

29 January 2010

Allocate Software plc
("Allocate Software" or "the Company")

Interim Results for the six months ended 30 November 2009

Allocate Software (AIM: ALL), the leading provider of workforce optimisation software applications to organisations world-wide, today announces strong interim results for the six months ended 30 November 2009.

Financial Highlights

- Revenue increased by 38% to £9.0m (2008: £6.5m)
 - Licence revenue increased by 14% to £3.5m (2008: £3.0m)
 - Services revenue increased by 59% to £5.5m (2008: £3.4m)
 - Healthcare revenue increased by 36% to £6.1m (2008: £4.5m)
- Trading profit* increased by 43% to £1.12m (2008: £0.78m)
- Trading profit* margin of 12.5% (2008: 12.1%)
- Diluted adjusted EPS (excluding share-based payments and amortisation of intangibles) increased by 10% to 1.9p (2008: 1.8p), reflecting an increase in the effective taxation rate
- Cash balances as at 30 November 2009 of £4.7m (2008: £2.8m)

* Trading profit defined as profit before amortisation, share-based payments, interest and tax

Business Highlights

- MAPS Healthroster gained 17 new NHS Trust customers (total at period-end stands at 98) with strong pipeline for H2
- The customer base for all rostering and bank staff products combined is now 242 Trusts
- The first two sales of our new NHS e-Expenses solution were achieved within 30 days of launch
- The first stand alone sale of BSMS Trinity, the Company's new bank management solution, taking the total bank management customer base to 146 NHS Trusts
- The first sales of our solution for electronic rostering of junior doctors and medical staff
- Announced a major strategic partnership with NHS Professionals ("NHSP"), the largest provider of flexible staff managed services to the NHS
- MAPS Maritime Suite selected by the world's leading family entertainment company for its cruise line business

Post Period Events

- The acquisition of Time Care AB, a leading Swedish-based software provider, to create Europe's leading provider of workforce management software to the healthcare sector
- Raised £8.3m through a cash placing of 15.1m new ordinary shares at 55 pence per share - the placing was substantially over subscribed
- Geographic expansion continues into Australasia with first sale of MAPS Healthroster into New Zealand

Ian Bowles, Chief Executive Officer commented: "Allocate Software continues to grow at a significant rate. We remain focussed on strong organic growth through the expansion of the addressable market within the UK and internationally, and the integration of the acquired businesses. The Company achieved a robust set of results in the first half of the fiscal year and all sectors of the business continue to have a strong pipeline of opportunities entering the second half of the year. As a result, the Directors are confident that the company's performance for the full year will be in line with their expectations."

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Chairman's Statement

Introduction

I am pleased to report continuing success for the group in the first six months of the current financial year. Allocate Software continues to achieve strong growth as well as broadening its addressable markets within the UK and internationally.

In 2008, the Company made its first acquisitions when it purchased Key Information Technology Systems Ltd ("KITS") and Baum Hart & Partners ("BHP"). These acquisitions established our position in the NHS temporary staffing solutions market and enabled us to offer a fully integrated e-rostering and bank staffing solution to both our own customers and those of KITS and BHP. These acquisitions also delivered a significant, recurring revenue stream in the form of support and maintenance, hosting and transaction-based services.

In December 2009, the Company made its third acquisition when it purchased Time Care AB ("Time Care"), a Swedish-based provider of workforce management software with a strong focus on the healthcare market. The acquisition has transformed Allocate Software into the leading provider of workforce management software for the healthcare sector in Europe. To finance the acquisition, the Company successfully raised approximately £8.3 million through a cash placing of 15.1m new ordinary shares. The placing was substantially over-subscribed.

Overall, the Company continues to deliver on its strategy to be the leading supplier of workforce optimisation solutions in its chosen markets.

Results

Revenue in the first half of the financial year was £8.97m (2008: £6.48m), an increase over the same period last year of 38%. Trading profit for the period, before adjustments for share-based payments and the amortisation of intangible assets, was £1.12m (2008: £0.78m), an increase over last year of 43%. The resulting trading profit margin was 12.5% (2008: 12.1%). Diluted adjusted EPS (excluding share-based payments and amortisation of intangibles) increased by 10% to 1.9p (2008: 1.8p).

