

Registration number 4101777

Innovise plc

Directors Report and Consolidated Financial Statements

for the Year Ended 30 September 2013

FRIDAY



A316VJTK

A08

07/02/2014

#276

COMPANIES HOUSE

Innovise plc

Contents

Company Information	1
Chairman's statement	2
Directors Report	5 to 6
Strategic Report	7
Statement of Directors' Responsibilities	8
Independent Auditor's Report	9 to 10
Consolidated Income Statement and Statement of Comprehensive Income	11
Consolidated Balance Sheet	12 to 13
Consolidated Statement of Changes in Equity	14 to 15
Consolidated Statement of Cash Flows	16
Notes to the Financial Statements	17 to 52

Innovise plc
Company Information

Chairman	S Coussins
Chief executive	M Taylor
Directors	A Edwards J McKenna P Trendell
Company secretary	A Edwards
Registered office	Keypoint 17-23 High Street Slough SL1 1DY
Solicitors	BPE Solicitors LLP St James' House St James' Square Cheltenham GL50 3PR
Bankers	HSBC Bank plc 18 North Street Bishops Cleeve CM23 2LP
Auditors	Hazlewoods LLP Windsor House Bayshill Road Cheltenham GL50 3AT
Registrar	Share Registrars Ltd Suite E, First Floor 9 Lion and Lamb Yard Farnham GU9 7LL
Website	www.innovise.com

Innovise plc

Chairman's statement for the Year Ended 30 September 2013

Highlights

- Turnover £18.5 million (prior year - £19.1 million)
- Adjusted* operating profit £0.4 million (prior year - £0.8 million)
- Adjusted* basic earnings per share 0.7 pence (prior year - 1.3 pence)
- * Adjusted excludes amortisation of intangibles, attributable tax and share based payments

I am disappointed to report that Innovise suffered a reduction in profit during the year ended 30 September 2013. That stated, we continued to invest in the business for the medium term.

Our turnover declined marginally but improved in quality during the year, with another year of increased recurring revenue. Adjusted operating profit before net finance costs, tax and amortisation of intangibles was lower at £0.4 million versus £0.8 million in the prior year.

The lower reported profits reflect the challenging market conditions and an extended period of investment in product development.

I believe the group is well placed to deliver its ambitious growth objectives, and I would like to thank everyone in the Innovise team for their important contributions throughout a very eventful year. Their collective dedication, talent and resourcefulness are essential to our future success.

Steve Coussins
Chairman

18 December 2013

Innovise plc

Chief executive's review for the Year Ended 30 September 2013

Against a challenging economic backdrop, our focus throughout the year ended 30 September 2013 was to position the business for long-term, sustainable value creation

Our strategy is supported by efforts around three core initiatives: growing talent, improving customer experience and developing valuable intellectual property

In the current environment our focus has shifted from acquisition to internal reinvestment, to support medium term organic growth and to acquire our own shares from exiting owners. We expect to continue this in 2014

Financial

Total turnover for the year declined marginally to £18.5 million

The recurring element of sales increased, from £6.2 million in 2012 to £6.4 million in 2013, reflecting an improvement in revenue quality which has been evident for some time and is a strategic focus

Our operating margins were impacted by some tough market conditions, resulting in lower than expected consultant utilisation. In addition, new product development has continued to grow year over year

Adjusted operating profit (before net finance costs, tax, amortisation of intangible assets and share-based payments) was £0.4 million compared to £0.8 million in the previous year. Loss after interest, tax and amortisation of intangible assets was £89,000 compared to a profit of £63,000 in 2012

Innovise also places great emphasis on maximising cash conversion, and has historically converted a high proportion of its profits into cash. Cash conversion* for the current year was once again in excess of 100% which reflects the focus placed on tight cash management. This will continue to be a focus for 2014

In order to maximise cash available for further investment in profitable growth, the Board is not recommending payment of an ordinary dividend

Investment strategy

Innovise is committed to maximising the return on incremental capital and the careful investment of its free cash flow. Each year Innovise converts approximately 100% of its profits into cash, which is then available for re-investment

In 2013 the majority of the cash that was generated has been used to purchase shares from shareholders seeking to exit the business. The Board will continue to evaluate the scope to buy back more shares in the business, subject always to a satisfactory return on the investment when compared to the alternatives of debt repayment or external acquisition

