



Avisen plc

Report and Accounts

For the year ended 31 January 2011

Avisen plc

Annual Report for the year ended 31 January 2011

Contents

	Page Number
Highlights	2
Chairman's statement	3
Business and financial review	5
Directors' report	13
Independent auditors' report to the members of Avisen plc (group opinion)	17
Consolidated statement of comprehensive income	18
Consolidated statement of financial position	19
Consolidated statement of changes in equity	20
Consolidated statement of cash flows	21
Notes to the consolidated statement of cash flows	22
Notes to the financial statements	23
Independent auditors' report to the members of Avisen plc (company opinion)	55
Company statement of financial position	56
Company statement of changes in equity	57
Company statement of cash flows	58
Company notes to the statement of cash flows	59
Notes to the Company financial statements	60
Company information	68

Highlights

Current year

- Total revenues (including discontinued operations) increased from £7.2m in 2010 to £12.3m in 2011
- Revenue from continuing operations increased from £2.3m in 2010 to £2.6m in 2011
- Improvements in total adjusted* EBITDA (including discontinued operations) from an adjusted EBITDA loss of £1.7m in 2010 to an adjusted EBITDA loss of £0.3m in 2011
- Adjusted EBITDA loss from continuing operations improved from £1.6m to an adjusted EBITDA loss of £1.5m
- Operating loss from continuing operations of £7.8m (2010: £2.3m) due to a one off impairment charge of £4.5m and strategic, integration and other one-off items of £1.5m
- Acquired Xploite plc ("Xploite") including its subsidiary undertaking Storage Fusion Limited ("Storage Fusion") in April 2010
- Disposed of loss making operations in South Africa in July 2010
- In September 2010 Gartner's report, the Magic Quadrant for Storage Resource Management and SAN Management Software, Storage Fusion was noted as a new vendor within the segment
- In October 2010, successfully reached an agreement to settle a claim received by Xploite prior to acquisition by Avisen. It was settled for an immediate payment of £0.3m against an original claim amount of £4.5m. The maximum potential settlement has been capped at £0.6m. This claim was in relation to a previous acquisition made by Xploite plc. The Group no longer holds an interest in this acquisition.

*Adjusted for strategic, integration and other one-off items

Post Balance Sheet Highlights

- On 1 April 2011, Avisen disposed of Inca Software Limited ("Inca") for £7.3m of cash and the extinguishment of £1.2m of net liabilities. This provides a return on the Company's original investment of 85 per cent. The accounting profit on disposal following the write-off of goodwill and intangible assets of £7.6m is expected to be approximately £0.5m.
- In July 2011, Avisen entered into a contract with Unilever to supply a global cost to serve solution for Unilever's global supply chain and customer service function. The contract comprised the sale of a perpetual software licence and the provision of services over a three year period.

Chairman's Statement

I am pleased to report marked improvements in the Group's revenue growth and adjusted results for the year ended 31 January 2011.

There have been a number of factors which have impacted on the statutory results, principally the treatment of Inca as a discontinued activity following the agreement to sell the business in January 2011, the impact of the impairment of £4.5m of the Xploite business and strategic, integration and other one off costs. In order to understand better and present the results on a comparable basis, results including Inca have also been stated in the numbers given below and the results have been provided on an adjusted basis which excludes the impact of the Xploite impairment and strategic, integration and other one off costs.

Total turnover (including turnover from discontinued operations) increased from £7.2m in 2010 to £12.3m in 2011 and turnover from continuing operations increased from £2.3m to £2.6m. The adjusted EBITDA loss (including discontinued operations) of £1.7m in 2010 improved to an adjusted EBITDA loss of £0.3m in 2011. The adjusted EBITDA loss from continuing operations improved from £1.6m to a loss of £1.5m.

The Group has however suffered an operating loss for the year of £7.8m (2010: £ 2.3m). This is as a result of a 4.5m impairment charge (on the acquisition of Xploite) and strategic, integration and other one-off costs of £1.5m. Further details of these are given in the financial review.

The Group has also embarked upon significant corporate activity in the year with the acquisition of Xploite plc in April 2010, including its subsidiary undertaking Storage Fusion Limited and the disposal of its loss making South African operations in July 2010. I am also delighted to report the post year end disposal of Inca for £7.3m of cash and the extinguishment of liabilities of £1.2m. The Board believes that the disposal of Inca is an excellent result for the Group against a backdrop of pressure on margins and the need for significant investment in the business in order to stay aligned with new Software as a Service ('SaaS') technologies.

Strategy

The Group's strategy has been to continue to grow organically and acquisitively and convert this growth into higher profit and improved cash flow for distribution to our shareholders.

During the year ended 31 January 2011 and in the subsequent period we have been working towards delivering on this strategy. We have embarked on a number of pivotal corporate transactions and have also spent time and cash investing in our existing businesses, which has given rise to improved results.

Acquisition of Xploite plc

The first key corporate transaction of the year was the acquisition of Xploite plc. This acquisition gave us two key assets, firstly the cash which enabled us to invest in our existing businesses; secondly it gave us Storage Fusion Limited, a company which owns its own software providing software analytics to companies on a SaaS basis. We are very excited about the Storage Fusion business and I will return to this later in my report.

In July 2010 we disposed of our loss making business in South Africa. This business was not delivering on benefits we had originally hoped for and it had proven difficult to manage as a result of its location. The disposal of this business gave rise to a profit on disposal of approximately £0.1m.

Avisen

Our business technology and profit improvement business, Avisen, has seen organic growth and an improvement in its results for the year. Its outturn for the year was a small EBITDA loss of approximately £0.1m, the loss arising primarily due to the fact that a significant proportion of the year was spent piloting Acorn Systems' profitability software product to cornerstone clients. The success of the pilot scheme has been demonstrated by the signing of a three year contract to provide a global cost to serve solution to Unilever's global supply chain and customer service function, which was announced on 14 July 2011. This contract will generate significant revenues for Avisen over the next three years from the provision of a perpetual licence, managed services and ongoing consultancy.

The future of Avisen is to concentrate on leveraging the success it has had as a reseller of Acorn Systems' software and to continue to provide consulting services with a focus on profitability improvement.

Disposal of Inca

Inca was the largest UK IBM Cognos partner, providing customers with the full suite of IBM business analytics products. Its software solutions enabled companies to analyse, manage and monitor their organisation's performance.

During the year, the company saw organic growth and delivered significantly improved EBITDA of £1.4m (2010: EBITDA of £0.2m).

The Inca business comprised two acquisitions made in 2009 for a total consideration of £4m in Avisen plc shares. Since the acquisition in 2009, the Avisen management team turned the loss making business into a profitable business making it of interest to larger companies in the IBM reseller market. As a result, Avisen plc was approached in December 2010 with a cash offer for the business of £7.3m and extinguishment of net liabilities of £1.2m. The Board believed that it was in the best interests of the shareholders to accept this offer. Our decision to accept the offer was influenced by the constant margin pressure the division faced and our concerns surrounding our ability to scale the business and be up to date with the latest SaaS technologies without further significant investment. The Board also believed that the cash received from the sale of the business would provide the Group with a platform for future growth. Avisen received £6m of cash on completion of the sale on 1 April 2011 and £1.3m of deferred consideration is due on 1 April 2012. There are no conditions attached to this deferred consideration. The accounting profit on disposal following the write-off of goodwill and intangible assets of £7.6m is expected to be approximately £0.5m.

Storage Fusion

Storage Fusion achieved revenues of £0.2m in the year and a small EBITDA loss of £0.1m. During the year we have been analysing the market and understanding companies' needs and aspirations for our Storage Resource Analysis ("SRA") product. Our research tells us that we have a highly compelling product which, with some further enhancements, could bring significant revenues to the Group. Satisfaction with our offering was evidenced by a sale to a large bank in September 2010 and since the year end a sale to a worldwide information technology company who will be acting as one of our partners. We are also very encouraged by the pipeline of partner and storage vendor interest in our software offering and believe that this is likely to convert into sales during the second half of financial year 2012.

One key area of development during the year has been the development of SRA Enterprise Edition ("SRA EE"). Delivered as "software as a service" SRA EE is the first self-service storage assessment service and will be available from Storage Fusion and its partners from September 2011.

We will continue with the development and enhancement of SRA during 2011 and 2012.

Conclusion and outlook

Following the disposal of Inca, the Board has cash reserves available to invest in its current business and to further enable it to consider future acquisitions. The management team remains committed to the Group's wider investment strategy. The identification of the Inca acquisition, turnaround and subsequent sale has demonstrated their ability to develop businesses as well as seek the appropriate opportunity to divest where appropriate.

The company now has two main trading businesses, namely Avisen and Storage Fusion. Recent sales activity in these businesses to large Blue Chip Corporates has amply demonstrated the quality of the product and service we are providing. Following on from that success, we also now have several exciting opportunities in the pipeline.

The Board is, however aware, that it needs to add more scale to enhance the value of the existing business activities and therefore has identified several acquisition opportunities which it is actively pursuing.

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

M Battles
Chairman
26 July 2011

Business and Financial Review

Business review

The Avisen plc Group is a management consultancy and software business that provides companies with advice and solutions in order to enhance overall company profitability. It had the following trading businesses within the Group during the year:

- Avisen - Management consultancy specialising in profit improvement and exclusive distributor of Acorn Systems' Software in the UK and Ireland.
- Storage Fusion Limited* - Independent Software Vendor specialising in storage analytics for the heterogeneous storage estate delivered using Software as a Service ("SaaS") architecture.
- Inca Software Limited - Reseller of IBM Cognos software (discontinued operations - sold 1 April 2011).

*Avisen acquired Storage Fusion Limited in the year as part of the Xploite plc acquisition made in April 2010.

In July 2010, Avisen plc disposed of its loss making business in South Africa.

What our businesses do and their market

Avisen

Overview

Avisen, the Group's management consultancy business, focuses on providing global companies with advice in relation to improving overall company profitability. One of the key tools that Avisen uses during this process is a software technology known as Acorn Systems. Based on a costing methodology designed by Harvard Professor, Prof Dr Robert Kaplan and Steve Anderson who is on the Board of the Company, Acorn uses transaction level cost allocation to reveal profit improvement opportunities across the enterprises customers, products, segments, vendors, channels and processes. This enables clients to make fact-based, profit-focused decisions which Avisen then help them implement. Although niche, the Avisen brand is uniquely positioned as it has the exclusive UK distribution rights for Acorn Systems' products and global distribution rights outside of the USA and a skilled team of technical and business consultants .

As noted in the Chairman's statement, we have spent much of 2010/11 building our platform, to sell our Acorn Systems solutions by providing pilots to various Blue Chip customers including Tesco Direct and Unilever. This has proved our product offering and provided us with a platform to sell our services and resell the Acorn software across the market.

Avisen's target market and competitors

Avisen's target market is quite well defined. A typical client is a company with revenues in excess of £100m and with high-volumes of transactions where they understand the total cost of running the business but can't see how each product, customer or channel is driving up that cost. These are sectors such as fast moving consumer goods, distribution, retail, financial services, professional services and pharmaceuticals.

Avisen's competitors are distributors of other profitability management software (SAP, Oracle, Prodocapo, SAAS Institute etc). Our focus is on building recurring revenue from software sales and support contracts. This enables us to work with, and provide paid services to the "Big 4" consulting companies and other niche consultancy businesses providing profitability improvement services using Acorn. We market directly to these businesses and to the finance and operational executives of our target clients.

The Group continually assesses the demand for its products and services in the market place and adapts its product offerings and pricing strategies to support this. We have focused the business on helping the large corporate market understand the true cost and profitability of their customers, products and operations as well as providing support in reconfiguring them. Areas where we see the most interest to use our software and services are:

- Logistics and distribution, to understand the network cost of delivered and returned goods and reconfigure supply chain based on the detailed analysis that we provide.

- In FMCG (“Fast Moving Consumer Goods”) and retail, to move past gross margin and understand the actual delivered margin from products and services through the supply chain in order to see true customer profitability.
- In financial services, to understand the profitability of individual customers, segments and products by allocating all costs and revenues to that grouping.
- In shared services and outsourcing, to build transparent “charge-back” mechanisms to allocate cost to the business units that consume them.
- In healthcare, to track the cost of patients through a hospital or other care setting and the actual costs associated with different procedures.

Storage Fusion

Overview

Storage Fusion is the author of SRA which provides comprehensive analytics for enterprise storage environments through an affordable SaaS service and without the need for disruptive probes and agents.