Licence revenue grew by 14% to £3.5m in comparison to the first half of 2008 (£3.0m), while Services revenue grew by 59% to £5.5m (2008: £3.4m). By sector, Healthcare revenue in the period increased by 36% to £6.1m (2008: £4.5m), reflecting the Company's continuing expansion within the NHS and its position as the supplier of choice for nurse rostering products. Defence revenues in the period were flat at £1.4m (2008: £1.4m) as the Company continued to deliver services to its existing customer base in this market sector. Maritime revenues increased by 86% to £1.2m (2008: £0.6m), reflecting the sale of new licences to two existing customers and one new customer - the world's leading family entertainment company.

Cost of sales in the period increased from £4.6m to £6.2m, reflecting the acquisition of BHP, growth of our Services business, strengthening of our sales capability and increased investment in research and development. Administrative costs in the period rose from £1.0m to £1.6m, reflecting the acquisition of BHP, the relocation of the Company's head office and an increase in administrative headcount needed to support the growth of the company's operating activities.

Cash balances at the period-end were £4.7m (2008: £2.8m). Compared with the cash balance of £3.7m at the end of the previous financial year, 31 May 2009, the net increase of £1.0m substantially reflects cash generated from operations.

Organic growth

Excluding the acquisition of BHP made in December 2008:

- Revenue in the first half of the financial year was £8.2m (2008: £6.5m), an increase over the same period last year of 27%;
- Licence revenue grew 7% in comparison to the first half of 2008;

- Services revenue grew by 44%; and
- Healthcare revenue increased 27%.

BHP is now an integral part of the Company's business. As a result, the costs of BHP are not identified separately and it is not possible to state how much of the period's trading profit and margin are separately attributable to BHP.

Significant activity in the period

The following significant activity occurred during the six month period ended 30 November 2009:

- **Healthcare.** We added 17 new NHS Trusts to our e-Rostering customer base, making a total at the period-end of 98. This represents a 66% increase against the number of NHS Trusts who were customers 12 months ago (30 November 2008: 59) and it continues the sequential growth reported in prior periods. The addressable market for MAPS Healthroster is Acute, Mental Health and Primary Care NHS Trusts for nurses, junior doctors, consultants and ancillary staff. Key to choosing MAPS Healthroster is its ability to provide a better understanding of demand versus supply of all hospital staff groups, how this is balanced against efficient use of available budgets and how it helps reduce the administrative burden for HR, clinical and payroll staff, thereby improving patient care. Overall, MAPS Healthroster reduces costs significantly and enhances Clinical Governance.

In October 2009, we launched our new temporary staffing solution, BSMS Trinity, which combines the three existing temporary staffing solutions - our own MAPS Bank, BSMS which came with the acquisition of KITS and StaffBank which came with the acquisition of BHP - to provide a best of breed solution for bank staff management in NHS Trusts. BSMS Trinity automates the planning of bank and agency staff. It offers innovative high performance, is simple to use ("one screen, one click") and is interoperable with ESR (electronic staff records). The solution improves the continuity of care, ease of reporting, saves time and reduces errors, while promoting regulatory compliance and enhancing financial returns. Three sales of BSMS Trinity were made in the interim period, taking the total bank management customer base to 146 NHS Trusts.

In November 2009, we announced the launch of our new e-Expenses module. The module was developed in partnership with existing customers to respond to a specific NHS problem, the need to ease the administrative burden for staff entering, approving and processing expense claims, whilst delivering more accurate and timely payment of expenses. This module enables staff to efficiently prepare and submit their expense claims and streamlines the approval and payment process for managers and payroll. Two customers chose the new e-Expenses module within 30 days of its launch to the market.

