



## Press Release

6 September 2011

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

### Record Final Results for the Year Ended 31 May 2011

Allocate Software plc (AIM: ALL), the leading provider of workforce and compliance optimisation solutions, announces its final audited results for the year ended 31 May 2011.

#### Financial Highlights

- Revenue increased by 37% to £30.1m (2010: £22.0m)
- Licence revenue increased by 40% to £13.0m (2010: £9.3m)
- Healthcare revenue increased by 56% to £23.1m (2010: £14.8m)
- Services and support revenue increased by 34% to £16.7m (2010: £12.5m)
- EBITDA\* increased by 57% to £5.8m (2010: £3.7m)
- EBITDA margin increased by 2.5% to 19.3% (2010: 16.8%)
- Diluted adjusted EPS\*\* increased by 23% to 6.4p (2010: 5.2p)
- Operating cash flows increased by 20% to £5.9m (2010: £4.9m). Net cash balance at the year-end was £8.4m (2010: £2.9m)
- Statutory diluted EPS was 1.2p\*\*\* (2010: 2.3p)
- Within these very strong results:
  - Organic revenue growth was 15% in 2011
  - Recurring revenue increased by 68% to £11.6m (2010: £6.9m) and represented 39% of total revenue in FY11.
  - Healthcare represented 77% of total revenue in 2011 (2010: 67%)

\* EBITDA refers to earnings before interest, tax, depreciation, amortisation and share based payments.

\*\* Diluted adjusted EPS excludes amortisation of intangible assets, acquisition costs and share-based payments, adjusted for taxation.

\*\*\* The 2011 Statutory diluted EPS number is lower than that of 2010 due to the significantly higher amortisation charge incurred in 2011.

#### Business Highlights

- Total Healthcare customers worldwide now number 450, including 373 NHS Trusts and 62 customers of Time Care in Sweden
- HealthRoster gained 26 new NHS Trust customers in 2011, making 145 Trusts with HealthRoster in total at the year-end which represents 35% of 411 Acute, Mental Health and Primary Care Trusts in England and Wales
- The Dynamic Change business acquired last year has recovered from a slow start and has now improved levels of new business as a result of the benefits of integration with the sales and marketing functions of Allocate
- Time Care in Sweden has had another good year meeting management's expectations and growing their total customer base by 16 to 292

- In Australia, rollout has commenced on the previously announced State wide major contract and in addition a new State wide agreement for HealthRoster BankStaff, the temporary staffing solution, was won in Queensland
- The Defence business secured and commenced work on a major contract for NATO in Belgium
- Subsequent to the year end, the Company acquired:
  - RosterOn Pty Ltd in Australia, which will increase Allocate's presence and support its growth in APAC; and
  - Zircadian Holdings Limited in London, which will significantly enhance the product portfolio and value for customers

Ian Bowles, Chief Executive Officer of Allocate, commented:

"2011 was another outstanding year for Allocate, the fifth consecutive year of record results. We continued to strengthen our position in both the overseas and the UK Healthcare markets notwithstanding difficult trading conditions. The Defence business has also had a very good year with major new orders from NATO and the Commonwealth of Australia Defence Forces. I remain confident in our business and I expect 2012 to be another year of growth and continued success."

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## **CHAIRMAN'S STATEMENT**

The 2011 financial year has been another outstanding year for Allocate. We have executed successfully across a much broader geographical footprint and have exceeded our expectations despite continuing difficult trading conditions.

As can be seen from our results, Allocate continues to expand its business operations and to generate increased profit and cash. The expansion of the Company's activities across broader territories provides not only increased opportunities for future growth, but it also reduces the Company's dependence upon the UK. We continue to expand in Australia both in Healthcare and in Defence. Our operations in Europe via Time Care continue to perform well.

Richard Morgan-Evans has announced his decision to resign as a member of the Board of Directors. His last Board meeting will be the September 2011 Board meeting. I would like to take this opportunity to thank Richard for his years of service to Allocate, not only serving as a member of the Board of Directors in recent years but also serving as Chief Executive Officer prior to that. During Richard's tenure Allocate has grown significantly and has enjoyed considerable commercial and financial success.

I was pleased to welcome Richard King to the Board earlier this year. Richard has been appointed Chair of the Audit Committee and he has also joined the Remuneration Committee. Richard joins us after a notable 35 year career at Ernst & Young where he most recently held the position of Deputy Managing Partner of Ernst & Young UK.