SRA cuts through the complexity of heterogeneous storage environments without the necessity for expensive on-premise software, on-going support and maintenance, a time-consuming implementation project, disruptive future upgrades and additional hardware to run the solution. This delivers detailed analytics within a matter of hours.

Storage Fusion empowers companies with the analytics they need to make informed decisions about their storage resources, thereby reducing IT expenditure and improving business operations.

With complete transparency an entire storage environment, Storage Fusion’s SRA solution enables an organisation to undertake the following business critical activities to deliver operational effectiveness:

- Storage reclaim
- Internal charge-back
- Data centre migration / consolidation
- Vendor rationalisation
- Technology swaps / refreshes
- Asset tracking
- Capacity planning
- Depreciation reporting
- Cloud migration
- Virtualization and thin provisioning analysis
- Storage tiering
- Metrics analysis and report trending
- Identification of configuration exceptions

As noted in the Chairman’s statement, the demand for our SRA product has been clearly demonstrated following the signing of contracts with a large International bank in September 2010 and since the year end a sale to a worldwide information technology company who will be acting as one of our partners.

Storage Fusion’s target market and competitors

Storage Fusion’s target market is any organisation that needs to report across their storage estate. Typically these are global companies that have multiple data centres, hardware from more than one storage vendor and in excess of 100 Terabytes of storage.

SRA is also used as a presales assessment tool by hardware vendors and partners to augment their hardware and professional services revenue.

In September 2010 Gartner’s report, the Magic Quadrant for Storage Resource Management and SAN Management Software, Storage Fusion was noted as a new vendor within the segment.

Inca

Discontinued operations – Post year end disposal

As noted in the Chairman's statement, this business was disposed on 1 April 2011 for £7.3m of cash and extinguishment of £1.2m of liabilities. This business was originally acquired for £4m of shares in August 2009. The total return from the Inca business since the start of our period of ownership is in the region of £3.5m, which gives a return on our original investment in excess of 85 per cent. The accounting profit on disposal following the write-off of goodwill and intangible assets of £7.6m is expected to be approximately £0.5m.

Strategy and objectives of the business

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

The management team undertook a full business review following the disposal of Inca on 1 April 2011 and developed the following key objectives for the year ahead:

- Improve organic growth in the Avisen business by:
 - Utilising our skilled workforce to deliver on key contracts.
 - Planned campaigns to increase awareness within key target sectors. Using our success with existing customers to demonstrate our abilities.
 - Re-defining key corporate messages within our target market
 - Leveraging further the success of the Acorn solution globally and optimising partner marketing activities.
 - Build on the "Big 4" accounting firm relationships as a new channel to market.

- Improve organic growth in the Storage Fusion business by:
 - Launching SRA Enterprise Edition.
 - Developing global sales network via partners.
 - Implement marketing strategy to increase product awareness, brand and sales revenue.
 - Developing additional SRA apps to enable new features that increase overall product value and sales.
 - Re-defining corporate messages and identifying key sectors to approach.
 - Developing awareness amongst the analyst community through key contacts at Gartner.

- Identify key acquisition targets which complement the current existing businesses.

Principal risks

With respect to our stated strategy:

"Improve organic growth in the Avisen business"

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

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

Following the release of SRA EE and implementation of the sales and marketing strategy the Board expects Storage Fusion to improve organic growth by increased direct enterprise sales, additional usage of SRA EE at existing and new partners and the signing of new strategic vendor contracts.

There is a risk that one of these strategies isn't successful although this appears to be low as current commercial discussions are already in progress with vendors and market research has demonstrated a need for SRA EE.

“Identify key acquisition targets which complement the current existing businesses”

There is a risk that the Company may not identify suitable acquisitions for merging with the existing business. The Board believes that this risk is low as the Group has a “pipeline of opportunities” that it has built up through constantly researching in the market and networking by the Board with its advisors and other contacts in the industry.

There is a risk that acquisitions identified may not be successful, either because the acquisition itself was not as expected or because of poor integration. In respect of the acquisition itself, the Board reviews the appropriate due diligence that is carried out on the acquisition. With respect to the successful integration and operation of the acquired businesses, this risk is mitigated by a very structured approach to the integration process, dedicated teams and careful monitoring of performance post acquisition.

In addition to the above, the Group also faces the following principal risks:

Unfavourable economic conditions

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

Key management and consultants may leave the business

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

Reliance on key customers

The Avisen business has reliance on certain key customers. The management team maintains good relationships with its customers through continued communication throughout the year. Should a key customer choose not to contract with us again, we may need to re-consider our overall strategy and our cost base.

Reliance on third party software

In the Avisen business certain aspects of our software offerings are dependent on third parties and are susceptible to rapid technological change. Any absence or failure of key third-party products could have a material effect on our business.

To mitigate this risk, we keep under review all key commercial relationships and developments in technology in our marketplace.

Keeping our Storage Fusion software supported and up to date with current technologies

Maintaining the hardware support matrix and features is an essential part of what Storage Fusion does, in order that customers can continue to report across their entire storage environment. Our storage software architects and development team work extensively with our customers and partners to ensure that SRA is kept up-to-date with current technologies and that the product continues to be valuable and useable. This product strategy ensures that SRA’s storage analytics is more advanced than anything available in the marketplace today.

If the above was not done, there is a risk that Storage Fusion would not be able to fulfil its customer obligations.

A major failure may adversely disrupt operations

The Group prepares recovery plans for all foreseeable situations so that business operations can continue should a major failure occur. In terms of IT, all files etc. are backed up off site and all staff have access to laptops to continue working should such an incident occur. The Group is approaching completion of moving all IT infrastructure to third party providers. This will reduce the risk and cost of managing the infrastructure and the sole reliance on key individuals in the team

Financial review

Consolidated results for the year

There have been a number of factors which have impacted on the statutory results, principally the treatment of Inca as a discontinued activity following the agreement to sell the business in January 2011 and the impact of the impairment of £4,500,000 of the Xploite business and strategic, integration and other one off costs. In order to understand better and present the results on a comparable basis, results including Inca have also been included in the numbers given below and the results have been provided on an adjusted basis which excludes the impact of the Xploite impairment and strategic, integration and other one off costs. The discontinued results also include the results of the South African subsidiary which was disposed in July 2011.

A summary of the trading results of the continuing and discontinued operations is set out below:

	2011			2010		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Revenue	2,631	9,710	12,341	2,279	4,886	7,165
Gross profit	691	3,495	4,186	335	2,019	2,354
Adjusted* EBITDA	(1,481)	1,165	(316)	(1,599)	(53)	(1,652)
Depreciation	(5)	(64)	(69)	(8)	(36)	(44)
Amortisation and impairment of intangible assets	(4,788)	(406)	(5,194)	(393)	(192)	(585)
Strategic, integration and other one off items	(1,500)	(232)	(1,732)	(262)	(492)	(754)
Operating (loss)/profit	(7,774)	463	(7,311)	(2,262)	(773)	(3,035)
Net finance cost	(27)	(115)	(142)	0	(34)	(34)
(Loss)/profit before tax	(7,801)	348	(7,453)	(2,262)	(807)	(3,069)
Tax	159	110	269	2	54	56
(Loss)/profit for the year	(7,642)	458	(7,184)	(2,260)	(753)	(3,013)
Other comprehensive income	-	81	81	-	22	22
Total comprehensive (loss)/profit for the year	(7,642)	539	(7,103)	(2,260)	(731)	(2,991)

*Adjusted for strategic, integration and other one off items as detailed in note 7.

Revenue

Total group revenue (including discontinued operations) for the year increased from £7,165,000 to £12,341,000 (72%). Revenue from continuing operations increased from £2,279,000 to £2,631,000. The revenue from continuing operations is split as follows:

	Avisen £'000	Storage Fusion £'000	Total £'000
Year ended 31 January 2011	2,401	230	2,631
Year ended 31 January 2010	2,279	-	2,279

Avisen's revenues have improved on the prior year by £122,000 (5%) mainly as a result of increased consulting sales on Acorn pilot projects. Storage Fusion was acquired in April 2010 and therefore there was no turnover in the prior year. Storage Fusion revenues comprise sales of its SRA software.

Operating loss

The Group made an operating loss in the year of £7,774,000 from continuing operations (2010: £2,262,000). Whilst the underlying Adjusted EBITDA has improved in the year, the current year had a significant impairment charge of £4,500,000 along with a number of strategic, integration and other one off costs of £1,500,000 which are mainly as a result of the Xploite acquisition and one off costs such as redundancy. Further details of these items are given below.

Adjusted* EBITDA

Focusing on the Group's key performance measure** of adjusted EBITDA, the following analysis by business segment can be provided:

Year ended 31 January 2011

	Continuing operations			Discontinued operations		Total £'000
	Head office £'000	Avisen £'000	Storage Fusion £'000	Inca £'000	South Africa £'000	
	Adjusted* EBITDA	(1,293)	(61)	(127)	1,373	

Year ended 31 January 2010

	Continuing operations		Discontinued operations		Total £'000
	Head office £'000	Avisen £'000	Inca £'000	South Africa £'000	
	Adjusted* EBITDA	(1,034)	(565)	179	

Adjusted EBITDA results improved on the prior year for all trading entities. Taking the main trading entities, Avisen improved from an Adjusted EBITDA loss of £565,000 in 2010 to a loss of £61,000 and Inca improved from an Adjusted EBITDA of £179,000 to £1,373,000. Storage Fusion (which was acquired in the year) made a small EBITDA loss of £127,000. Head office costs increased from £1,034,000 to £1,293,000 which was mainly as a consequence of additional Director costs in the first half of the year following the Xploite acquisition.

** in the prior year the main key performance measure was EBITA. This performance measure is not significantly different to EBITDA as the depreciation charge in the businesses is small. It is the Board's intention to continue with the EBITDA performance measure going forward.

Amortisation and impairment of intangible assets

Included within the 2011 figure of £5,194,000 is a £4,500,000 goodwill impairment charge arising in relation to the Xploite acquired goodwill. The acquisition comprised the trading business and SRA software of Storage Fusion Limited and the assets and liabilities of the other entities within the Xploite Group, including cash and deferred consideration receivable. The provisional fair value of the net assets acquired was £3,685,000. The residual goodwill of £5,632,000 represented the value of Xploite's management team, which were taken on board to execute a buy and build strategy; and the potential synergies that Storage Fusion would bring to Avisen. Since the majority of Xploite's original management team are no longer with the Group and the Company is now following a revised strategy, it was appropriate for the Board to consider whether the goodwill of £5,632,000 was impaired. Following a review of this, the Board has impaired the goodwill by £4,500,000.

Strategic, integration and other one off items

In accordance with the Group's policy, these costs were significant in the year and therefore they have been analysed separately in note 7. The main components are:

Continuing operations

Strategic costs of £496,000 (2010: Nil) – The main proportion of these costs are professional and advisor fees in relation to the Xploite acquisition. In accordance with IFRS 3 (Revised) such costs are no longer able to be capitalised as part of the cost of acquisition.

Costs of duplication and integration £1,004,000 (2010: £100,000) – This cost mainly represents redundancy and compromise costs.

Discontinued operations

Costs of duplication and integration £232,000 (2010: £12,000) – This cost represents redundancies in the Inca business.

Tax

The tax credit of £269,000 in the year relates to £132,000 of deferred tax on the amortisation of intangible assets and £137,000 in relation to current tax rebates.

Other comprehensive income

Other comprehensive income of £81,000 comprises a gain on disposal of the South Africa business of £142,000 coupled with an exchange gain loss of £61,000 (2010: £22,000).

Consolidated statement of financial position

The Group's financial position at 31 January 2011 is set out in the Consolidated Statement of Financial Position. In accordance with IFRS, the financial position for Inca Software, the subsidiary which was disposed on 1 April 2011, has been disclosed within the category 'Held for Sale' (refer to note 23). This means that all assets and liabilities in relation to Inca have been classified either within current assets or current liabilities i.e. no asset or liability is classified as non-current.

Non-current assets

The most significant component of non-current assets at 31 January 2011 is the intangible asset balance of £3,014,000 (2010: £9,369,000). This relates to goodwill and intangible assets in relation to the Avisen and Storage Fusion businesses. Goodwill was assessed for impairment at the year end and the balances stated above are net of an impairment charge of £4,500,000. The Board are comfortable with the carrying amounts of Goodwill and Intangible assets which are being carried forward. The 2010 figures include goodwill and intangible assets in relation to Inca which are disclosed within current assets in 2011.