We also announced in November 2009 a strategic partnership with NHS Professionals ("NHSP") to deliver long-term integrated services to NHS Trusts. NHSP is a Special Strategic Health Authority and the largest provider of flexible staff managed services to the NHS. Following a competitive tendering process for an e-Rostering partner, NHSP chose Allocate Software to deliver these services exclusively. By adding e-Rostering to its core offering of managed flexible staff services, NHSP will be able to offer a complete managed workforce service. The partnership is significant because it will deliver tangible benefits to NHS Trusts by helping them to achieve major cost savings across their substantive and flexible clinical and administrative workforce, while continuing to maintain optimum standards of clinical care. The partnership promises to reduce and in some cases eliminate the paperwork involved in rostering and timesheets through to payroll.

In the interim period, we also achieved the first sales of our solution for electronic rostering of junior doctors and consultants. The management of the rotas of junior doctors and consultants is a highly complex process, which has been complicated still further by the new legislative requirements of the European Working Time Directive ("EWTD"). The solution enables Trust Management to make objective staffing decisions, refocusing the delivery of services to meet patient needs, to monitor and track annual leave through increased transparency of the rotas, and ensure more equitable management of staff. Trusts are also able to achieve 100% compliance with the EWTD.

Also in the interim period, we added additional Location Based Rostering ("LBR") functionality to MAPS Healthroster. LBR enables staff to be rostered across multiple locations in a single roster, which is critical for more complex areas such as theatres, clinics and medical staff rotas. It is often referred to by our clients as "3D rostering", since it adds an extra dimension – not just who is working and when but also where they are working. When staff work in multiple locations, such as one of many theatres or

clinics, this view of where staff are working and, as importantly, which locations are not fully staffed, is critical.

These new product and additional functionality introductions enable us to significantly increase our addressable market, to further service the requirements of our installed base of 242 NHS customers and four Private Healthcare customers and, therefore, to drive shareholder value.

- **Defence.** During the period we continued to enjoy success providing services to our UK and overseas customers.

HQ Land Forces now use the enhanced MAPS Defence Suite products across their integrated business processes, from Distributed Individual Training for Reserves, through to Collective Training with resource and cost data capture, feeding into the Operational Commitments Plot. Substantial savings have been identified in the Training budgets through improved efficiency using MAPS and further developments to the product are planned to support this goal.

The Royal Navy successfully completed its "Global Squad Pooling Trial", which demonstrated enhanced effectiveness in manpower utilisation in a representative sample of the Fleet. Discussions are now under way to widen the benefits realised.

The Royal Fleet Auxiliary now uses the latest MAPS Defence Suite V6 product to support all its required ship and shore-side business processes, resulting in the ability to achieve far greater throughput with fewer admin staff.

In Europe, NATO uses MAPS Defence Suite for its Force Generation process and this capability has recently been extended to provide access by all NATO Allies. MAPS Defence Suite is the single authoritative system that holds current data on all national contributions for NATO operations and the NATO Response Forces. Through MAPS Defence Suite, NATO Allies can monitor the assignment of all force offerings and manage their own contributions to ensure equitable, transparent burden sharing. NATO also uses MAPS Defence Suite as an HR system to manage its Peacetime establishment. In addition, MAPS Defence Suite is used to manage operations and training at the NATO Special Forces Headquarters, based at Supreme Headquarters ("SHAPE") in Mons, Belgium, for Operations Planning and Training Management.

In Australia, the Royal Australian Navy continues with the successful roll out of MAPS Defence Suite across its entire Fleet; the project is proceeding on time and within budget.

- **Maritime.** In August 2009, the world's leading family entertainment company selected MAPS Maritime Suite for its cruise line business to better manage its shore-side crew operations over the coming years and to provide an effective crew rostering solution for both current and future ships. The requirement included an effective job scheduling solution for both current and future new ships. Key to choosing MAPS Maritime Suite was its "out-of-the-box" functionality, the flexibility to customise the solution to meet precise business processes and the strength of Allocate Software as a reliable, professional and solid supplier.

Our existing customer, Norwegian Cruise Line, purchased new software licences and support for its ship, the Norwegian Epic.

- **Service and Support.** Client Services continued to focus on delivering value and return on investment to the customer base. Revenues grew 59%, driven both by deliveries to new customers and by growth in the installed base. At the same time as managing the expansion of our client base, we have maintained high levels of client satisfaction with regards to our staff, products and effective approach to implementation. There remains a strong pipeline of work to be delivered across all market sectors.