Since the end of the financial year, we have continued our strategy of supporting our strong organic growth with carefully selected acquisitions. In July we acquired RosterOn in Australia. This acquisition will both enable further growth in Australia and will also provide us with a larger establishment and broader customer base. Following this, in August we acquired Zircadian, which complements our HealthRoster application and will significantly enhance the product portfolio that we can bring to our customer base.

Our results for the 2011 financial year were outstanding and the outlook for the 2012 financial year is for continued profitable growth and success.

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

**Terry Osborne**  
**CHAIRMAN**  
**5 September 2011**

## CHIEF EXECUTIVE OFFICER'S STATEMENT

### Overview

2011 has been a year of great success for Allocate. We achieved our financial goals, we have continued to develop new and existing customer relationships, developed new geographical territories and greatly strengthened our management team.

With considerable disruption in our markets, we have executed well delivering such strong 2011 results. We have made investments in external acquisitions, internal product development, customer support and IT infrastructure. These will provide the platform required to support future growth.

### Business drivers

Allocate has grown revenue at a CAGR of 38% and profits at a CAGR of 51% over the past five years, the vast majority of that growth coming from Healthcare. Healthcare revenue represented 77% of total revenue in 2011 and will continue to provide the principal platform for growth in the future. Whilst headline growth percentages at these levels cannot be assured in upcoming years, Allocate now has a business model that will continue to deliver growth in both revenues and profits.

What are the key drivers of growth and shareholder value in the future?

1. **Overall.** Allocate's product portfolio targets the efficient deployment and working practices of the single biggest component of cost within Healthcare organisations worldwide – the cost of staff. The worldwide Healthcare market is very large providing Allocate with considerable opportunity for growth and expansion with both existing and new customer acquisition worldwide.
2. **New customer acquisition.** Over the past five years Allocate has grown its customer base from a few dozen customers to now over 740. These customers have been won in the UK, in Europe, in Australia, in the USA and in the Far East. All of these markets, especially the UK, offer considerable scope for further new customer wins. These markets are not only large; they are also addressable by Allocate as evidenced by the increasing number of customers that choose to invest in our applications. Over 135 NHS Trusts do not have an automated rostering solution such as HealthRoster and some 57 have competitor products. The overall size of the Healthcare markets is such that our addressable market opportunities significantly exceed the size of our existing business. We will continue to acquire new customers in the Healthcare sector based on our current market momentum, our customer referenceability and our increasing levels of investment.
3. **Customer satisfaction and new product development leading to increased recurring revenues.** The vast majority of our 740 customers currently have only one Allocate product and we have a great opportunity to cross sell further products to this established base.
  - a. We will continue to develop products organically. In recent times we have successfully launched new products for the doctor rostering market as well as our e-expenses product.
  - b. We will continue to acquire new products for value in their own right but also for cross-sell into the customer base.
  - c. Our continued focus on the satisfaction of our customers will lead to new products being sold on a permanent or term licence basis or increasingly on a subscription/SaaS basis, such as HealthAssure acquired from Dynamic Change.
  - d. This will further increase the recurring revenue share of our business, plus, it will further increase our commitment to our customers and their commitment to us.
  - e. Finally, the support renewal income from this growing customer base continues to increase each year and is expected to continue to do so. This will have the effect of increasing the recurring revenue share of our total revenue which will provide us with better visibility and transparency.
4. **Overseas territories.** In 2011 £15.0m of revenue came from overseas customers, representing c50% of total revenue for the year. (2010: £7.8m representing 35% of total revenue). Australia has been the biggest driver of overseas revenue for Allocate and with the acquisition of RosterOn

(announced July 2011) we now have a team of almost 30 staff in Australia and strong, developing customer relationships in both Healthcare and Defence.

5. **Mergers and Acquisitions.** We have now successfully acquired six companies, of which four are UK based and two are overseas. The principal drivers for acquisitions are to acquire products to cross sell into our growing customer base and also to accelerate the development of our business overseas. These acquisitions helped drive our headline revenue growth by 39% in 2010 and by 37% in 2011. However, organic growth was 21% in 2010 and 15% in 2011 and adjusted EPS grew by 18% in 2010 and by 24% in 2011. The growth in organic revenues demonstrates the core strength of the Allocate business and the growth in adjusted EPS demonstrates the synergies that have been gained from the acquisitions. In future, we will continue to make acquisitions to produce this synergistic growth.

## Healthcare

Healthcare remains our largest and fastest growing market sector, accounting for 77% of total revenues in 2011.

In the UK we have a substantial customer base, which extends to 373 NHS Trusts, and worldwide we have 450 Healthcare customers.