Current assets

The Group has current assets of £11,840,000 at 31 January 2011 (2010: £3,372,000). The increase in current assets is mainly as a result of classifying goodwill and intangible assets in relation to Inca of £7,699,000 as current assets. These were classified as non-current assets in the prior year.

Liabilities

The Group has total current liabilities of £7,572,000 at 31 January 2011 (2010: 7,084,000). The increase in current liabilities is largely attributable to the inclusion of Inca's deferred tax liability of £421,000 which was classified as a non-current liability in 2010.

Non current liabilities

The Group's non-current liabilities decreased from £636,000 in 2010 to £294,000 in 2011 mainly as a result of the reclassification of the Inca deferred tax as well as a reduction in overall borrowings.

Shareholders' equity

Shareholders' equity is set out in the consolidated statement of changes in equity. Key points to note in the year are the shares issued in association with the Xploite plc acquisition and the increase in the merger reserve as a result of this. Total shareholder's equity increased from £5,122,000 at 31 January 2010 to £7,007,000 at 31 January 2011.

Consolidated statement of cash flows

The Group's cash flows are set out within the Consolidated Statement of Cash Flows. Key points to note are as follows:

Cash flows from operating activities

The group used cash of £604,000 to fund its operating activities. However, this figure includes cash costs in relation to strategic, integration and other one of items of £1,500,000. Excluding these costs, the Group would have generated cash from operations of £896,000 in the year.

Cash flows from Investing activities

The acquisition of Xploite plc gave rise to a cash inflow of £2,291,000. This arises as a result of the cash acquired net of costs of acquisition. The disposal of the subsidiary in South Africa gave rise to a cash outflow of £405,000 which reflects the cash balance disposed and associated costs of disposal.

Cash flows from Financing activities

£401,000 of borrowings and debt were repaid in the year.

Net funds/(debt)

Overall, £302,000 of cash was generated in the year. Along with the repayment of certain debt in the year, the Group is in a net funds balance at the end of the year of £231,000 (2010: £480,000 net debt).

Following the disposal of Inca in April 2011, the Group's net funds position has significantly improved and all debt has been repaid.

Key Performance Indicators (KPIs)

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

Growth in revenues
 Growth in total gross profit
 Growth in total adjusted EBITDA**

** This was noted as adjusted EBITA in the 2010 – KPI would still have been met on this basis as depreciation charge is small (see comment above).

The Group has considered the above KPI's for the two main segments of the business which were trading in both 2010 and 2011, Avisen and Inca. The KPI's are set out below:

		Avisen 2011 £'000	Avisen 2010 £'000	Difference £'000	%
	KPI Met				
Revenue	Yes	2,401	2,279	122	5%
Gross profit	Yes	461	335	126	38%
EBITDA	Yes	(61)	(565)	504	(89%)

		Inca 2011 £'000	Inca* 2010 £'000	Difference £'000	%
	KPI Met				
Revenue	Yes	9,076	7,752	1,324	17%
Gross profit	No	3,525	3,794	(269)	(7%)
EBITDA	Yes	1,373	358	1,015	284%

*12 month equivalent, Inca acquired in August 2009

Group prospects and future developments

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

- Improve organic growth in the Avisen business
- Improve organic growth in the Storage Fusion business
- Identify key acquisition targets which complement the current existing businesses

Directors' report

The Directors present their annual report on the affairs of the Company and the Group, together with the audited financial statements and the independent auditors' report for the year ended 31 January 2011 in accordance with International Financial Reporting Standards (IFRS's) as adopted by the EU.

Results and dividends

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

The Directors do not recommend the payment of a dividend (2010: £Nil).

Business review and future developments

The requirements of the business review have been considered within the Chairman's statement on pages 3 and 4 and business and financial reviews on pages 5 to 12.

Principal activities

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

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

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

In April 2010, the Group acquired Xploite plc and its subsidiary undertaking Storage Fusion Limited whose SRA software solution provides comprehensive analytics for enterprise data centre storage environments through a SaaS model.

The Group also disposed of its loss making subsidiary undertaking in South Africa in July 2011.

Details of the business activities and acquisitions made during the year can be found in the business and financial review on pages 5 to 12 and in note 21 to the financial statements.

Changes in share capital

Details of movement in share capital are set out in note 17 to the financial statements.

Post balance sheet events

On 1 April 2011 the Group sold its wholly owned subsidiary Inca Software Limited for £7.3m in cash. Further details of this are in note 28.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business and financial review on pages 5 to 12 along with the Company's financial position and its cash flows. In addition, note 3 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk. As highlighted in note 2 to the financial statements, the Company will use the cash resources it has following the disposal of Inca Software Limited to meet its day to day working capital requirements.

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

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and officers' liability insurance in respect of itself and its Directors.

Policy for payment of creditors

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

At 31 January 2011 the Company's main suppliers, in respect of continuing activities, had an average of 61 days (2010: 73 days) purchases outstanding in trade payables.

At 31 January 2011 the Group's main suppliers, in respect of continuing activities, had an average of 29 days (2010: 67 days) purchases outstanding in trade payables.

Employees

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

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

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

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

Donations

The Group and Company did not make any donations in the year (2010: £nil).

Directors

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

I Smith (Executive Chairman)	Resigned 2 February 2010, re-appointed 27 April 2010, Resigned 21 July 2010
M Hanke	
T Weaver	Appointed 27 April 2010, Resigned 21 July 2010
C Milverton	Appointed 20 May 2010
J Hill	Appointed 22 July 2010
M Yeoman (Non-Executive)	
M Frank (Non-Executive)	Appointed 20 May 2010, Resigned 21 July 2010
M Battles (Non-Executive)	Appointed 26 July 2010
R Arrowsmith	Appointed 27 April 2010, Resigned 20 May 2010
L Peacock	Resigned 20 May 2010
K Jones	Appointed 4 March 2009, Resigned 27 April 2010
J Claydon	Resigned 27 April 2010

At the forthcoming Annual General Meeting in accordance with the Company's Articles of Association, M Hanke will retire by rotation and being eligible, will offer himself for re-election.

Substantial interests

The Directors have been notified of the following substantial shareholdings in excess of 3% of the ordinary share capital of the Company as at 11 July 2011.

	No. or ordinary shares	Percentage
M Hanke *	28,936,314	12.8%
J Goodman **	7,802,501	3.4%
I Stone ***	10,899,520	4.8%
T1ps Investment Management	30,024,266	13.3%

* shares held by Strand Nominees Limited and HSDL Nominees Limited

** shares held by BBHISL Nominees Limited

*** shares held by TD Waterhouse Nominees

Except as referred to above, the Directors are not aware of any person who was interested in 3% or more of the issued share capital of the Company or could directly or indirectly, jointly or severally, exercise control.

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

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Principal risks and uncertainties

For further details on principal risks and uncertainties, refer to the business and financial review on pages 5 to 12.

Financial instruments

Financial risk management objectives and policies

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

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

Cash flow and interest rate risk

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

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

Credit risk

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

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

Liquidity risk

The Group's objective is to maintain sufficient funds to support the ongoing strategic and trading activities of the Group. The detailed forecasting is carried out at local level in the operating companies of the Group. This is combined into a group cash flow forecast. The Group forecasts are compared to available facilities to ensure that sufficient headroom is anticipated.

Price risk

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

Capital risk management

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

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

Auditors and disclosure of information to auditors

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

Independent Auditors

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

Annual General Meeting

Notice of the annual general meeting to be held on 8 September 2011 is set out in the circular included with this document.

Signed by order of the board

.....
M Hanke
26 July 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVISEN PLC

We have audited the Group financial statements of Avisen plc for the year ended 31 January 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 15, 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 January 2011 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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 Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

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

- 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.

Other matter

We have reported separately on the parent company financial statements of Avisen plc for the year ended 31 January 2011.

Miles Saunders (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
26 July 2011

Avisen plc
Consolidated statement of comprehensive income
Year ended 31 January 2011

	Note	2011 £'000	2010 £'000
Revenue	5	2,631	2,279
Cost of sales		(1,940)	(1,944)
Gross profit		691	335
Administrative expenses		(8,465)	(2,597)
		(7,774)	(2,262)
Adjusted* EBITDA		(1,481)	(1,599)
Less: depreciation		(5)	(8)
Adjusted* EBITA		(1,486)	(1,607)
Less: amortisation and impairment of intangible assets		(4,788)	(393)
Less: strategic, integration and other one off items	7	(1,500)	(262)
Operating loss	6	(7,774)	(2,262)
Finance income	8	-	9
Finance costs	8	(27)	(9)
Net finance cost		(27)	-
Loss before tax		(7,801)	(2,262)
Tax credit	9	159	2
Loss from continuing operations	5	(7,642)	(2,260)
Discontinued operations			
Profit/(loss) from discontinued operations	5	458	(753)
Loss for the year	18	(7,184)	(3,013)
Other comprehensive income			
Exchange differences arising on translation of net assets of foreign operations	18	(61)	22
Gain on disposal of subsidiary undertaking	22	142	-
Other comprehensive income for the year, net of tax		81	22
Total comprehensive loss			
Loss for the year	18	(7,184)	(3,013)
Total comprehensive loss attributable to equity shareholders of the Company		(7,103)	(2,991)
Loss per ordinary share expressed in pence per ordinary share from continuing operations:			
Basic	24	(3.69)	(1.73)
Diluted	24	(3.69)	(1.73)
Loss per ordinary share expressed in pence per ordinary share from operations:			
Basic	24	(3.47)	(2.36)
Diluted	24	(3.47)	(2.36)

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

Avisen plc
Consolidated statement of financial position
As at 31 January 2011

Registered number: 5429800

	Notes	2011 £'000	2010 £'000
Assets			
Non-current assets			
Intangible assets including goodwill	10	3,014	9,369
Property, plant and equipment	11	19	101
Total non-current assets (excluding assets classified as held for sale)		3,033	9,470
Current assets			
Trade and other receivables	12	1,179	3,189
Cash and cash equivalents	13	419	183
Total current assets (excluding assets of disposal group classified as held for sale)		1,598	3,372
Assets of disposal group classified as held for sale	23	10,242	-
Total current assets		11,840	3,372
Total assets		14,873	12,842
Liabilities			
Current liabilities			
Trade and other payables	14	(3,271)	(6,521)
Borrowings	15	(44)	(563)
Total current liabilities (excluding liabilities of disposal group classified as held for sale)		(3,315)	(7,084)
Liabilities of disposal group classified as held for sale	23	(4,257)	-
Total current liabilities		(7,572)	(7,084)
Non-current liabilities			
Borrowings	15	(62)	(100)
Deferred tax	16	(232)	(536)
Total non-current liabilities		(294)	(636)
Total liabilities		(7,866)	(7,720)
Net assets		7,007	5,122
Share capital and reserves			
Share capital	17	11,335	7,162
Share premium account	17	6,455	6,463
Own shares held	17	(306)	-
Share based payment reserve	18	387	951
Merger reserve	18	10,006	4,830
Reverse acquisition reserve	18	(11,584)	(11,584)
Currency translation reserve	18	(39)	22
Accumulated losses	18	(9,247)	(2,722)
Total equity attributable to shareholders of the parent		7,007	5,122

The financial statements on pages 18 to 54 were approved and authorised for issue by the Board on 26 July 2011 and signed on its behalf by:

.....
C Milverton
Director

Avisen plc
Consolidated statement of changes in equity
Year ended 31 January 2011