The Healthcare installed base provides a significant source of on-going services work. Currently, over 100 NHS Trusts have signed contracts for the implementation of MAPS Healthroster in wards, theatres, intensive care and other specialty areas. Our portfolio has expanded to include Location Based Rostering and Doctor Rostering, where we have delivered several successful projects, achieving excellent results. Location based rostering gives us greater flexibility to cover a plethora of healthcare disciplines and specialties, in particular within Primary Care Trusts. Doctor Rostering has been extremely well received. It is compliant with the requirements of the European Working Time Directive and has significantly enhanced the time and capacity management of Consultants and Junior Doctors.

We commenced delivery of a new product, e-Expenses, which ensures that Healthcare Managers are able to make informed decisions for Payroll and Budgets. Our Roster Administrator training course for nursing staff has been officially accredited by the Royal College of Nursing as an achievement towards their continuous professional development. Completion of the four day course counts as 24 hours Post Registration Education and Practice.

The Defence sector has many installations throughout the British Armed Forces, where there are over 6,000 users of MAPS Defence Suite. Other worldwide installations include NATO and the Royal Australian Navy, which is supported from our new office in Sydney.

The MAPS Maritime Suite continues to be used by some of the world's largest shipping companies and cruise lines to manage the workforce planning and associated costs of over 100,000 personnel operating on over 500 vessels throughout the world. It is also used in the Offshore Oil and Gas Exploration and Production sector by companies such as Acergy and Maersk Oil Qatar. We are now delivering our software to the world's largest family entertainment company.

Significant activity since the period-end

The following significant activity has occurred since the period-end:

- On 15 December 2009, we completed our third acquisition, that of Time Care, a Swedish-based provider of workforce management software, with a strong focus on the healthcare market, for a net consideration of SEK 100 million (approximately £8.7 million). To help fund the acquisition, we successfully raised approximately £8.3 million (approximately £8.0 million net of expenses) through a cash placing of 15.1m new ordinary shares at 55.0 pence per share, with the balance being satisfied from the Company's existing cash resources.

The acquisition of Time Care provides Allocate Software with a strong geographic footprint in the Nordic region. In Sweden, Time Care has customer relationships with some 57 of Sweden's 115 hospitals and 110 of Sweden's 290 municipalities, all of which are attributable to the delivery of healthcare into the local market. Time Care is the largest provider of workforce optimisation software in the Swedish healthcare market.

- After a twelve month extensive evaluation of suppliers of e-rostering software products, the NHS London Procurement Programme ("LPP"), acting as a procurement hub on behalf of all NHS Trusts in London, announced that Allocate Software has achieved the status of top ranked supplier for both e-Rostering and Temporary Staff Management solutions. A framework for the procurement of e-Rostering and Temporary Staff Management software has been agreed for use by all Trusts in the London Strategic Health Authority. It will also be adopted in the North West Strategic Health Authority.
- We are delighted to announce our first contract in New Zealand with Capital and Coast District Health Board ("CCDHB"). CCDHB is the leading provider of specialist health services in the central region of New Zealand. It operates Wellington Hospital, Kenepuru Hospital and the Kapiti Health Centre, in addition to contracting hundreds of services from community-based health professionals. It serves about 250,000 people living in Wellington City and its suburbs, as well as providing specialist tertiary-level care to a wider population of approximately 900,000. CCDHB employs 3,600 full time equivalent staff with an annual payroll of more than NZD 300 million. The contract is for the provision of MAPS Healthroster across all the Tertiary and Secondary services including Mental Health services. The contract was achieved following an intense two week on-site assessment, which was undertaken in conjunction with our strategic alliance partner PricewaterhouseCoopers. Significantly, the implementation of MAPS Healthroster will replace CCDH's existing e-rostering solution and interface with their existing payroll.