At 31 May 2011, HealthRoster was installed in 145 NHS Trusts in England and Wales. This represents 35% of the total number of Acute, Mental Health and Primary Care Trusts in England and Wales. In addition, HealthRoster is installed in eight international Healthcare organisations. HealthRoster BankStaff, our temporary staffing solution which empowers NHS Trusts by automating the planning of bank and agency staff and reporting across hospitals, is now installed in 179 NHS Trusts. Add to that the 102 customers who have HealthAssure, the former Dynamic Change product, and Allocate can justifiably claim to have significant coverage across the NHS. At the same time, there are many incremental opportunities for further cross-sell of some or all of the aforementioned products.

We believe that we continue to have the best products on the market. By that, we mean products that have been developed with our customers, for our customers, over many years, to provide the most productive and most cost effective solution for staff management and corporate governance.

Finally, it should be noted that this year we also extended the HealthRoster contract of eight NHS Trusts creating an important and continuing stream of incremental revenue from our customer base.

In addition to success with our sales efforts, we have also invested significantly in new headcount and IT systems in the area of customer support. This we have done in conjunction with feedback from our colleagues on the Healthcare User Group and the results were demonstrated to hundreds of customers at the recent annual User Group meeting. As a result, over 100 customers are now logged on to the new system and it is receiving very positive feedback.

Dynamic Change's products are now integrated in to the Allocate Product portfolio and have been renamed HealthAssure, which is currently used by over 100 healthcare organisations and is a fully managed online software-as-a-service governance risk and compliance solution. The business of Dynamic Change suffered at the start of the year as a result of the Government changes in the NHS. However, the level of new business has now recovered, with more new customers signed in the second half of 2011 than were signed in the second half of 2010.

In August 2011 we acquired Zircadian, a UK based SaaS provider of software used to plan the rotas of junior doctors and consultants in the NHS. The business, which has 142 healthcare customers, uses a SaaS delivery model with multiple year agreements. This acquisition will enhance revenue visibility due to the subscription nature of its business model.

Time Care has had a good year. The Swedish market has not been as badly affected as some others by the worldwide recession and the requirement to reduce spending. In the year, Time Care secured 16 new customers, being eight municipalities, three Healthcare and five non Healthcare. They now have customer relationships with some 62 hospitals and 135 of Sweden's 290 municipalities, and in

addition with a number of customers in Benelux and other Scandinavian territories. Time Care continues to progress well and meet performance expectations as a semi-autonomous business.

In Australia, our Healthcare business continues to develop very well. The previously announced State wide deal is now rolling out, we have recently announced that we have secured a new State wide agreement in Queensland for HealthRoster BankStaff, our temporary staffing solution and we have also announced, post 2011 year end, that we have acquired RosterOn, a highly regarded local vendor of Healthcare solutions that will accelerate our business there.

Finally, we were delighted to secure two more major US customers this year; Dean Healthcare Inc and Austin Radiology Labs. Both customers have HealthRoster and are in the process of deployment, continuing to meet expectations.

## Defence

The Defence sector has achieved a number of successes this year. Defence revenues were £4.1m, representing 14% of revenues in 2011.

The principal highlights include the following:

Awarded the NATO APMS contract which has commenced delivery. This contract will be multiyear rollout and although there was little revenue benefit in 2011, there will be much greater benefit in 2012. In essence, the agreement is for MAPS to become the HR system used by NATO in Brussels to manage their entire workforce.

The British Army agreed to a new support agreement and also implemented a major extension to Collective and Individual Training modules.

In Australia, the Royal Australian Navy extended its licence agreement with Allocate such that 100% of Navy employees are now supported by MAPS. In addition, the major Australian Army licence contract booked at the end of 2010 has been largely executed in 2011.

## Development

This year we extended the product to meet the differing needs of our international markets:

- In Australia, a number of extensions to HealthRoster in particular to support regulatory reporting requirements. Additionally, extensions to HealthRoster BankStaff to support Australian casual staff.
- In the United States, considerable development to support Ambulatory Care working practises, driven by the Dean Healthcare project.
- Improved our HealthRoster medics product, in particular to manage better the workflow of interdisciplinary teams (i.e. medics working with other staff groups like nursing). This is very important not only in the UK but also for our international clients like Dean Healthcare in the US.
- We embraced the mobile revolution with our Employee Online Mobile offering, allowing staff to view their rostering information from anywhere.
- Lastly in Healthcare, we launched HealthRoster BankStaff. This product represents the best of breed integration of the temporary staffing products from the Key IT and Baum Hart Partners acquisitions along with Allocate's own product. Over 80 Trusts have now committed to upgrade from their original product to HealthRoster BankStaff and satisfactory progress is being made with the program to implement the customer upgrades.