	Share Capital	Share Premium	Share	Own shares held	Share Based Payments Reserve	Merger Reserve	Acquisition Reserve	Reverse Acquisition Reserve	Currency Translation Reserve	Accumulated losses	Total
Balance at 1 February 2010	7,162	6,463	-	-	951	4,830	(11,584)	-	22	(2,722)	5,122
Comprehensive income											
Loss for the year	-	-	-	-	-	-	-	-	-	(7,184)	(7,184)
Other comprehensive income											
Gain on disposal of subsidiary (note 22)	-	-	-	-	(122)	-	-	-	-	142	20
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	(61)	-	(61)
Total other comprehensive income	-	-	-	-	(122)	-	-	-	(61)	142	(41)
Total comprehensive income	-	-	-	-	(122)	-	-	-	(61)	(7,042)	(7,225)
Transactions with owners											
Shares issued in the year (note 17)	4,173	(8)	-	-	75	-	-	-	-	-	4,240
Premium on issuance of shares to acquire subsidiary (note 18)	-	-	-	-	-	5,176	-	-	-	-	5,176
Transfer on lapse of share based payment (note 18)	-	-	-	-	(517)	-	-	-	-	517	-
Shares held in treasury resulting from disposal of subsidiary (note 22)	-	-	-	(306)	-	-	-	-	-	-	(306)
Balance at 31 January 2011	11,335	6,455	(8)	(306)	387	10,006	(11,584)	(39)	(9,247)	(9,247)	7,007
Balance at 1 February 2009	25	329	-	-	-	-	-	-	-	291	645
Comprehensive income											
Loss for the year	-	-	-	-	-	-	-	-	-	(3,013)	(3,013)
Other comprehensive income											
Elimination of legal subsidiary's share capital and share premium on reverse acquisition	(25)	(329)	-	-	-	-	354	-	-	-	-
Introduction of legal parent's shareholders equity eliminating the brought forward reserves to the reverse acquisition reserve	1,187	5,968	-	-	63	-	(5,794)	-	-	-	1,424
Elimination of legal parent's investment on reverse acquisitions allowing for goodwill	-	-	-	-	-	-	(6,144)	-	-	-	(6,144)
Premium on issuance of shares to acquire subsidiary	-	-	-	-	-	4,830	-	-	-	-	4,830
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	22	-	22
Total other comprehensive income	1,162	5,639	-	-	63	4,830	(11,584)	-	22	-	132
Total comprehensive income	1,162	5,639	-	-	63	4,830	(11,584)	-	22	(3,013)	(2,881)
Transactions with owners											
Shares issued in the year	5,975	657	-	-	-	-	-	-	-	-	6,632
Cost of issuing warrants	-	(162)	-	-	-	-	-	-	-	-	(162)
Share based payment credit	-	-	-	-	(63)	-	-	-	-	-	(63)
Share based payment - issue of options and warrants	-	-	-	-	951	-	-	-	-	-	951
Balance at 31 January 2010	5,975	495	-	-	888	-	-	-	-	-	7,358
Balance at 31 January 2011	7,162	6,463	-	-	951	4,830	(11,584)	-	22	(2,722)	5,122

Avisen plc
Consolidated statement of cash flows
Year ended 31 January 2011

	Notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Cash used in operations	(a)	(604)	(1,122)
Interest received		-	11
Interest paid		(142)	(91)
Tax paid		(77)	(93)
Net cash used in operating activities		(823)	(1,295)
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	21	2,291	663
Disposal of subsidiaries (net of cash disposal)		(405)	-
Purchase of intangible assets		-	(23)
Purchase of property, plant and equipment		(175)	(26)
Expenditure on product development		(185)	(17)
Proceeds from sale of property, plant and equipment		-	5
Net cash generated from investing activities		1,526	602
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		-	500
Increase in overdraft		-	105
(Increase)/decrease in factoring account		(144)	(9)
Finance lease principal payments		(7)	(5)
Repayment of borrowings		(250)	(92)
Net cash (used in)/generated from financing activities		(401)	499
Net decrease in cash and cash equivalents		302	(194)
Cash and cash equivalents at start of year		183	360
Effects of foreign exchange		8	17
Cash and cash equivalents at end of year	(b)	493	183
Classified as:			
Current assets		419	183
Assets held for sale (see note 23)		74	-

During the year the acquisition of Xploite plc and the disposal of Avisen Pty Limited constituted material non-cash transactions. See notes 21 and 22.

Cash flows from discontinued operations can be summarised for each of the main cash flow headings as follows:

	2011 £'000	2010 £'000
Cash flows from operating activities		
Net cash (used in)/generated from operating activities	(651)	267
Cash flows from investing activities		
Net cash used in investing activities	(571)	(15)
Cash flows from financing activities		
Net cash used in investing activities	(244)	-

Notes to the consolidated statement of cash flows

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

	2011 £'000	2010 £'000
Continuing operations		
Loss before tax	(7,801)	(2,262)
Adjustments for:		
Depreciation charge	5	8
Loss on disposal of property, plant and equipment	-	1
Amortisation and impairment	4,788	393
Share based payment charge	-	250
Decrease in trade and other receivables	3,123	634
Decrease in trade and other payables	(1,268)	(508)
Finance cost - net	27	80
		-
Cash used in continuing operations	(1,126)	(1,484)
Discontinued operations		
Net loss before tax	348	(807)
Adjustments for:		
Depreciation charge	64	36
Amortisation and impairment	406	192
Share based payment charge	-	480
Decrease/(increase) in trade and other receivables	(489)	(1,063)
Decrease/increase in trade and other payables	78	1,490
Finance cost - net	115	80
Gain on bargain purchase	-	(46)
Cash generated from discontinued operations	522	(362)
Cash used in operations	(604)	(1,122)

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

	2011 £'000	2010 £'000
Decrease/(increase) in cash in the year	302	(194)
Net cash inflow/(outflow) from increase in bank loans	250	(4)
Net cash outflow in respect of factoring	144	-
Cash outflow in respect of finance leases	7	5
Changes resulting from cash flows	703	(193)
Loans and finance leases acquired with subsidiary	-	(354)
Factoring account acquired with subsidiary	-	(310)
Effect of foreign exchange	-	17
Change in net funds/(debt)	703	(840)
Net (debt)/ funds at beginning of year	(480)	360
Net funds/(debt) at end of year	223	(480)
Analysis of net funds/(debt)		
Cash and cash equivalents classified as:		
- Current assets	419	183
- Assets held for sale	74	-
Hire purchase and finance lease obligations	-	(7)
Factoring account	(156)	(300)
Bank loans and overdraft	(106)	(356)
Net funds/(debt) at end of year	231	(480)

Notes to the financial statements
For the year ended 31 January 2011

1 General information

The consolidated financial statements of the Group for the year ended 31 January 2011 comprise Avisen plc ('the Company') and its subsidiaries (together 'the Group').

The principal activities of the Company and its subsidiaries are described within the Directors' report, pages 13 to 16.

The Company is a public limited company which is listed on the AIM London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is Sterling House, 20 Station Road, Gerrards Cross, Buckinghamshire, SL9 8EL.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently throughout the year except where otherwise indicated.

Basis of preparation

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

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

Going Concern

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

Following the sale of Inca Software in April 2011, the Group received £6m of cash consideration. There is also a further £1.3m due in April 2012. The Group will use this cash to meet its day-to-day working capital requirements.

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

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

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

Standards, amendments and interpretation

IFRS 3 (revised) 'Business Combinations'. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. All acquisition-related costs are expensed.

IFRS 5 'Non-current assets held for sale and discontinued operations' (amendment)

The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.

IAS 36 (amendment), 'Impairment of assets, effective 1 January 2010. The amendment clarifies that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments'

IAS 7 (Amendment) 'Statement of Cash Flows' - Amendment to require that only expenditure that results in a recognised asset in the balance sheet can be classified as investing activities.

Standards affecting presentation and disclosure

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

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

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

IFRS 2 'Group cash settled share-based payment transactions' (amendment)
IAS 17 'Leases'(amendment)
IAS 27 'Consolidated and separate financial statements' (revised)
IAS 28 'Investments in associates' (amendment)
IAS 31 'Investments in joint ventures' (amendment)
IFRIC 17 'Distribution of non-cash assets to owners'
IFRIC 18 'Transfers of assets from customers'

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 February 2011 or later periods, but the Group and company have not adopted them early:

IFRS 1 (amendment) 'First-time adoption of international reporting standards'
IFRS 7 (amendment) 'Financial instruments: disclosures'
IFRS 9 'Financial Instruments – Classification and measurement'
IAS 1 (amendment) 'Presentation of financial statements'
IAS 24 (revised) 'Related party disclosures'
IAS 32 (amendment) 'Financial instruments presentation'
IAS 34 (amendment) 'Interim financial reporting'
IFRIC 14 'The limit on a defined benefit asset'
IFRIC 19 'Extinguishing financial liabilities with equity instruments'

Basis of consolidation

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

Business combinations

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

Disposal groups – held for sale

Disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sales transaction and a sale is considered highly probable. They are at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable.

Segment reporting

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group Companies

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

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

(d) Goodwill and intangibles

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

Revenue recognition

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

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

Software Licence Revenue

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

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

Support and Maintenance

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

Professional Services

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

Interest income

Interest income is recognised on an accruals basis.

Deferred costs and deferred revenues

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

Strategic integration and other one off items

The Company has certain strategic, integration and other one off items e.g. acquisition costs, compromise agreements and redundancy payments. Management has disclosed these separately to enable a greater understanding of the underlying profitability/(loss) of the trading business so that the underlying run rate of the businesses can be established and compared on a like for like basis each year.

The policy of the Group is to separately disclose the following:

- Strategic costs e.g. costs of due diligence on acquisitions which can not be capitalised under IFRS 3 (revised) and costs of other strategic items such as aborted due diligence costs.
- Integration costs, such as duplicate costs, or redundancy and compromise payment costs.
- One off items that will affect the underlying profitability of the business.

Adjusted profit is the profit prior to the charge of strategic, integration and other one off items.

Current and deferred income tax

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

Current tax

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

Deferred tax

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

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

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

Intangible assets

(a) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the excess is recognised immediately in profit and loss as a bargain purchase gain. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is charged to the statement of comprehensive income and is not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units ("CGU's") for the purpose of impairment testing. The allocation is made to those CGU's that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(b) Other intangible assets

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

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

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

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated impairment losses. Internally generated intangibles assets consist of development costs.

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

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

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

Impairment of non-financial assets

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

Property, plant and equipment

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

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

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

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

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

Financial assets

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

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

(a) Trade and other receivables

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

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

(b) Cash and cash equivalents

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

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

Financial liabilities

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

(a) Trade and other payables

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

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

Borrowings

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

Share capital

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

Employee benefits

(a) Pensions

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

(b) Share based payments

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

recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

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

Leases

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

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

3 Financial instruments

Financial risk factors

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

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

(a) Foreign currency risk

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

During the year, the Group had operating subsidiaries in the Netherlands and South Africa, whose revenues and expenses are respectively denominated in Euros and South African RAND.

The Sterling balance sheet is exposed to potential foreign currency losses on translation of the net assets of these subsidiaries. At 31 January 2011 the South African subsidiary had been disposed. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting year are as follows:

	Net Assets	
	At 31 January 2011 CU'000	At 31 January 2010 CU'000
Euro	12	87
South African RAND	-	(1,884)

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

	Euro currency impact		South African RAND currency impact	
	At 31 January 2011 CU'000	At 31 January 2010 CU'000	At 31 January 2011 CU'000	At 31 January 2010 CU'000
Profit or (loss)	1	5	-	(68)
Net (liabilities)/assets	(1)	(7)	-	14

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

(b) Cash flow and fair value interest rate risk

The Group's exposure to risk for changes in interest rates related primarily to the Group's bank loan and factoring account. The Group's exposure to interest rate risk is limited given the level of debt in place.

	At 31 January 2011 £'000	At 31 January 2010 £'000
Financial Liabilities		
Fixed rate	-	100
Variable rate	262	556
	262	656

There is no interest on trade and other payables at 31 January 2011. At 31 January 2011 £156,000 (2010: £300,000) of financial liabilities related to Inca, although these have been classified within the disposal group (see note 23). Following the disposal of Inca in April 2011, the Group has no interest bearing financial liabilities with its statement of financial position.

Sensitivity analysis

If the base rate in the UK had increased by 100% (i.e. if it had doubled), the interest rate payable by the Group on its variable rate borrowings would have been approximately 9.5% higher.

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

	At 31 January 2011 £'000	At 31 January 2010 £'000
Financial Assets		
Cash at bank	419	183

At 31 January 2011, the Group had Sterling cash of £419,000 (2010: £55,000), Euro cash of €14,000 (2010: €15,000) and South African cash of ZAR nil (2010: ZAR1,399,000) and US\$3,000 (2010: \$nil). Cash is placed upon deposit at the best market rates available should an excess above that required for working capital be held.

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

(c) Credit risk

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

The table below shows the ageing of customer receivables at the balance sheet date (shown net of provision of impairment).

	2011	2010
	Balance	Balance
	£'000	£'000
Current	383	1,200
Up to 3 months overdue	73	899
3 to 6 months overdue	7	71
6 to 12 months overdue	-	-
> 12 months overdue	11	-
	474	2,170

(d) Liquidity risk

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

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

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

At 31 January 2011	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Borrowings	44	62	-
Trade and other payables*	3,046	-	-
	3,090	62	-
*Excludes deferred income as not a financial liability as there is no obligation to pay cash.			
At 31 January 2010	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Borrowings	263	83	17
Other borrowings - factoring	300	-	-
Trade and other payables	4,604	-	-
	5,167	83	17

(e) Capital risk

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

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

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

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain the gearing ratio below 50%.