Acquisitions

The Company has now made three acquisitions in the past two years. Each acquisition has been made against well defined criteria that support our strategic objectives. The acquisition of KITS established our position in the NHS temporary staffing solutions market and enabled us to offer a fully integrated e-rostering and bank staffing solution to both our own customers and those of KITS. The acquisition of assets from BHP consolidated our position in the NHS temporary staffing solutions market and brought with it a substantial source of recurring revenue. The acquisition of Time Care has made Allocate Software the leading provider of workforce management software for the healthcare sector in Europe. Time Care will be used as the platform from which the group will sell its software applications into Scandinavia and Northern Europe.

While we remain focused on strong organic growth, the directors of Allocate Software believe that an acquisition-led strategy to enter certain new geographic markets is beneficial, particularly where the target companies have significant existing customer bases, as was the case with BHP and Time Care. It is therefore the intention of the directors to supplement the strategy of organic growth with a policy to make further acquisitions which meet our long standing criteria and enable us to drive long term shareholder value.

Strategy

We continue to combine a resolute focus on the four core financial and structural elements of a successful software business with rapid commercial development:

- **Consistency of revenue growth through consecutive periods.** The volume of licence revenue contracts, combined with recurring support revenues and long term services revenue agreements, gives excellent visibility for future periods. A strong forward pipeline exists for the second half of the current financial year.
- **Strong margins in service and support revenues.** Revenues from services and support accounted for 61% of total group revenues and grew by 59% compared with the first half of FY09, delivering strong operating margins across the financial year as well as significant recurring revenue.
- **Investments in high productivity activities.** The close monitoring of performance and use of appropriate incentive structures throughout the Company have helped drive investment that achieves customer satisfaction and secures revenue growth in areas that can support high operating margins. In addition, the acquisitions of KITS, BHP and Time Care provide an additional source of recurring revenue and growth prospects.
- **Diligent expense management.** The Company has established long-term targets for all categories of expenditure. Investments in sales and marketing, services and support, and research and development are carefully managed to enable revenue growth and margin improvements, whilst fulfilling the criteria which the Board believes are appropriate for a world class software company. We are currently undertaking an accelerated development programme to enhance our product platform. This will increase scalability, improve productivity and quality, and enable wider and faster product development to support future growth. Additional development costs incurred in relation to this programme during the interim period amounted to £0.2m (2008: £0.04m). These costs have been written off in full in accordance with our accounting policies. We expect to incur further costs in this respect during 2010 amounting to £0.3m (compared with £0.3m in the second half of last year) and £0.7m in the year ended 31 May 2011. These are one-time costs above our normal levels of expenditure on development.

Achievements with each of these important structural aspects have ensured the company's profitability across all parts of its business, while also achieving exceptionally high levels of customer satisfaction.

Directorate changes

The Directors are pleased that the three year strategy defined in 2007, which focussed on profitable growth, leadership in the Healthcare Industry, increased opportunity via new products, acquisitions and partnerships, and targeted international markets has been successful. Today, the Company's skills and capabilities are greatly enhanced as we enter the next strategic period and our opportunity is that much greater. However, to meet the Company's ambitious plans over the next strategic period, the Board recognises the need for a wider set of financial management skills allied with experience of international acquisitions. Accordingly, Simon Thorne will step down as chief financial officer and from the Board of Allocate Software with immediate effect, and will instead take up a new role as group financial director where he will continue to make a major contribution to the Company's success, as he has done over the last 11 years.

The Board is pleased to announce the appointment of Chris Gale as chief financial officer, who will join the Board and the top management team effective 15 February 2010. Chris 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.

The information that the Company is required to disclose under schedule 2(g) of the AIM rules for companies in relation to the appointment of Chris Gale as a director of Allocate Software is set out in Appendix 1 to this announcement.

Outlook

We are passionate about our customers and their success. By assisting our customers to meet their business objectives, improve their internal processes and achieve proven return on investment, we aim to create a long-term mutually beneficial relationship that delivers sustainable value.

In the first half of this financial year, there has been a particularly strong performance in the Healthcare sector. While we remain focused on strong organic growth and the full integration of the recent acquisitions, further acquisition opportunities are being considered against the well defined criteria that support our strategic objectives. All sectors of the business have a strong pipeline of opportunities entering the second half and, as a result, the Directors are confident that the Company's performance for the full year will be in line with their expectations.