In Defence, the principle accomplishments included:

- Australian Defence Force implementation went live with the base platform and this has been followed up with two enhancement releases to increase platform capability in the area of capability

management. The enhancement programme is focused on extending capability management from the upfront decision making support and providing support for in year and post activity business processes.

- NATO's HR platform was updated to the latest version of the MAPS platform in preparation for the first release of the new APMS application provided by Allocate Software in partnership with Siemens.

Three years ago Allocate embarked upon a project code named "Columbus". The project will see the complete redevelopment of our core applications from the ground up, delivering improved performance and enhanced functionality. The programme is nearing completion. The first product to be built on the new platform will be HealthRoster V10 which is also nearing completion. The platform, which brings new standards of usability, reliability and scalability also provides multi-lingual, hosting and SaaS capabilities.

## Financial report

Revenue in the financial year was £30.1m (2010: £22.0m), an increase over last year of 37%. EBITDA was £5.8m (2010: £3.7m), an increase over last year of 57%. The resulting trading profit margin was 19.3% (2010: 16.8%), a good expansion over the previous year. Diluted adjusted EPS (excluding amortisation of intangibles, share-based payments and the deferred tax adjustment) increased by 23% to 6.4p (2010: 5.2p).

Recurring revenues grew by 68% to £11.6m (2010: £6.9m). Licence revenue grew by 40% to £13.0m (2010: £9.3m), while Services and support revenue grew by 34% to £16.7m (2010: £12.5m).

By sector, Healthcare revenue in the period increased by 56% to £23.1m (2010: £14.8m), reflecting the impact of the previously announced State wide Australian agreement. Defence revenues fell by 9% to £4.1m (2010: £4.5m), principally due to the large order from the Australian Army that was booked in 2010. Maritime revenue fell by 6% to £1.7m (2010: £1.8m).

Organic revenues (excluding the acquisitions of Time Care and Dynamic Change which were both acquired part way through 2010) grew by 15% to £21.9m (2010: £19.1m) during the year.

EBITDA as a percent of revenue rose to 19.3% in 2011 from 16.8% in 2010, driven primarily by controlled investment in operating costs and also by the change in mix away from lower margin services revenue to higher margin recurring, support and maintenance revenues.

Diluted adjusted EPS has risen by 23% to 6.4p per share in 2011 from 5.2p per share in 2010. Cash generated from operations grew by 20% to £5.9m in 2011 from £4.9m in 2010. This is a conversion rate in excess 100% of EBITDA, as it was in 2010 and arises as a result of growing recurring revenues, strong operating profits and close management of working capital.

Net cash on the Balance Sheet was £8.4m, consisting of gross cash of £10.4m and debt of £2.0m. Net cash, gross cash and debt at the end of 2010 were, respectively, £2.9m, £5.1m and £2.2m.

## Outlook

The last year for Allocate has been one of considerable success in the face of the largest reorganisation in the NHS. Our business has prospered and we have continued to secure new customers in the NHS and elsewhere as well as retaining and growing our existing customers. The markets into which we sell around the world show signs of recovery from the recent low points and I believe that we are past the worst.

I am confident that we will continue to grow in our principal markets this year. I believe that our growth will be led by not only our new product offerings, both those developed in-house as well as those acquired, but also because of the increased focus on customer satisfaction.



We have greatly strengthened the management team this year with new heads of Product Development, Marketing and Customer Support each of whom brings over 20 years of success in high tech and leading, larger companies.

Our financial model is now very strong. As at the year end, we had over £8m of net cash on the Balance Sheet, recurring revenues continue to rise, now 39% of total revenue affording much greater visibility into future revenue streams, and giving greater assurance as we consider investments both internally and externally.

We are now in the enviable position of having a great track record of performance, new products and technology to bring to our customers, a rapidly expanding footprint across a broad range of markets and a very secure Balance Sheet. I am very confident that Allocate will have a successful year in 2012.