	2011	2010
	£'000	£'000
Capital risk management		
Total borrowings	106	663
Less: cash and cash equivalents	(419)	(183)
Net (funds)/debt	(313)	480
Total equity	7,007	5,122
Total capital	6,694	5,602
Gearing ratio	Not applicable	8.6%

There is no gearing at 31 January 2011 as the Company had more cash and cash equivalents than borrowings at this date.

(f) Market risk

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

4 Significant accounting estimates and judgements

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

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

Revenue recognition

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

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use. Management have also had to make significant estimates and judgements when putting together the budgets and projections which are used in the value in use calculations. These judgements are mainly in relation to projected revenues and margins. Refer to note 10 for further details of the impairment charge in the year.

Valuation of intangible assets

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

Share-based payments

The Company issues share-based payments to certain employees. The fair value and the vesting periods use management assumptions in their calculation. While management believes that the assumptions used are appropriate, a change in the assumptions used would impact the results of the Company. Refer to note 19 for further details of share based payments.

5(a) Segmental information

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

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

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDA and adjusted EBITA. This measurement basis excludes the effects of strategic, integration and other one off items from the operating segments.

The segment information provided to the Board for the reportable segments for the year ended 31 January 2011 is as follows:

31 January 2011	Head Office £'000	Avisen £'000	Storage Fusion £'000	Total £'000
Continuing operations				
Revenue	-	2,597	230	2,827
Less intersegment sales	-	(196)	-	(196)
Total revenue from third parties	-	2,401	230	2,631
Cost of sales	-	(1,940)	-	(1,940)
Gross profit	-	461	230	691
Total administrative expenses	(7,221)	(559)	(685)	(8,465)
Adjusted EBITDA	(1,293)	(61)	(127)	(1,481)
Less: depreciation	-	-	(5)	(5)
Adjusted EBITA	(1,293)	(61)	(132)	(1,486)
Less: amortisation and impairment of intangible assets	(4,500)	(25)	(263)	(4,788)
Less: strategic, integration and other one-off items	(1,428)	(12)	(60)	(1,500)
Total operating loss	(7,221)	(98)	(455)	(7,774)
Finance income	-	-	-	-
Finance cost	(7)	(20)	-	(27)
Net finance cost	(7)	(20)	-	(27)
Loss before tax	(7,228)	(118)	(455)	(7,801)
Tax credit	-	137	22	159
Loss for the year from continuing operations	(7,228)	19	(433)	(7,642)

Although South Africa did not meet the definition of an operating segment at year end, its results are shown below for comparative purposes.

	Inca £'000	South Africa £'000	Total £'000
Discontinued operations			
Revenue	9,095	643	9,738
Less: intersegment sales	(19)	(9)	(28)
Total revenue from third parties	9,076	634	9,710
Cost of sales	(5,551)	(664)	(6,215)
Gross profit/(loss)	3,525	(30)	3,495
Total administrative expenses	(2,858)	(179)	(3,037)
Other operating income	4	1	5
Adjusted EBITDA	1,373	(208)	1,165
Less: depreciation	(64)	-	(64)
Adjusted EBITA	1,309	(208)	1,101
Less: amortisation and impairment of intangible assets	(406)	-	(406)
Less: strategic, integration and other one-off items	(232)	-	(232)
Total operating profit/(loss)	671	(208)	463
Finance income	-	-	-
Finance cost	(115)	-	(115)
Net finance cost	(115)	-	(115)
Profit/(loss) before tax	556	(208)	348
Tax	110	-	110
Post tax profit/(loss) from discontinued activities	666	(208)	458

31 January 2011	Head Office £'000	Avisen £'000	Storage Fusion £'000	Inca £'000	Total £'000
Segment assets	367	2,129	2,137	10,242	14,875
Segment liabilities	(2,911)	(917)	(204)	(3,836)	(7,868)
Segment net assets/(liabilities)	(2,544)	1,212	1,933	6,406	7,007

31 January 2010	Head Office £'000	Avisen £'000	Total £'000
Continuing operations			
Revenue	-	2,573	2,573
Less: intersegment sales	-	(294)	(294)
Total revenue from third parties	-	2,279	2,279
Cost of sales	-	(1,944)	(1,944)
Gross profit	-	335	335
Total administrative expenses	(974)	(1,623)	(2,597)
Adjusted EBITDA	(1,034)	(565)	(1,599)
Less: depreciation	(3)	(5)	(8)
Adjusted EBITA	(1,037)	(570)	(1,607)
Less: amortisation and impairment of intangible assets*	-	(393)	(393)
Less: strategic, integration and other one off items*	63	(325)	(262)
Total operating loss	(974)	(1,288)	(2,262)
Finance income	8	1	9
Finance cost	(1)	(8)	(9)
Net finance cost	7	(7)	-
Loss before tax	(967)	(1,295)	(2,262)
Tax credit		2	2
Loss for the year from continuing operations	(967)	(1,293)	(2,260)
	Inca £'000	South Africa £'000	Total £'000
Discontinued operations			
Revenue	3,911	1,259	5,170
Less: intersegment sales	(35)	(249)	(284)
Total revenue from third parties	3,876	1,010	4,886
Cost of sales	(1,979)	(888)	(2,867)
Gross profit	1,897	122	2,019
Total administrative expenses	(2,314)	(498)	(2,812)
Other operating income	10	10	20
Adjusted EBITDA	179	(232)	(53)
Less: depreciation	(29)	(7)	(36)
Adjusted EBITA	150	(239)	(89)
Less: amortisation and impairment of intangible assets*	(192)	-	(192)
Less: strategic, integration and other one off items*	(365)	(127)	(492)
Total operating loss	(407)	(366)	(773)
Finance income	-	2	2
Finance cost	(82)	-	(82)
Net finance cost	(82)	2	(80)
Gain on bargain purchase	-	46	46
Loss before tax	(489)	(318)	(807)
Tax credit	54	-	54
Post tax loss from discontinued activities	(435)	(318)	(753)

31 January 2010	Head Office £'000	Avisen £'000	Inca £'000	South Africa £'000	Total £'000
Segment assets	1,174	2,295	10,402	877	14,748
Segment liabilities	(960)	(2,043)	(5,592)	(1,031)	(9,626)
Segment net assets/(liabilities)	214	252	4,810	(154)	5,122

*The allocations in 2010 of amortisation and impairment of intangible assets and strategic, integration and other one of items have been revised in order to show these costs in respect of the related segment.

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

The amounts provided to the Board in the year ended 31 January 2011 with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. Assets are allocated based on the operations of the segment and the physical location of the asset. Liabilities are allocated based on the operations of the segment.

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

	2011	2010
	£'000	£'000
Continuing operations		
United Kingdom	2,256	1,949
Europe	68	330
Rest of World	307	-
	2,631	2,279
Discontinued operations		
United Kingdom	8,799	3,627
Europe	277	-
Rest of World	634	1,259
	9,710	4,886

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

		2011	2010
	Operating segment	£'000	£'000
Customer 1	Avisen	843	-
Customer 2	Avisen	-	345
Customer 3	Avisen	911	540
Customer 4	Avisen	-	204
Customer 5	Avisen	72	255

6(a) Operating loss

	Continuing operation 2011 £'000	Continuing operation 2010 £'000	Discontinued operations 2011 £'000	Discontinued operations 2010 £'000	Total 2011 £'000	Total 2010 £'000
Continuing operations						
Loss for the year is stated after charging:						
Wages and salaries	1,629	2,923	3,492	1,021	5,121	3,944
Social security costs	185	272	353	12	538	284
Other pension costs	21	17	29	-	50	17
Share based payment charge	-	500	-	230	-	730
Staff costs including executive directors and compromise agreements						
	1,835	3,712	3,874	1,263	5,709	4,975
Depreciation of property, plant and equipment:						
- owned assets	5	20	64	24	69	44
Amortisation of intangible assets	271	192	406	-	677	192
Impairment of intangible assets	4,517	393	-	-	4,517	393
Net foreign exchange losses/(gains)	(21)	20	2	-	(19)	20
Auditors remuneration:						
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	21	18	-	-	21	18
Fees payable to the Company's auditor and its associates for other services:						
- The audit of the Company's subsidiaries pursuant to legislation	45	23	-	38	45	61
- Other services pursuant to legislation	-	18	-	7	-	25
Hire purchase	-	-	17	5	17	5
Operating lease payments	106	45	159	114	265	159

6(b) Average monthly number of personnel employed (including executive directors)

	Continuing operation 2011	Continuing operation 2010	Discontinued operations 2011	Discontinued operations 2010	Total 2011	Total 2010
Directors	4	2	1	2	5	4
Consultants	5	19	18	39	23	58
Sales and marketing	3	5	14	20	17	25
Administration	2	2	6	6	8	8
Support	-	2	6	6	6	8
Software developers	6	-	-	-	6	-
	20	30	45	73	65	103

6(c) Directors emoluments

Details of individual executive directors' remuneration for the year is as follows:

	2011	2010
	£'000	£'000
Total executive directors emoluments	1,439	573

The individual emoluments which corresponds to the Directors in the current year is as follows, with the comparative shown for those directors only:

	Emoluments and compensation	Share options and other long term incentive schemes	Total 2011	Emoluments and compensation	Share options and other long term incentive schemes	Total 2010
	£'000	£'000	£'000	£'000	£'000	£'000
M Hanke*	180	-	180	170	-	170
I Smith	366	-	366	-	-	-
T Weaver	308	-	308	-	-	-
L Peacock	17	-	17	120	-	120
R Arrowsmith	126	-	126	-	-	-
C Milverton*	125	-	125	-	-	-
K Jones	175	-	175	47	7	54
J Hill* (note a)	142	-	142	-	-	-
	1,439	-	1,439	337	7	344

*Current executive director team.

Included within the total emoluments and compensation figure of £1,439,000 is £911,000 in relation to compensation for loss of office.

Note a - Includes emoluments received in the period prior to being appointed as a director.

No directors as at 31 January 2011 and 2010 were accruing benefits under a money purchase scheme.

The emoluments of the highest paid director were as follows:

	2011	2010
	£'000	£'000
Salaries and other short term benefits	366	170

No director exercised any share options in the year.

Details of individual non-executive directors' fees for the year is as follows:

	2011 Fees	2010 Fees
	£'000	£'000
J Claydon	29	10
M Yeoman	48	20
M Frank	4	-
M Battles	18	-
	99	30

The non-executive directors invoice for their services, which are paid to their personal consultancy businesses.

Personnel that meet the definition of key management personnel under IAS 24 are the Directors of Avisen Plc, as shown above, and the following personnel:

	Emoluments and compensation £'000	Share options and other long term incentive schemes £'000	Pension contributions £'000	Total 2011 £'000
I Stone	151	-	4	155

7 Strategic, integration and other one off items

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

	2011 £'000	2010 £'000
Continuing operations		
Strategic costs	496	-
Costs of duplication and integration	1,004	100
Other one off items*	-	162
Total - continuing operations	1,500	262
Discontinued operations:		
Costs of duplication and integration	232	12
Other one off items**	-	480
Total – discontinued operations	232	492
Total	1,732	754

* 2010 share based payments charge of £250,000 less a computer supplies credit of £88,000.