Finally, I would like to thank and recognise all Allocate Software's people for their total commitment and contribution to the Company's continuing success.

Terry Osborne
CHAIRMAN
29 January 2010

Condensed Consolidated Income Statement

	6 months to 30 November 2009 £'000 (unaudited)	6 months to 30 November 2008 £'000 (unaudited)	Year to 31 May 2009 £'000
	Note		
Revenue	8,968	6,481	15,774
Selling and operational expenses	<u>(6,245)</u>	<u>(4,648)</u>	<u>(10,702)</u>
Gross profit	2,723	1,833	5,072
Administrative expenses	<u>(1,605)</u>	<u>(1,049)</u>	<u>(2,541)</u>
Profit before amortisation, share-based payment, interest and tax	1,118	784	2,531
Amortisation of intangible assets	(406)	(145)	(678)
Share-based payment	(39)	(52)	(97)
Total administrative expenses including share-based payments	<u>(2,050)</u>	<u>(1,246)</u>	<u>(3,316)</u>
Operating profit	673	587	1,756
Finance income	4	71	80
Finance charge	<u>(3)</u>	<u>-</u>	<u>(6)</u>
Net finance income	<u>1</u>	<u>71</u>	<u>74</u>
Profit for the period before taxation	674	658	1,830
Tax on profit for the period	(191)	(23)	1,217
Profit for the period	<u>483</u>	<u>635</u>	<u>3,047</u>
Earnings per share	4		
Basic (pence per share)	1.1p	1.4p	6.8p
Diluted (pence per share)	<u>1.0p</u>	<u>1.3p</u>	<u>6.5p</u>
Consolidated statement of comprehensive income for the 6 months ended 30 November 2009			
	6 months to 30 November 2009 £'000 (unaudited)	6 months to 30 November 2008 £'000 (unaudited)	Year to 31 May 2009 £'000
Income per the income statement	483	635	3,047
Other comprehensive income:			
Exchange differences on translation of foreign operations	<u>(11)</u>	<u>14</u>	<u>21</u>
	<u>(11)</u>	<u>14</u>	<u>21</u>
Total comprehensive profit for the period	472	649	3,068

Condensed Consolidated Balance Sheet

	30 November 2009 £'000 (unaudited)	30 November 2008 £'000 (unaudited)	31 May 2009 £'000
Non-current assets			
Intangible assets	2,317	650	2,723
Property, plant and equipment	652	566	673
Trade and other receivables	-	102	-
Deferred tax asset	1,199	-	1,386
Total non-current assets	4,168	1,318	4,782
Current assets			
Trade and other receivables	5,676	4,288	5,939
Cash and cash equivalents	4,655	2,842	3,664
Total current assets	10,331	7,130	9,603
Total assets	14,499	8,448	14,385
Equity and liabilities			
Equity			
Share capital	2,236	2,235	2,235
Share premium account	2	6,493	6,493
Shares to be issued	-	159	213
Share-based payment reserve	367	365	328
Foreign exchange reserve	73	77	84
Retained earnings	5,091	(4,464)	(1,885)
Total equity	7,769	4,865	7,468
Non-current liabilities			
Borrowings	181	185	180
Total non-current liabilities	181	185	180
Current liabilities			
Trade and other payables	6,502	3,351	6,690
Corporation tax	47	47	47
Total current liabilities	6,549	3,398	6,737
Total liabilities	6,730	3,583	6,917
Total equity and liabilities	14,499	8,448	14,385

Condensed Consolidated Statement of Changes in Equity

	Share capital	Share premium	Shares to be issued	Share based payment	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 May 2008	2,235	6,493	159	314	63	(5,099)	4,165
Exchange differences on opening reserves					14		14
Net income recognised directly in equity					14		14
Result for the period						635	635
Total recognised income and expense					14	635	649
Equity settled share options				51			51
At 30 November 2008	2,235	6,493	159	365	77	(4,464)	4,865
Exchange differences on opening reserves					7		7
Net income recognised directly in equity					7		7
Result for the period						2,412	2,412
Total recognised income and expense					7	2,412	2,419
Options transfer on exercise				(83)		83	-
Deferred consideration			54				54
Share based payment deferred tax recognised directly in equity						84	84
Equity settled share options				45			45
At 31 May 2009	2,235	6,493	213	328	84	(1,885)	7,468
Exchange differences on opening reserves					(11)		(11)
Net income recognised directly in equity					(11)		(11)
Result for the period						483	483
Total recognised income and expense					(11)	483	472
Deferred consideration			(213)				(213)
Issue of shares	1						3
Share premium transfer		2					3
Equity settled share options		(6,493)		39		6,493	
							39
At 30 November 2009	2,236	2	-	367	73	5,091	7,769