**Ian Bowles**  
**CHIEF EXECUTIVE OFFICER**  
**5 September 2011**



**ALLOCATE SOFTWARE PLC****CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MAY 2011**

		<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
	Note		
Revenue	3	<b>30,113</b>	21,964
Selling and operational expenses		<b>(18,736)</b>	(14,795)
Gross profit		<b>11,377</b>	7,169
Other income		<b>11</b>	-
Administrative expenses		<b>(10,522)</b>	(5,851)
<b>Operating profit</b>		<b>866</b>	1,318
Analysed as:			
<b>Operating profit before share based payments, depreciation and amortisation</b>		<b>5,774</b>	3,749
Share based payments		<b>(150)</b>	(80)
Depreciation		<b>(331)</b>	(260)
Amortisation of intangible assets		<b>(4,427)</b>	(2,091)
Finance income		<b>49</b>	24
Foreign exchange losses		<b>(140)</b>	-
Finance charges		<b>(28)</b>	(17)
Net finance (cost) / income		<b>(119)</b>	7
<b>Profit for the year before taxation</b>		<b>747</b>	1,325
Tax on profit for the year	4	<b>50</b>	(75)
<b>Profit for the year</b>		<b>797</b>	1,250
<b>Earnings per share</b>	5		
Basic (pence per share)		<b>1.28p</b>	2.41p
Diluted (pence per share)		<b>1.24p</b>	2.31p

**ALLOCATE SOFTWARE PLC****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2011**

	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
Profit per the income statement	<b>797</b>	1,250
Exchange differences on translation of foreign operations	<b>1,165</b>	69
Total comprehensive income attributable to the owners of the company	<b>1,962</b>	1,319

**ALLOCATE SOFTWARE PLC****CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2011**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
		(restated)
<b>Non-current assets</b>		
Property, plant and equipment	<b>763</b>	770
Goodwill	<b>2,935</b>	2,661
Intangible assets	<b>12,960</b>	16,364
Other financial assets	<b>66</b>	61
Deferred tax asset	<b>1,030</b>	1,527
	<hr/>	<hr/>
Total non-current assets	<b>17,754</b>	21,383
<b>Current assets</b>		
Trade and other receivables	<b>10,684</b>	9,211
Cash and cash equivalents	<b>10,398</b>	5,042
	<hr/>	<hr/>
Total current assets	<b>21,082</b>	14,253
	<hr/>	<hr/>
<b>Total assets</b>	<b>38,836</b>	35,636
	<hr/>	<hr/>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	<b>3,154</b>	3,060
Share premium account	<b>7,752</b>	7,380
Share-based payment reserve	<b>694</b>	408
Foreign exchange reserve	<b>1,318</b>	153
Retained earnings	<b>6,655</b>	5,858
	<hr/>	<hr/>
Total equity	<b>19,573</b>	16,859
<b>Non-current liabilities</b>		
Borrowings	<b>-</b>	2,172
Deferred tax liability	<b>3,012</b>	4,050
	<hr/>	<hr/>
Total non-current liabilities	<b>3,012</b>	6,222
<b>Current liabilities</b>		
Trade and other payables	<b>14,062</b>	12,555
Borrowings	<b>2,000</b>	-
Corporation tax	<b>189</b>	-
	<hr/>	<hr/>
Total current liabilities	<b>16,251</b>	12,555
	<hr/>	<hr/>
Total liabilities	<b>19,263</b>	18,777
	<hr/>	<hr/>
<b>Total equity and liabilities</b>	<b>38,836</b>	35,636
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Details of the restatement of the May 2010 Statement of Financial Position are set out in Note 6.

# **ALLOCATE SOFTWARE PLC**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 May 2011

	Share capital	Share premium	Shares to be issued	Share-based payment reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 June 2009</b>	<b>2,235</b>	<b>6,493</b>	<b>213</b>	<b>328</b>	<b>84</b>	<b>(1,885)</b>	<b>7,468</b>
Equity settled share options	62	234	-	80	-	-	376
New shares issued	763	7,642	-	-	-	-	8,405
Share issue costs	-	(496)	-	-	-	-	(496)
Deferred consideration	-	-	(213)	-	-	-	(213)
Cancelled against retained earnings reserve	-	(6,493)	-	-	-	6,493	-
Total transactions with owners	825	887	(213)	80	-	6,493	8,072
Profit for the year	-	-	-	-	-	1,250	1,250
Other comprehensive income	-	-	-	-	69	-	69
Total comprehensive income	-	-	-	-	69	1,250	1,319
<b>At 31 May 2010</b>	<b>3,060</b>	<b>7,380</b>	<b>-</b>	<b>408</b>	<b>153</b>	<b>5,858</b>	<b>16,859</b>
Equity settled share options	94	372	-	150	-	-	616
Deferred tax on share options	-	-	-	136	-	-	136
Total transactions with owners	94	372	-	286	-	-	752
Profit for the year	-	-	-	-	-	797	797
Other comprehensive income	-	-	-	-	1,165	-	1,165
Total comprehensive income	-	-	-	-	1,165	797	1,962
<b>At 31 May 2011</b>	<b>3,154</b>	<b>7,752</b>	<b>-</b>	<b>694</b>	<b>1,318</b>	<b>6,655</b>	<b>19,573</b>