** 2010 share based payment charge of £480,000.

8 Finance income and costs

	Continuing operations 2011 £'000	Continuing operations 2010 £'000	Discontinued operations 2011 £'000	Discontinued operations 2010 £'000	Total 2011 £'000	Total 2010 £'000
Continuing operations						
Finance income						
Bank interest receivable	-	9	-	2	-	11
	-	9	-	2	-	11
Finance costs						
Interest expense						
- bank borrowings (including overdrafts)	(8)	(9)	-	-	(8)	(9)
- hire purchase and finance leases	-	-	(1)	(1)	(1)	(1)
- other interest	(9)	-	(4)	(7)	(13)	(7)
- factoring and bank charges	(10)	-	(110)	(74)	(120)	(74)
	(27)	(9)	(115)	(82)	(142)	(91)
Net finance cost	(27)	-	(115)	(80)	(142)	(80)

9 Income tax credit

	2011	2010
	£'000	£'000
Continuing operations		
Current tax	-	(2)
Adjustment in respect of prior years	(137)	-
Deferred tax (note 16)	(22)	(54)
	<u>(159)</u>	<u>(56)</u>
Discontinued operations		
Current tax	-	-
Deferred tax (note 16)	(110)	-
Total tax credit	<u>(269)</u>	<u>(56)</u>

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

	2011	2010
	£'000	£'000
Loss before tax – continuing operations	(7,801)	(2,262)
Profit/(loss) before tax – discontinued operations	348	(807)
	<u>(7,453)</u>	<u>(3,069)</u>
Loss before tax multiplied by the average effective rate of tax in the UK of 27% (2010: 28%)	(2,012)	(859)
Effect of:		
Expenses not deductible for tax purposes	997	342
Income tax not taxable	(15)	105
Capital allowances in excess of depreciation	(266)	(4)
Tax losses not utilised	1,185	254
Relief for gain on sale	(44)	-
Other timing differences	41	184
Adjustments to tax charge in respect of previous periods	(137)	(24)
Impact of change in tax rate	(18)	-
	<u>(269)</u>	<u>(2)</u>

10 Intangible assets including goodwill

	Goodwill	Brands	Customer and related contracts	Software	Development costs	Total
At 31 January 2011	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 February 2010	7,417	252	1,852	23	410	9,954
Additions	5,632	-	-	921	185	6,738
Disposals	(200)	-	-	-	-	(200)
At 31 January 2011	12,849	252	1,852	944	595	16,492
Impairment and amortisation						
At 1 February 2010	-	17	175	-	393	585
Impairment	4,500	-	-	-	17	4,517
Amortisation	-	36	370	243	28	677
Disposals	-	-	-	-	-	-
At 31 January 2011	4,500	53	545	243	438	5,779
Net book amount at 31 January 2011	8,349	199	1,307	701	157	10,713
Classified as follows:						
Current assets	2,156	-	-	701	157	3,014
Assets held for sale (see note 23)	6,193	199	1,307	-	-	7,699
	Goodwill	Brands	Customer and related contracts	Software	Development costs	Total
At 31 January 2010	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 February 2009	279	-	-	-	393	672
Additions	7,138	252	1,852	23	17	9,282
At 31 January 2010	7,417	252	1,852	23	410	9,954
Impairment and amortisation						
At 1 February 2009	-	-	-	-	-	-
Impairment	-	-	-	-	393	393
Amortisation	-	17	175	-	-	192
At 31 January 2010	-	17	175	-	393	585
Net book amount at 31 January 2010	7,417	235	1,677	23	17	9,369

Additions include goodwill of £5,632,000 (2010: £7,138,000) and software of £921,000 (2010: £Nil) in respect of business combinations.

The net book amount of development costs includes £185,000 (2010: £Nil) internally generated capitalised software development costs that meet the definition of an intangible asset.

The amortisation charge of £677,000 (2010: £192,000) and the impairment charge of £4,517,000 (2010: £393,000) are included in the administrative expenses in the income statement. The impairment charge represents the view of

the Directors in relation to the financial prospects of Xploite plc. The impairment in 2010 mainly relates to the Strategy GPS project which was considered no longer viable.

Impairment tests for goodwill and intangibles

Goodwill is allocated to the Group's cash-generating units (CGUs) identified. The basis of the allocation is made to those CGU's that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. A summary of the goodwill allocation is presented below.

	2011				2010			
	Avisen £'000	Inca £'000	Storage Fusion £'000	Total £'000	Avisen £'000	Inca £'000	South Africa £'000	Total £'000
Goodwill	1,024	6,193	1,132	8,349	1,024	6,193	200	7,417

Avisen and Storage Fusion - Basis for calculation of recoverable amount

The Group has prepared, and formally approved, a two year plan for each CGU except for Inca (refer to point below with respect to the disposal of Inca post year end). The detailed plan put together by the management team and the Board makes judgements and assessments on revenue and gross profit expectations. This is from both contracted and pipeline revenue streams. It also takes account of historic success of winning new work.

The key assumptions used in the value in use calculations are set out below:

	Year ended Jan-12	Year ended Jan-13	Year ended Jan-14	Subsequent Years
Avisen				
Revenue growth rate (on prior year)	68%	N/A	N/A	N/A
Increase/(decrease) in overhead costs (on prior year)	(23%)	N/A	N/A	N/A
EBIT Growth rates (on prior year)	N/A	5%	5%	2%
Discount rate	17%	17%	17%	17%
Storage Fusion				
Revenue Growth rates (on prior year)	304%	N/A	N/A	N/A
Increase in overhead costs	78%	N/A	N/A	N/A
EBIT Growth rates (on prior year)	N/A	78%	5%	2%
Discount rate	17%	17%	17%	17%

The rates used in the above assumptions are consistent with management's knowledge of the industry. The initial growth rates for Storage Fusion are higher than a business in the same sector as Storage Fusion is in a high growth 'Start up' phase. The assumptions noted above for January 2012 have been given in terms of revenue and overhead percentage growth on 2011 as the 2011 EBIT figures were both losses. For 2013, 2014 and subsequent years, the assumption has been provided in terms of growth on the prior year EBIT margin.

The growth rate for subsequent years of 2% does not exceed the long-term growth rate for the business in which the CGU operates. Discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The forecasts, are most sensitive to changes in EBIT margin.

In the Avisen business, if the EBIT margin was to fall by 57% compared to the budgeted EBIT margin then the recoverable amount would be equal to the carrying amount. The total amount that the recoverable amount exceeds its carrying amount is £3,599,000 on the basis of management assumptions.

In the Storage Fusion business an impairment charge of £4,500,000 was recognised in the statement of comprehensive income in the year. If the EBIT margin was to fall by 3% compared to the budgeted EBIT margin then

the recoverable amount would be equal to the carrying amount. For more details on the impairment charge, refer to note 21.

Inca – Basis of calculation of recoverable amount

Following the disposal of Inca post year end an impairment review was carried out using the proceeds received on the sale of the business in April 2011. This review did not indicate the need for an impairment. The amount that the recoverable amount exceeded its carrying amount was £2,137,000.

11 Property, plant and equipment

	Leasehold property improvements	Motor vehicles	Fixtures, fittings and equipment	Total
At 31 January 2011	£'000	£'000	£'000	£'000
Cost				
At 1 February 2010	26	-	209	235
Additions	5	-	170	175
Disposals	-	(66)	(33)	(99)
Acquisition of subsidiaries	-	66	18	84
Disposal of subsidiaries	(2)	-	(61)	(63)
At 31 January 2011	29	-	303	332
Amortisation and impairment				
At 1 February 2010	9	-	125	134
Charge for year	6	-	63	69
Disposals	-	-	(30)	(30)
Disposal of subsidiaries	-	-	(8)	(8)
At 31 January 2011	15	-	150	165
Net book amount at 31 January 2011	14	-	153	167
Classified as follows:				
Non-current assets	-	-	19	19
Assets held for sale (see note 23)	14	-	134	148

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

Depreciation expense of £69,000 (2010: £44,000) has been charged in administrative expenses.

12 Trade and other receivables

	2011	2010
Current	£'000	£'000
Trade receivables	614	2,457
Less: Provision for impairment of trade receivables	(140)	(287)
	474	2,170
Other receivables	418	244
Prepayments	287	775
	1,179	3,189

The fair value of the Group's trade receivables and other receivables is the same as its book value stated above. No interest is charged on overdue receivables.

At 31 January 2011, trade receivables of £474,000 (2010: £2,170,000) were fully performing. The Group has provided fully for all receivables which are not considered recoverable.

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

At 31 January 2011, trade receivables of £71,000 (2010: £974,000) were past due but not impaired. The ageing analysis of these customers is set out below. The balances relate to customers where there is no history of default and management believe that the receivables balance will be paid.

	2011	2010
	£'000	£'000
Up to 3 months overdue	60	837
3 to 6 months overdue	-	132
6 to 12 months overdue	-	5
> 12 months overdue	11	-
	71	974

As of 31 January 2011, trade receivables of £140,000 were impaired (2010: £287,000) and provided for. The provision relates to a number of small receivables.

The ageing of these receivables are as follows:

	2011	2010
	£'000	£'000
Current	-	4
Up to 3 months overdue	-	50
3 to 6 months overdue	-	3
6 to 12 months overdue	65	230
> 12 months	75	-
	140	287

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

	2011	2010
	£'000	£'000
At 1 February	287	-
Acquisitions	-	287
Movement	(112)	-
Disposal group	(35)	-
At 31 January	140	287

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

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

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

13 Cash and cash equivalents

	2011	2010
	£'000	£'000
Cash at bank and in hand	419	183

The fair value of the Group's cash and cash equivalents is the same as its book value stated above.

14 Trade and other payables

Current	2011	2010
	£'000	£'000
Trade payables	500	1,355
Other taxation and social security	566	1,200
Other payables	154	945
Accrued liabilities	1,826	1,104
Deferred income	225	1,917
	3,271	6,521

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

15 Borrowings

	2011	2010
	£'000	£'000
Current		
Bank borrowings	44	256
Other borrowings - factoring	-	300
Finance leases	-	7
	44	563
Non – current		
Bank borrowings	62	100
	62	100
Total borrowings	106	663

The maturity of total borrowings is as follows:

2011	Bank borrowings and overdrafts	Total
	£'000	£'000
Within one year	44	44
Between one and two years	62	62
	106	106

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

Bank borrowings

Interest on the bank borrowings is charged at 4.25% over Natwest's base rate. Interest on the other borrowings (held in the disposal group at 31 January 2011) is charged at 2.75% above LIBOR.

At 31 January 2011 and 31 January 2010 total bank borrowings were secured by a debenture comprising a fixed and floating charge over all the assets of the Group including book and other debts, chattels, goodwill and uncalled capital both present and future.

The bank overdraft facility available to the Group at 31 January 2011 was £400,000 (2010: £100,000).

Fair values

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant.

Foreign currency

The carrying amounts of all the Group's borrowings in both 2011 and 2010 are denominated in UK Sterling.

16 Deferred tax

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

	2011	2010
	£'000	£'000
Deferred tax liabilities		
Deferred tax liability to reverse within 12 months	199	54
Deferred tax liability to reverse after more than 12 months	33	482
	232	536
Deferred tax liabilities (net)	232	536

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

	2011	2010
	£'000	£'000
Beginning of year	536	-
Acquisitions – goodwill adjustment	249	590
Income statement credit	(132)	(54)
Disposal group	(421)	-
End of year	232	536

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

	Intangible assets in business combinations	Other timing differences	Total
	£'000	£'000	£'000
Deferred tax liabilities			
At 1 February 2010	536	-	536
Acquisitions – goodwill adjustment	249	-	249
Credited to income statement	(110)	(22)	(132)
Disposal group	(421)	-	(421)
At 31 January 2011	254	(22)	232

Deferred income tax assets are recognised against tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable benefits is probable. The Group did not recognise deferred tax assets of £778,000 (2010: £376,000) in respect to losses amounting to £2,882,000 (2010: £1,345,000) that can be carried forward against future taxable income.

17 Share capital and share premium

	2011 £'000	2010 £'000		
Authorised				
233,469,964(2010: 150,000,000) ordinary shares of 5p each	11,673	7,500		
Allotted, called up and fully paid				
Ordinary shares of 5p each	226,699,878	143,229,914		
	Allotted, called up and fully paid shares £'000	Share premium account £'000	Own shares held £'000	
At 1 February 2010	143,229,914	7,162	6,463	-
Issue of shares	83,469,964	4,173	(8)	-
Disposal of subsidiary	-	-	-	(306)
At 31 January 2011	226,699,878	11,335	6,455	(306)

As noted above, the Group issued 83,469,964 shares as follows:

Date	Description	Number of shares
27 April 2010	Share issued on the acquisition of Xploite plc	82,814,227
2 June 2010	Subsequent issue of shares on the acquisition of Inca Holdings Limited	655,737
		83,469,964

As a result of the disposal of Avisen (Pty) SA Limited (see note 22) 3,500,000 shares with a nominal value of £175,000, were purchased during the year and are now held in treasury.

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

18 Accumulated losses and other reserves

	Accumulated losses £'000	Share based payment reserve £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Currency translation reserve £'000
At 1 February 2010	(2,722)	951	4,830	(11,584)	22
Loss for the year	(7,184)	-	-	-	-
Gain on disposal of subsidiary	142	(122)	-	-	-
Fair value of warrants issued	-	75	-	-	-
Exchange differences arising on translation of net assets of foreign operations	-	-	-	-	(61)
Premium on issuance of shares to acquire subsidiary	-	-	5,176	-	-
Transfer on lapse of share based payments	517	(517)	-	-	-
At 31 January 2011	(9,247)	387	10,006	(11,584)	(39)

Share based payments reserve

The share based payment reserve arises from the requirement to reflect the fair value of share options in existence at the balance sheet date. The share based payments reserve includes the fair value adjustment in respect of warrants of £75,000 which were issued in the year. For further detail on share options and warrants see note 19 and 20 respectively.