Condensed Consolidated Cash Flow Statement

	6 months to 30 November 2009 £'000 (unaudited)	6 months to 30 November 2008 £'000 (unaudited)	Year to 31 May 2009 £'000
Cash flow from operating activities			
Profit for the period	483	635	3,047
Adjustments for:			
Finance charges	(1)	(71)	(74)
Income tax charge	191	23	85
Deferred tax	188	-	(1,302)
Depreciation	115	71	169
Amortisation	406	145	678
Share-based payment	39	52	97
Decrease / (increase) in trade and other receivables	50	(1,723)	(3,271)
(Decrease) / increase in trade and other payables	(187)	(541)	2,381
Net cash generated from / (used in) operations	1,284	(1,409)	1,810
Interest expense	(3)	-	(6)
Income tax (expense)	(191)	(23)	(85)
Net cash generated from / (used in) operating activities	1,090	(1,432)	1,719
Cash flows from investing activities			
Interest received	5	71	80
Payment for intangible assets	-	-	(2,136)
Payments for property, plant and equipment	(88)	(114)	(318)
Net cash used in investing activities	(83)	(43)	(2,374)
Cash flows from financing activities			
Repayment of borrowings	-	(11)	(16)
Proceeds from the issue of equity shares	2	-	-
Net cash generated by / (used in) financing activities	2	(11)	(16)
Net increase / (decrease) in cash and cash equivalents	1,009	(1,475)	(671)
Foreign exchange differences	(18)	11	18
Cash and cash equivalents at the start of the period	3,664	4,317	4,317
Cash and cash equivalents at the end of the period	4,655	2,842	3,664

Notes to the Interim Financial Information

1. Legal status and activities

The principal activities of the group are the sale and support of workforce optimisation solutions, and the provision of related IT services to major government, industrial and commercial customers.

The principal trading subsidiaries of the group are: Allocate Software Worldwide Limited, Allocate Software Technology Systems Limited and Allocate Software Sdn Bhd, companies which are involved in the sale, implementation and support of workforce optimisation solutions, and Allocate Software Inc, a company which is involved in the sale and support of workforce optimisation solutions.

The company is a public limited liability company, incorporated and domiciled in England and Wales. The address of its registered office is 180 Piccadilly, London W1J 9ER.

The company has its listing on the Alternative Investment Market ("AIM") of the London Stock Exchange.

2. Basis of preparation

These unaudited interim condensed consolidated financial statements are for the six month period ended 30 November 2009. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the group for the year ended 31 May 2009, which were prepared under IFRS as adopted by the European Union (EU).

The accounting policies adopted in this report are consistent with those of the annual financial statements for the year ended 31 May 2009 as described in those financial statements except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007).

The following new accounting standards and amendments to existing standards are effective for the annual period beginning on or after 1 January 2009 and have not been early adopted by the group:

IFRS 8 'Operating Segments'
IAS 23 (Revised) 'Borrowing Costs'
IFRS 3 (Revised) 'Business Combinations'

The interim financial statements have not been audited, nor have they been reviewed under ISRE 24/10 of the Auditing Practices Board. The financial information presented does not constitute statutory accounts as defined by section 434 of the Companies Act 2006. The group's statutory accounts for the year ended 31 May 2009 have been filed with the Registrar of Companies. The auditors, Grant Thornton UK LLP reported on these accounts and their report was unqualified and did not contain a statement under section 237(2) or 237(3) of the Companies Act 1985.

3. Segmental reporting

The group's primary reporting analysis is by business stream. The group's principal activities are:

- the provision of software under a licence agreement; and
- the provision of services such as installation, consulting, training and product support.