**ALLOCATE SOFTWARE PLC****CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 May 2011**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flow from operating activities</b>		
Profit for the year	<b>797</b>	1,250
Adjustments for:		
Finance income	<b>(21)</b>	(7)
Foreign exchange	<b>140</b>	-
Income tax	<b>(50)</b>	75
Profit on disposal of intangible assets	<b>(11)</b>	-
Depreciation	<b>331</b>	260
Amortisation	<b>4,427</b>	2,091
Share-based payment	<b>150</b>	80
Increase in trade and other receivables	<b>(1,625)</b>	(769)
Increase in trade and other payables	<b>1,713</b>	1,892
Net cash generated from operations	<b>5,851</b>	4,872
Interest expense	<b>(28)</b>	(17)
Income tax	<b>(14)</b>	(75)
Net cash generated by operating activities	<b>5,809</b>	4,780
<b>Cash flows from investing activities</b>		
Interest received	<b>49</b>	24
Deferred consideration on prior acquisitions	<b>(250)</b>	-
Investment to acquire subsidiary	<b>-</b>	(13,444)
Proceeds from disposal of intangible assets	<b>181</b>	-
Payments to acquire intangible assets	<b>(368)</b>	-
Payments for property, plant and equipment	<b>(324)</b>	(218)
Net cash used in investing activities	<b>(712)</b>	(13,638)
<b>Cash flows from financing activities</b>		
Repayment of borrowings	<b>(172)</b>	(6)
Proceeds from loan	<b>-</b>	2,000
Proceeds from the issue of equity shares	<b>466</b>	8,700
Issue costs	<b>-</b>	(496)
Net cash generated by financing activities	<b>294</b>	10,198
Net increase in cash and cash equivalents	<b>5,391</b>	1,340
Foreign exchange differences	<b>(35)</b>	38
Cash and cash equivalents at the start of the year	<b>5,042</b>	3,664
<b>Cash and cash equivalents at the end of the year</b>	<b>10,398</b>	5,042

## **ALLOCATE SOFTWARE PLC**

### **NOTES TO THE FINANCIAL INFORMATION**

#### **1. Publication of Non-Statutory Accounts**

The financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement and related notes, does not constitute full accounts within the meaning of s435 of the Companies Act 2006.

The auditors have reported on the group's statutory accounts for the year ended 31 May 2011 under s495 of the Companies Act 2006. The auditor's report does not contain statements under s498(2) or s498(3) of the Companies Act 2006 and is unqualified. The statutory accounts for the year ended 31 May 2011 will be filed with the Registrar of Companies, sent to shareholders and published on the Company's website at [www.allocatesoftware.com](http://www.allocatesoftware.com) in due course.

#### **2. Basis of Preparation**

The group's accounting policies are consistent with those applied in the year to 31 May 2010, amended to reflect any new standards. The adoption of new standards in the year has not resulted in a significant impact to the group's accounting policies.

##### **Restatement of May 2010 Statement of Financial Position**

On 5 May 2010, the group acquired Dynamic Change Limited, a UK-based software-as-a-service ("SaaS") provider of regulatory compliance, corporate governance, risk and performance management for the UK healthcare market, for up to £9,000,000 over three years.

The initial consideration was £4,900,000 in cash and £100,000 in shares of Allocate plc. In addition, deferred consideration of up to £4,000,000 in cash would become payable based on the financial performance of Dynamic Change for the 12 month periods ending 31 March 2011, 31 March 2012 and 31 March 2013.

In the financial statements for the year ended 31 May 2010 intangible assets recognised on the acquisition of Dynamic Change were identified at their provisional fair value.

During the year the directors finalised their assessment of the conditions at the date of acquisition and, in line with the requirements of IFRS 3, the contingent consideration was reduced by £4,000,000 and consequently the intangible assets acquired reduced by £2,613,000, the goodwill arising on the acquisition by £2,118,000 and the associated deferred tax by £731,000. This restatement has had no impact on the previously reported net assets, or the prior period's profit and total comprehensive income. Further details are set out in note 6.

This restatement has no impact for periods prior to the year ended 31 May 2010, therefore an additional comparative balance sheet has not been presented for the group.