The transfer from the accumulated losses of £517,000 related to the fair value of the share options forfeited during the year (see note 19).

Merger reserve

The merger reserve arises on the difference between the nominal value of shares issued and the premium payable to acquire shares in another company. The £5,176,000 arose in the year on the acquisition of Xploite plc when 82,814,227 shares were issued at a premium of 6.25p per share.

Reverse acquisition reserve

The reverse acquisition reserve is created in accordance with IFRS 3 'Business Combinations'. The reverse acquisition reserve arose during the year ended 31 January 2010 due to the elimination of certain costs in respect of the legal parent (Avisen Plc formerly Z Group Plc) and the legal subsidiary (Avisen Group Limited). Since the shareholders of Avisen Group Limited became the majority shareholders of the enlarged group the acquisition is accounted for as though there is a continuation of the legal subsidiary's financial statements. In reverse acquisition accounting, the business combination's cost is deemed to have been incurred by the legal subsidiary.

Currency translation reserve

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

19 Share based payments

The total charge for the year relating to share based payment plans was £Nil (2010: £730,000).

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

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

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

A reconciliation of options over the year to 31 January 2011 is shown below:

	2011		2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding brought forward	11,229,365	9.9p	200,775	61.7p
Granted during the year	-	-	11,229,365	9.9p
Forfeited during the year	(4,799,364)	10.8p	(200,775)	61.7p
Outstanding carried forward	5,547,354	9.5p	11,229,365	9.9p
Exercisable as at 31 January 2011	5,547,354		11,229,365	-

The weighted average remaining contractual life of share options outstanding at the end of the year was 9 years (2010: 10 years). The exercise prices of the outstanding options range between 5.5p and 12.5p.

20 Share warrants

The total charge for the year relating to warrants issued on 28 July 2010 was £75,000 (15 July 2009: £162,000). The charge has been taken to the share based payment reserve.

Respective resolutions were passed for each warrant issue in accordance with the Memorandum and Articles. The fair value of these warrants has been calculated using the Black Scholes option pricing model using the following assumptions:

Issue date	28 July 2010	15 July 2009
Share price at grant date	5.63p	15.25p
Subscription date	5.63p	15.25p
Number of warrant holders	1	21
Warrants issued	2,252,692	3,278,689
Vesting period (years)	0	0
Expected volatility	77.8%	62.8%
Option life (years)	5	3
Expected life (years)	5	1.5
Risk free rate	4.5%	4.5%
Expected dividends expressed as a dividend yield	0%	0%
Fair value	5.09p	4.9p

The expected volatility is based on the historic volatility for the last six months at the date of grant, calculated by taking an average of historic share price volatility over those months.

A reconciliation of warrants over the year to 31 January 2011 is shown below:

	2011	2011
	Number	Weighted average exercise price
Outstanding brought forward	3,278,689	15.25p
Issued	2,252,692	5.63p
Outstanding carried forward	5,531,381	11.1p

21 Business Combinations

On 27 April 2010, Avisen plc acquired Xploite for £9,317,000, with the consideration being satisfied by the issuance of shares in the Company. The acquisition comprised the trading business and SRA software of Storage Fusion Limited and the assets and liabilities of the other entities within the Xploite Group, including cash and deferred consideration receivable.

The provisional fair value of the net assets is set out below. The residual goodwill of £5,632,000 represented the value of Xploite's management team, which were taken on board to execute a buy and build strategy; and the potential synergies that Storage Fusion would bring to Avisen.

Since the majority of Xploite's original management team are no longer with the Group and the Company is now following a revised strategy, it was appropriate for the Board to consider whether the goodwill of £5,632,000 was impaired. Following a review of this, the Board has impaired the goodwill by £4,500,000.

Details of the net assets acquired and goodwill are as follows:

	Xploite plc £'000
Non Current Assets	
Property, plant and equipment	84
Separately identified intangible assets *	921
Current Assets	
Trade receivables	49
Other receivables and prepayments	3,111
Cash and cash equivalents	2,291
Current Liabilities	
Trade payables	(735)
Other payables and accruals	(1,787)
Deferred tax	(249)
	<hr/> 3,685
Net assets acquired	3,685
Goodwill arising upon acquisition	5,632
Total consideration – satisfied by shares	<hr/> 9,317
Net cash inflow arising on acquisition	<hr/> 2,291

* Separately identifiable intangible assets on acquisition have been identified in respect of Storage Fusion software.

a) Acquisition related costs

IFRS 3 (revised) was applied to the acquisition of Xploite plc and its subsidiaries on 27 April 2010. Acquisition related costs of £406,000 have been recognised in the income statement within strategic costs.

b) Revenue and profit contribution

The acquired business contributed revenues of £230,000 and a net loss of £323,000 to the Group for the period since acquisition to 31 January 2011. If the acquisition had occurred on 1 February 2010, consolidated revenue and consolidated loss for the year ended 31 January 2011 would have been £276,000 and £417,000 respectively.

22 Discontinued operations

On 14 July 2010 the Group transferred the entire interest in its South African subsidiary Avisen (Pty) SA Limited and its subsidiary i-Centric (Pty) Limited, to K Jones, a director of Avisen (Pty) SA Limited. The consideration of 3,500,000 shares in Avisen Plc with a fair value of £306,000 has been subsequently classified as Own shares held in equity.

The results of this subsidiary were reported in the financial statements for the year ended 31 January 2010 as continuing operations. Details of the financial performance are set out within the discontinued segmental analysis in note 5.

The carrying amounts of assets and liabilities as at 14 July 2010 were:

	£'000
Goodwill	200
Property, plant and equipment	49
Total non-current assets	249
Trade and other receivables	327
Cash and cash equivalents	74
Total current assets	401
Total assets	650
Trade and other payables	(1,062)
Total liabilities	(1,062)
Net liabilities	(412)

The gain on disposal is shown within equity as follows:

	As at 31 January 2011 £'000
Consideration received or receivable:	
Fair value of shares	306
Total disposal consideration	306
Carrying amount of net liabilities	412
Write off related assets with fellow subsidiaries	(25)
Write off intercompany balances waived	(342)
Write back of share based payment reserve	122
	167
Disposal costs	(331)
Gain on disposal before income tax	142
Income tax expense	-
Gain on disposal after income tax	142

23 Disposal group

The assets and liabilities relating to Inca Software Limited have been presented as held for sale following their agreed disposal in January 2011. Completion of the transaction took place on 1 April 2011 (see note 28).

Details of the assets and liabilities are as follows:

	£'000
Assets	
Non current assets	
Intangible assets including goodwill	7,699
Property, plant and equipment	148
	7,847
Current assets	
Trade receivables	1,242
Other receivables and prepayments	1,079
Bank and cash balances	74
	2,395
Total assets of disposal group	10,242
Current liabilities	
Trade payables	(1,031)
Other payables and accruals	(2,649)
Borrowings	(156)
Deferred tax	(421)
Total liabilities of disposal group	(4,257)

24 Earnings/(Loss) per ordinary share

Basic loss per share is calculated by dividing the (loss)/profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 January 2011			Year ended 31 January 2010		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
(Loss)/profit attributable to equity holders	(7,642)	458	(7,184)	(2,206)	(807)	(3,013)
Adjustments:						
Impairment of intangible assets	4,788	-	4,788	393	-	393
Integration, strategic and one off costs	1,500	232	1,732	262	492	754
Adjusted (loss)/profit	(1,354)	690	(664)	(1,551)	(315)	(1,866)
	Pence	Pence	Pence	Pence	Pence	Pence
Basic (loss)/profit per share	(3.69)	0.22	(3.47)	(1.77)	(0.59)	(2.36)
Diluted (loss)/profit per share	(3.69)	0.22	(3.47)	(1.77)	(0.59)	(2.36)
Adjusted basic (loss)/earnings per share	(0.65)	0.33	(0.32)	(1.26)	(0.20)	(1.46)
Adjusted diluted (loss)/earnings per share	(0.65)	0.33	(0.32)	(1.26)	(0.20)	(1.46)
		Number 000's			Number 000's	
Basic weighted average number of shares		206,977			127,510	
Impact of share options and warrants		689			-	
Diluted weighted average number of shares		207,666			127,510	

Where there is a loss per share, the share options are not dilutive and hence the diluted earnings per share is the same as the basic.

The EPS calculation for the year ended 31 January 2010 has been revised following a change in allocation of costs to segments as shown in note 5a.

2010 impact of options and warrants

As disclosed in notes 19 and 20 at 31 January 2010 the Group had 14,508,054 of exercisable share options and warrants in existence at the year end. In accordance with International Accounting Standards (IAS33); options and warrants only have a dilutive effect when the average market price of ordinary shares during the year exceeds the exercise price of the options and warrants. Although the share options and warrants did have exercisable prices below the average market price of the ordinary shares at the year end; the current market price of ordinary shares is below the exercise price of all share options and warrants. On the above basis the Board consider the share options and warrants to have no dilutive effect.

25 Commitments

Operating lease commitments

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

	2011	2010
	Land & Buildings	Land & Buildings
	£'000	£'000
No later than one year	106	96
Later than one year but no later than five years	160	256
	<u>266</u>	<u>352</u>

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

26 Related-party transactions

(a) Key management compensation

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

(b) Controlling party

There is no one party which controls the Group.

(c) Company and subsidiary

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

(d) Transactions arising from purchases of services

Transactions with related parties of £75,000 during the year relate to services provided by a company where one of the Avisen non executive directors is a member of the board. In addition fees are paid to related parties in respect of the non executive directors services, for which details are disclosed in note 6c to the financial statements. The amounts owed to these related parties at the balance sheet date are shown below:

	2011	2010
	£'000	£'000
Related party 1	2	-
Related party 2	43	-
Related party 3	3	-
	<u>48</u>	<u>-</u>

27 Principal subsidiaries of the Group as at 31 January 2011

Subsidiary undertakings	Description and proportion of share capital held by Avisen plc	Description and proportion of share capital held by Group	Country of incorporation or registration	Nature of business
Avisen Group Limited	Ordinary 100%	-	England & Wales	IT Consultancy
Avisen UK Limited	-	Ordinary 100%	England & Wales	IT Consultancy
Enfourmen Limited	-	Ordinary 100%	England & Wales	Dormant
Solution Minds Limited	-	Ordinary 100%	England & Wales	Dormant
Avisen BV	-	Ordinary 100%	Netherlands	IT Consultancy
Solution Minds (UK) Limited	-	Ordinary 100%	England & Wales	IT Consultancy
NOE Enterprises Limited (formerly EON Enterprises Limited)	Ordinary 100%	-	England & Wales	IT Consultancy
Infocube Limited	-	Ordinary 100%	England & Wales	IT Consultancy
Inca Holdings Limited	Ordinary 100%	-	England & Wales	Holding company
Inca Software Limited	-	Ordinary 100%	England & Wales	IT Consultancy
Xploite plc	Ordinary 100%	-	England & Wales	Holding company
Xploite IHC Limited	-	Ordinary 100%	England & Wales	Holding company
FBHG Limited	-	Ordinary 100%	England & Wales	Holding company IT Business
Storage Fusion Limited	-	Ordinary 100%	England & Wales	Service Assurance Solutions

28 Events after the balance sheet date

Inca Software Limited - Disposal

On 1 April 2011 the Group transferred the entire interest in Inca Software Limited, to Logicalis UK Limited.

The consideration for the sale of the share capital was £7,300,000. The Group also extinguished net liabilities of £1,243,000. We anticipate reporting a profit on disposal in 2012 of approximately £500,000 after accounting for disposal costs, write off of associated intercompany receivables and write off of goodwill and intangible assets of £7,600,000.

The proceeds from the disposal of will be used to invest in the remaining trading businesses and to fund appropriate acquisition opportunities. In accordance with IFRS 5, Inca Software has been classified as a discontinued operation in these financial statements and the assets and liabilities are classified as held for sale in the consolidated balance sheet as described in note 23.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVISEN PLC

We have audited the parent company financial statements of Avisen plc for the year ended 31 January 2011 which comprise the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 15, 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2011 and of its cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; 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 parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group financial statements of Avisen plc for the year ended 31 January 2011.