	Revenue		
	30 November 2009 £'000	30 November 2008 £'000	31 May 2009 £'000
Licences	3,471	3,043	7,599
Services	5,472	3,438	7,984
Hardware and consumables	25	-	191
	<u>8,968</u>	<u>6,481</u>	<u>15,774</u>

Attributable expenses cannot be allocated on a reasonable basis to the revenue streams above. As a result, the segmental analysis is limited to the group revenue and the group is unable to show operating profit for the primary segmental analysis.

In addition to the above the directors present a schedule of revenue analysed by vertical business sector:

	Revenue		
	30 November 2009 £'000	30 November 2008 £'000	31 May 2009 £'000
Healthcare	6,090	4,467	11,073
Defence	1,361	1,371	3,007
Maritime	1,196	643	1,555
Local Government and Education	321	-	139
	<u>8,968</u>	<u>6,481</u>	<u>15,774</u>

The internal reporting of the group's performance does not require that balance sheet information is gathered on the basis of the business streams 'Licenses' and 'Services' reported above. This information is therefore not accessible and as a result the segmental analysis does not include balance sheet details.

4. Earnings per share

	30 November 2009 £'000	30 November 2008 £'000	31 May 2009 £'000
Profit for the year	<u>483</u>	<u>635</u>	<u>3,047</u>
Earnings per share			
Basic (pence per share)	1.1p	1.4p	6.8p
Diluted (pence per share)	1.0p	1.3p	6.5p
Weighted average number of shares	Number of shares	Number of shares	Number of shares
Shares in issue at opening	44,702,625	44,702,625	44,702,625
Shares issued during the period	<u>23,000</u>	<u>-</u>	<u>-</u>
Shares at closing	44,725,625	44,702,625	44,702,625
Weighted average shares for basic earnings per share	44,712,521	44,702,625	44,702,625
Effect of dilutive potential ordinary shares	<u>3,183,859</u>	<u>2,579,091</u>	<u>2,348,181</u>
Weighted average shares for diluted earnings per share	<u>47,896,380</u>	<u>47,281,716</u>	<u>47,050,806</u>

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, goodwill, amortisation of intangibles and restructuring costs attributable to acquisitions. 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:

	30 November 2009 £'000	30 November 2008 £'000	31 May 2009 £'000
Profit for the year attributable to shareholders	483	635	3,047
Amortisation of intangibles	406	145	678
Share-based payment	39	52	97
Deferred tax adjustment	-	-	(1,302)
Adjusted profit for the year attributable to shareholders	<u>928</u>	<u>832</u>	<u>2,520</u>
Basic adjusted earnings per share	2.1p	1.9p	5.64p
Diluted adjusted earnings per share	1.9p	1.8p	5.36p

5. Related party transactions

The group had no related party transactions in the interim period for either 2009 or 2008.

6. Events after the balance sheet date

On 15 December 2009, the Company completed the acquisition of Time Care AB ("Time Care"), a Swedish-based provider of workforce optimisation software for a net consideration of SEK 100 million (approximately £8.7 million). To help fund the acquisition, the Company successfully raised approximately £8.3 million (approximately £8.0 million net of expenses) through a cash placing of 15.1m new ordinary shares at 55.0 pence per share, with the balance being satisfied from the Company's existing cash resources.

APPENDIX 1

The Company is required to disclose under the AIM Rules for Companies the following information in relation to the appointment of Christopher Davis Gale (age 54) as a director of the Company.

<i>Current Directorships and Partnerships held by Mr Gale</i>	<i>Directorships and Partnerships held by Mr Gale in the last five years</i>
CDG Financial Solutions Limited	Bee Automobiles Limited Clearswift Limited Clearswift Systems Limited Clearswift Sales Services Limited Content Technologies Holdings Limited Net-Tel Computer Systems Limited GFI Software Limited

Other than as disclosed above, there is no further information in connection with the appointment of Mr Gale to the Board of Allocate Software which is required to be disclosed in accordance with Rule 17 and Schedule 2(g) of the AIM Rules for Companies.