### 3. Segmental Reporting

Management has determined the operating segments based on the revenue streams within the reports reviewed by the strategic decision maker comprising the board of Directors. Licences represents revenue from the sale of non-cancellable licence agreements. Services represents revenue from the provision of installation, consulting, training and product support.

<b>2011</b>	<b>Licences £'000</b>	<b>Services &amp; Support £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
Revenue	12,956	16,737	420	30,113
Operational costs	(875)	(7,279)	(207)	(8,361)
Sub-total				21,752
Selling and marketing costs				(6,383)
Research and development costs				(3,992)
Gross profit				11,377
Other income				11
General and administration (*)				(10,522)
Operating profit				866
Finance income				49
Foreign exchange losses				(140)
Finance charges				(28)
Profit before tax				747

<b>2010</b>	<b>Licences £'000</b>	<b>Services &amp; Support £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
Revenue	9,313	12,487	164	21,964
Operational costs	(859)	(5,402)	(125)	(6,386)
Sub-total				15,578
Selling and marketing costs				(5,445)
Research and development costs				(2,964)
Gross profit				7,169
General and administration (*)				(5,851)
Operating profit				1,318
Finance income				24
Foreign exchange losses				-
Finance charges				(17)
Profit before tax				1,325

(\*) includes amortisation of intangible assets and share-based payment charges.

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

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

Revenue arises from customers in the following locations:

	<b>2011 £'000</b>	<b>2010 £'000</b>
UK	15,064	14,204
Europe	7,345	3,525
USA	1,174	1,264
Rest of World	6,530	2,971
	<b>30,113</b>	<b>21,964</b>

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

	<b>2011 £'000</b>	<b>2010 £'000</b>
Healthcare	23,101	14,751
Defence	4,112	4,539
Maritime	1,681	1,828
Other	1,219	846
	<b>30,113</b>	<b>21,964</b>

There was 1 customer (2010: nil) who contributed in excess of 10% of total revenues. Their aggregate contribution to revenue amounted to 14% of revenue.



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

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

<b>Non-current assets by location 2010 (restated)</b>	<b>USA £'000</b>	<b>Europe £'000</b>	<b>UK £'000</b>	<b>R o W £'000</b>	<b>Total £'000</b>
Intangible assets	-	7,572	8,792	-	16,364
Goodwill	-	2,121	540	-	2,661
Financial assets	-	61	-	-	61
Property, plant and equipment	8	111	640	11	770
Deferred tax assets	-	129	1,398	-	1,527
<b>Total non-current assets</b>	<b>8</b>	<b>9,994</b>	<b>11,370</b>	<b>11</b>	<b>21,383</b>

#### **4. Income Tax (Credit) / Expense**

	<b>2011 £'000</b>	<b>2010 £'000</b>
<b>Current tax:</b>		
Corporation tax on profit for the year	-	(37)
Prior period adjustments	(132)	-
Overseas tax	487	109
<b>Total current tax</b>	<b>355</b>	<b>72</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences :		
Current period	(340)	170
Prior period adjustments	124	(167)
Rate change adjustment	(189)	-
<b>Total deferred tax</b>	<b>(405)</b>	<b>3</b>
<b>Tax (credit) / charge on profit for the period</b>	<b>(50)</b>	<b>75</b>

The rate change adjustment has arisen due to a reduction in the UK rate of corporation tax from 28% to 26%.

#### **Amounts recognised directly in equity**

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

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Net deferred tax – (credited) / charged to equity	<b>136</b>	-
	<b>136</b>	-

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

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Profit for the period before tax	<b>747</b>	1,325
Profit for period multiplied by the respective standard rate of corporation tax applicable in each domain 27.66% (2010: 28%).	<b>207</b>	370
Effects of:		
Movement on deferred tax not recognised	<b>65</b>	-
Tax rate change adjustment	<b>(280)</b>	-
Adjustment to tax in respect of prior periods	<b>(9)</b>	(220)
Expenses not deductible for tax purposes	<b>58</b>	75
IFRS 2 charge add back	<b>42</b>	22
Share option deduction under Schedule 23	<b>(254)</b>	(230)
Tax losses (utilised) / arising during the year	<b>(1)</b>	-
Research and development enhanced relief	<b>(242)</b>	(366)
Difference in overseas tax rates	<b>(25)</b>	(11)
Foreign exchange differences recognised in other comprehensive income	<b>294</b>	-
Other timing differences	<b>95</b>	-
Disallowable amortisation	<b>-</b>	435
Tax on profit for the period	<b>(50)</b>	75

Tax losses carried forward in the UK total £2,015,000 - tax effect is £524,000 (2010: £3,873,000 - tax effect is £1,085,000). A deferred tax asset has been recognised in respect of these losses.

