (1,330)</u>	<u>£ (314)</u>	<u>£ (1,644)</u>
Satisfied by			
Consideration			
Cash			4,055
Acquisition costs			302
			<u>£ 4,357</u>
Goodwill arising on consolidation (see note 9)			<u>£ 6,001</u>

The consolidated results for the period prior to and after acquisition for the TIS Software Holdings Limited group are shown below

	Period from 1 May 2011 to acquisition £000	Period from acquisition to 30 September 2012 £000	Total £000
Turnover	1,753	5,449	7,202
Operating (loss)/profit	(1,043)	1,718	675
(Loss)/profit before tax	(1,053)	1,720	667
(Loss)/profit after tax	(1,108)	1,541	433

Notes to the financial statements

For the year ended 30 September 2012

23. Net cash flow from operating activities

	2012 £000	2011 £000
Operating profit	3,135	2,209
Amortisation of intangible fixed assets	3,976	3,122
Depreciation of tangible fixed assets	242	161
Profit on disposal of tangible fixed assets	-	(9)
Increase in debtors	(922)	(1,337)
(Decrease)/increase in creditors	(581)	2,028
Foreign exchange	(71)	-
Net cash inflow from operating activities	£ 5,779	£ 6,174

24. Analysis of cash flows for headings netted in cash flow statement

	2012 £000	2011 £000
Returns on investments and servicing of finance		
Interest received	22	22
Interest paid	(1,033)	(921)
Issue costs on new bank loans	(129)	-
Net cash outflow from returns on investments and servicing of finance	£ (1,140)	£ (899)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(287)	(282)
Sale of tangible fixed assets	2	9
Net cash outflow from capital expenditure	£ (285)	£ (273)
Acquisitions and disposals		
Purchase of business undertakings	(4,358)	-
Net cash acquired with subsidiary undertakings	588	-
Net cash outflow from acquisitions and disposals	£ (3,770)	£ -

Notes to the financial statements

For the year ended 30 September 2012

24. Analysis of cash flows for headings netted in cash flow statement (continued)

	2012 £000	2011 £000
Financing		
Other new loans	3,000	-
Repayment of loans	(2,200)	(1,600)
Net cash inflow/(outflow) from financing	£ 800	£ (1,600)

25. Analysis of changes in net debt

	1 October 2011 £000	Cash flow £000	Other non-cash changes £000	30 September 2012 £000
Cash at bank and in hand	7,545	1,113	-	8,658
Debt.				
Debts due within one year	(1,518)	(1,600)	1,000	(2,118)
Debts falling due after more than one year	(11,605)	800	(1,049)	(11,854)
Net debt	£ (5,578)	£ 313	£ (49)	£ (5,314)

26. Related party transactions

The directors consider the following to be related parties due to common ownership and/or control by the directors

Related party transactions 2012

	Consultancy Fees £000	Monitoring and Director fees £000	Loan note interest £000	Issue costs £000	Balance outstanding at 30 September 2012 £000
Prime Contracts Limited	38	-	-	-	22
NVM Private Equity Limited	-	52	-	-	-
Northern Investors Company Plc	-	-	287	-	-
Northern Venture Trust Plc	-	-	125	-	-
Northern 2 VCT Plc	-	-	125	-	-
Northern AIM VCT Plc	-	-	-	-	-
Northern 3 VCT Plc	-	-	107	-	-

Notes to the financial statements

For the year ended 30 September 2012

Related party transactions 2011

	Consultancy Fees £000	Monitoring and Director fees £000	Loan note interest £000	Issue costs £000	Balance outstanding at 30 September 2011 £000
Prime Contracts Limited	46	-	-	-	22
NVM Private Equity Limited	-	50	-	-	-
Northern Investors Company Plc	-	-	286	-	-
Northern Venture Trust Plc	-	-	125	-	-
Northern 2 VCT Plc	-	-	125	-	-
Northern AIM VCT Plc	-	-	13	-	-
Northern 3 VCT Plc	-	-	94	-	-

As at 30 September 2012 the following was owed in respect of loan notes

	2012 £000	2011 £000
Related party		
Northern Investors Company Plc	3,578	3,578
Northern Venture Trust Plc	1,565	1,565
Northern 2 VCT Plc	1,565	1,565
Northern AIM VCT Plc	-	225
Northern 3 VCT Plc	1,345	1,120

All transactions were on an arm's length basis

27. Contingent liabilities

The Group had no contingent liabilities at 30 September 2012 or 30 September 2011

28. Controlling party

The directors consider there to be no overall ultimate controlling party

29. Post balance sheet events

On the 17 October 2012, Kerridge Commercial Systems Limited acquired the entire share capital of Datawright Limited. The acquisition was funded through cash from the Group's resources.