Miles Saunders (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
26 July 2011

Avisen plc
Statement of financial position
As at 31 January 2011

Registered number: 5429800

	Note	2011 £'000	2010 (restated) £'000
Assets			
Non current-assets			
Goodwill	3	120	120
Other intangible assets	3	15	23
Investments	4	16,578	11,761
Total non-current assets		16,713	11,904
Current assets			
Trade and other receivables	5	1,280	1,570
Cash and cash equivalents	6	11	14
Total current assets		1,291	1,584
Liabilities			
Current liabilities			
Trade and other payables	7	4,394	767
Borrowings	8	106	-
		4,500	767
Net assets		13,504	12,721
Shareholders' equity			
Share capital	10	11,335	7,162
Share premium account	10	6,455	6,463
Own shares held	10	(306)	-
Share based payments reserve		1,026	951
Merger reserve		10,006	4,830
Accumulated losses		(15,012)	(6,685)
Total equity		13,504	12,721

The financial statements on pages 56 to 67 were approved and authorised for issue by the Board on 26 July 2011 and signed on its behalf by

C Milverton
 Director

Avisen plc
Statement of Changes in Equity
Year ended 31 January 2011

£'000	Share Capital	Share Premium Account	Own shares held	Share Based Payments Reserve	Merger Reserve	Accumulated losses (restated)	Total
Balance at 1 February 2010	7,162	6,463	-	951	4,830	(6,685)	12,721
Comprehensive income							
Loss for the year	-	-	-	-	-	(8,327)	(8,327)
Other comprehensive income							
Merger reserve	-	-	-	-	5,176	-	5,176
Total other comprehensive income	-	-	-	-	5,176	-	5,176
Total comprehensive income	-	-	-	-	5,176	(8,327)	(3,151)
Transactions with owners							
Shares issued in the year (note 10)	4,173	(8)	-	75	-	-	4,240
Shares to be held in treasury resulting from disposal of subsidiary (note 10)	-	-	(306)	-	-	-	(306)
	3,998	(139)	(306)	75	-	-	3,934
Balance at 31 January 2011	11,335	6,455	(306)	1,026	10,006	(15,012)	13,504
Balance at 1 February 2009	1,187	5,968	-	63	-	(5,794)	1,424
Comprehensive income							
Loss for the year	-	-	-	-	-	(549)	(549)
Other comprehensive income							
Merger reserve	-	-	-	-	4,830	-	4,830
Total other comprehensive income	-	-	-	-	4,830	-	4,830
Total comprehensive income	-	-	-	-	4,830	(549)	4,281
Transactions with owners							
Shares issued in the year	5,975	657	-	-	-	-	6,632
Cost of issuing warrants	-	(162)	-	-	-	-	(162)
Share based payment charge	-	-	-	951	-	-	951
Share based payment credit	-	-	-	(63)	-	-	(63)
	5,975	495	-	888	-	-	11,639
Balance at 31 January 2010	7,162	6,463	-	951	4,830	(6,343)	13,063

Avisen plc
Statement of cash flows
Year ended 31 January 2011

	Notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Cash used in operations	(a)	311	(1,117)
Interest received		-	8
Interest paid		(8)	(1)
Other income		-	-
Net cash used in operating activities		303	(1,110)
Cash flows from investing activities			
Purchase of intangible assets		-	(23)
Purchase of property, plant and equipment		-	(2)
Purchase of fixed asset investments		-	(130)
Cost of acquisitions		-	(386)
Disposal of subsidiaries		(306)	
Net cash used in investing activities		(306)	(541)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		-	500
Net cash generated from financing activities		-	500
Net decrease in cash and cash equivalents		(3)	(1,151)
Cash and cash equivalents at start of year		14	1,165
Cash and cash equivalents at end of year		11	14

Notes to the statement of cash flows

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

	2011 £'000	2010 £'000
Continuing operations		
Loss before tax	(8,327)	(548)
Adjustments for:		
Depreciation charge	-	3
Share based payment credit	-	(63)
Decrease/(Increase) in trade and other receivables	396	(637)
Increase in trade and other payables	3,734	135
Amortisation and impairments	4,500	-
Finance income	-	(8)
Finance costs	8	1
Cash (used in)/generated from continuing operations	311	(1,117)

Notes to the Company financial statements for the year ended 31 January 2011

1 Summary of significant accounting policies

Basis of preparation

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

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

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Statement of Comprehensive Income in these separate financial statements. The loss attributable to members of the parent company for the year ended 31 January 2011 is £8,327,000 (2010: £549,000).

The opening reserves have been restated to correct an error in the prior year balances. The restatement relates to the write down of intercompany balances not considered recoverable as at 31 January 2010.

Going Concern

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

Significant accounting estimates and judgements

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

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

Carrying value of investments

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. Management have used significant estimates and judgements when putting together the budgets and projections which are used in the value in use calculations. These judgements are mainly in relation to projected revenues and margins.

Share-based payments

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

Revenue recognition

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

Interest income

Interest income is recognised on an accruals basis.

Share-based payments

The Company operates a number of equity-settled, share-based payment compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and

sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

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

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

Goodwill

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

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

Intangible assets

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

Software – 3 years

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

Fixed asset investments

Fixed asset investments in group undertakings are carried at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. An impairment loss is recognised immediately in the profit and loss account

Trade and other receivables

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

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

Cash and cash equivalents

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

Trade payables

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

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

Leases

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

Current tax

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

Deferred tax

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

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

Foreign currency

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

Employee Pensions

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

2 Financial risk management

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

Liquidity risk

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

Foreign currency risk

As at 31 January 2011 and 31 January 2010, there was no foreign exchange currency exposure to the Company.

Borrowing facilities

The Company has an overdraft facility of £400,000 (2010: none) at the balance sheet date.

3 Intangible assets

	Goodwill	Software	Total
At 31 January 2011	£'000	£'000	£'000
Cost			
At 1 February 2010 and 31 January 2011	120	23	143
Impairment and amortisation			
At 1 February 2010	-	-	-
Amortisation	-	8	8
At 31 January 2011	-	8	8
Net book amount			
At 31 January 2011	120	15	135
At 31 January 2010	120	23	135
At 31 January 2010			
	Goodwill	Software	Total
At 31 January 2010	£'000	£'000	£'000
Cost			
At 1 February 2009	-	-	-
Additions	120	23	143
At 31 January 2010	120	23	143
Impairment and amortisation			
At 1 February 2009 and 31 January 2010	-	-	-
Net book amount			
At 31 January 2010	120	23	143
At 31 January 2009	-	-	-

Impairment of intangible assets is reviewed on an annual basis, in line with the Company's accounting policy.

Impairment is discussed in more detail at note 10, Intangible assets, to the consolidated financial statements.

4 Investments

	Total
At 31 January 2011	£'000
Shares in group undertakings	
Cost	
At 1 February 2010	11,761
Additions	9,317
At 31 January 2011	21,078
Amounts provided	
Impairment in year	4,500
At 31 January 2011	4,500
Net book amount	
At 31 January 2011	16,578
At 31 January 2010	11,761

During the year Xploite plc was acquired for £9,317,000. An impairment charge of £4,500,000 was made against this entity during the year due following an impairment review. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. Indications of this were given as noted in note 21 of the consolidated financial statements.

	Total
At 31 January 2010	£'000
Shares in group undertakings	
Cost	
At 1 February 2009	-
Additions	11,761
At 31 January 2010	11,761
Net book amount	
At 31 January 2010	11,761
At 31 January 2009	-

Details of the principal subsidiaries are provided in note 27 to the consolidated financial statements.

5 Trade and other receivables

	2011	2010
	£'000	£'000
Current:		
Trade receivables	3	-
Amounts owed by group undertakings	1,137	1,407
Other receivables	134	129
Other taxes and social security	-	11
Prepayments and accrued income	6	23
	1,280	1,570

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

6 Cash and cash equivalents

	2011	2010
	£'000	£'000
Cash at bank and in hand	11	14

7 Trade and other payables

	2011	2010
	£'000	£'000
Current:		
Trade payables	134	106
Amounts owed to group undertakings	3,402	32
Other payables	175	474
Accrued liabilities	683	155
	4,394	767

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

8 Borrowings

	2011	2010
	£'000	£'000
Current		
Bank borrowings	106	-
	106	-

Interest on the bank borrowings is charged at 4.25% over Natwest's base rate. The bank borrowings were secured by a debenture comprising a fixed and floating charge over all the assets of the Group including book and other debts, chattels, goodwill and uncalled capital both present and future.

9 Share based payments

Disclosures in relation to the share options and warrants in issue are made in notes 19 and 20 to the consolidated financial statements.

10 Share capital and share premium

	2011	2010
	£'000	£'000
Authorised		
233,469,964 (2010: 150,000,000) ordinary shares of 5p each	11,673	7,500

Allotted, called up and fully paid	Number	Number
Ordinary shares of 5p each	226,699,878	143,229,914

	Number of shares	Allotted, called up and fully paid shares	Share premium account	Own shares held
		£'000	£'000	£'000
At 1 February 2010	143,229,914	7,162	6,463	-
Issue of shares	83,469,964	4,173	(8)	-
Disposal of subsidiary	-	-	-	(306)
At 31 January 2011	226,699,878	11,335	6,455	(306)

As noted above, the Group issued 83,469,964 shares as follows:

Date	Description	Number of shares
27 April 2010	Share issued on the acquisition of Xploite plc	82,814,227
2 June 2010	Subsequent issue of shares on the acquisition of Inca Holdings Limited	655,737
		83,469,964

As a result of the disposal of Avisen (Pty) SA Limited (see note 22 to the consolidated financial statements) 3,500,000 shares with a nominal value of £175,000, were purchased during the year and are now held in treasury.

11 Commitments

There were no commitments at 31 January 2011 (2010: none)

12 Related party disclosures

Details of remuneration of the key management personnel is contained in note 6 to the consolidated financial statements.

The following transactions with related parties occurred in the year.

	2011	2010
	£'000	£'000
Opening debt due from related parties	1,515	94
Cash forwarded by the Company to related parties	3,531	2,232
Cash forwarded by the related parties to the Company	(6,204)	(1,343)
Other re-charges from the Company	831	626
Other re-charges from the related parties	(513)	(94)
Closing debt due to related parties	(840)	1,515

No purchase or sales transactions were entered into between the Company and subsidiary undertakings. Transactions with other related parties during the year relate to services provided by a company where one of the Avisen non executive directors sits on the board. In addition fees are paid to related parties in respect of the non executive directors services, for which details are disclosed in note 6c to the Group financial statements.

The amounts owed by/(owed to) related parties is shown below:

	2011	2010
	£'000	£'000
Avisen Group Limited	(107)	(150)
Avisen UK Limited	873	449
Solution Minds UK Limited	85	20
NOE Enterprises Limited (formerly EON Enterprises Limited)	47	-
Infocube Limited	124	(32)
Inca Holdings Limited	100	100
Inca Software Limited	882	742
Xploite plc	(2,872)	-
Xploite IHC Limited	(158)	-
Storage Fusion Limited	191	-
Avisen (Pty) Limited	-	386
Related party 1	(2)	-
Related party 3	(3)	-
	(840)	1,515

Avisen (Pty) Limited is no longer a related party at 31 January 2011.

13 Events after the balance sheet date

Disclosures in relation to events after the balance sheet date are shown in note 28 to the consolidated financial statements.

Company information

Directors

M Hanke	Chief Executive Officer
J Hill	Chief Operating Officer
C Milverton	Chief Financial Officer
M Yeoman	Non-Executive
M Battles	Interim Non-Executive Chairman

Company secretary

St John's Square Secretaries Limited
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

Company number

5429800

Registered address

Sterling House
20 Station Road
Gerrards Cross
Buckinghamshire, SL9 8EL

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
9 Greyfriars Road
Reading
Berkshire
RG1 1JG

Bankers

Natwest Plc
1st Floor, Rapid House
40 Oxford Road
High Wycombe
Buckinghamshire, HP11 2EE

Nominated adviser

Strand Hanson Limited
26 Mount Row
London
W1K 3SQ

Legal adviser

Brown Rudnick LLP
8 Clifford Street
London, W1S 2LQ

Registrars

Capita Registrars Limited
Northern House
Woodsome Park, Fenay Bridge
Huddersfield HD8 0GA



Registered Office
Sterling House
20 Station Road
Gerrards Cross
SL9 8EL