## 5. Earnings per share

	<b>31 May 2011 £'000</b>	31 May 2010 £'000
Profit for the year attributable to shareholders	797	1,250
<b>Earnings per share</b>		
Basic (pence per share)	1.28p	2.41p
Diluted (pence per share)	1.24p	2.31p
<b>Weighted average number of shares</b>	<b>Number of shares</b>	<b>Number of shares</b>
Shares in issue at opening	61,195,314	44,702,625
Shares issued during the period	1,879,039	16,492,689
Shares at closing	63,074,353	61,195,314
Weighted average shares for basic earnings per share	62,364,597	51,768,106
Effect of dilutive potential ordinary shares	2,088,799	2,452,967
Weighted average shares for diluted earnings per share	64,453,396	54,221,073

### 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 payment, amortisation of intangibles and the deferred tax adjustment. It has been calculated to allow shareholders to gain a clearer understanding of the trading performance of the group. The basis of the calculation of the basic and adjusted profit per share is set out below:

	<b>2011 £'000</b>	2010 £'000	2010 £'000 (as reported last year)
Profit for the year attributable to shareholders	797	(restated) 1,250	1,250
Amortisation of intangibles	4,427	2,091	2,091
Share-based payment	150	80	80
Acquisition costs	64	-	-
Tax on amortisation, share-based payment and acquisition costs	(1,283)	(608)	-
Adjusted profit for the year attributable to shareholders	4,155	2,813	3,421
Basic adjusted earnings per share	6.66p	5.43p	6.61p
Diluted adjusted earnings per share	6.44p	5.19p	6.31p

### Restatement

The basis of this calculation has been changed since the prior year, as the Directors consider this presentation of EPS to be a better measure of the group's performance. The comparative adjusted EPS has been restated so as to be presented on the same basis as the current year figures.

## 6. Business Combinations

### Dynamic Change Limited

On 5 May 2010, the Company acquired Dynamic Change Limited, a UK-based software-as-a-service ("SaaS") provider of regulatory compliance, corporate governance, risk and performance management for the UK healthcare market, for up to £9,000,000 over three years.

The initial consideration was £4,900,000 in cash and £100,000 in shares of Allocate plc. In addition, deferred consideration of up to £4,000,000 in cash would become payable based on the financial performance of Dynamic Change for the periods ending 31 March 2011, 31 March 2012 and 31 March 2013.

As at 31 May 2010, the group carried out a provisional fair value exercise recognising values for intangible assets and goodwill and offset by a deferred tax liability and deferred payments. Management have now revised those provisional fair values by re-examining the underlying assumptions in the valuation model. As a result of this exercise, the provisional fair values have been reassessed as follows:

	Book value	Provisional fair value adjustment	Provisional fair value	Reassessment of provisional fair value adjustment	Fair value
	£'000	£'000	£'000	£'000	£'000
Cash with subsidiary	1,148	-	1,148	-	1,148
Intangibles - identified at acquisition	-	9,494	9,494	(2,613)	6,881
Property, plant and equipment	20	-	20	-	20
Receivables	639	-	639	-	639
Trade and other payables	(1,464)	-	(1,464)	-	(1,464)
Deferred tax liability	-	(2,658)	(2,658)	731	(1,927)
Net assets	343	6,836	7,179	(1,882)	5,297
Goodwill on this acquisition			2,658	(2,118)	540
Consideration			9,837	(4,000)	5,837
Less cash acquired			(1,148)	-	(1,148)
Net consideration			<b>8,689</b>	<b>(4,000)</b>	<b>4,689</b>
Net consideration satisfied by:					
Cash paid			4,095	-	4,095
Shares issued			100	-	100
Contingent cash payable			4,000	(4,000)	-
Professional fees paid			494	-	494
			<b>8,689</b>	<b>(4,000)</b>	<b>4,689</b>

The change in the fair value of the acquired assets as a result of the reassessment of the fair value adjustment has resulted in a restatement of the Statement of Financial Position; however, there has been no change in the result for the year as reported in the Income Statement.

## 7. Directors' Remuneration

Group	2011 £'000	2010 £'000
Directors' emoluments	1,144	960
Payments into defined contribution pension scheme	28	20
Directors' share-based payment	111	60
	<u>1,283</u>	<u>1,040</u>