***Cash conversion is defined as**

Cash from operating activities less purchase of plant and equipment as a percentage of operating profit before amortisation of intangible assets

Innovise plc

Chief executive's review for the Year Ended 30 September 2013

Outlook

Innovise remains committed to creating sustainable value as a trusted adviser to a growing number of customers within its niche markets

The Board is targeting consistent and sustainable growth of both sales and profits, and will continue to balance short-term performance demands with long-term potential when making investment decisions. Our forward sales pipeline is encouraging, and provided trading conditions do not deteriorate, I have every confidence that 2013/4 will be a successful year for Innovise, our excellent workforce, and all of us who have invested in the company

Mike Taylor
Chief Executive Officer
18 December 2013

Innovise plc

Directors Report for the Year Ended 30 September 2013

The directors present their report and the consolidated financial statements for the year ended 30 September 2013

Directors of the group

The directors who held office during the year were as follows

S Coussins - Chairman

M Taylor - Chief executive

A Edwards - Company secretary and director

J McKenna

P Trendell (appointed 28 February 2013)

A Machado (resigned 10 April 2013)

Principal activity

The principal activities of the group are Enterprise Service Management (ESM) IT solutions, the provision of line of business software to the facilities management market, and managed IT solutions

The subsidiary undertakings principally included within the profits and net assets of the group in the year are listed in note 14 to the consolidated financial statements

Research and development

Research and development expenditure incurred on the group's software products has been expensed to the income statement in the relevant period

Creditor payment policy

The company's policy, which is also applied by the group, is to agree terms of payment with suppliers in advance of each transaction, to ensure that suppliers are made aware of the terms of payment, and to abide by the terms of payment. This policy will continue unchanged in 2013

The group's average number of days' purchases included within trade creditors at the year end was 27 days (2012 - 29 days)

Directors liabilities

During the financial year, a qualifying third party indemnity provision for the benefit of six directors was in force

Purchase of own shares

On 10 April 2013 the Company purchased and cancelled 4,910,528 of its Ordinary share capital for a total consideration of £641,564 from A Machado who wished to retire from the board and relinquish his interest in the Company. The shares represented 12.3 % of the called up Ordinary share capital at that date.

Innovise plc

Directors Report for the Year Ended 30 September 2013

Disclosure of information to the auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

Reappointment of auditors

A resolution to reappoint Hazlewoods LLP as external auditors will be proposed at the Annual General Meeting

Approved by the Board on 18 December 2013 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'A Edwards', is written over the printed name.

A Edwards
Company secretary and director

Innovise plc

Strategic Report for the Year Ended 30 September 2013

The directors present their report and the consolidated financial statements for the year ended 30 September 2013

Business review

Fair review of the business

The company is required by the Companies Act to set out in this report a fair review of the business of the group during the financial year ended 30 September 2013 and of the position of the group at the end of the year

The key performance indicators of the group include sales growth which was static, recurring sales growth which increased by 3.2%, adjusted operating profit growth which has reduced in the year and cash conversion as shown within the cash flow statement

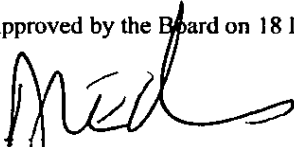
Principal risks and uncertainties

The group uses various financial instruments including loans, cash, convertible loan stock and various items such as trade debtors and trade creditors that arise directly from its operations

The main risks arising from the group's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. The directors review and agree policies for managing each of these risks, which are detailed in note 4

Commercial risks include the performance of acquisitions, sustaining quality of service delivery, technical obsolescence and staff retention. The directors continuously monitor these and other risks

Approved by the Board on 18 December 2013 and signed on its behalf by



A Edwards
Company secretary and director

Innovise plc

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, and
- state, with regard to the parent company financial statements, whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company 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 corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Innovise plc

Independent Auditor's Report

We have audited the financial statements of Innovise plc for the year ended 30 September 2013, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, 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 the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial accounting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 8), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

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 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. In addition, we read all the financial and non-financial information in the Directors Report and Strategic Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2013 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Innovise plc

Independent Auditor's Report

Matters on which we are required to report by exception

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

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



David Main (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Windsor House
Bayshill Road
Cheltenham
GL50 3AT

18 December 2013

Innovise plc

Consolidated Income Statement and Statement of Comprehensive Income for the Year Ended 30 September 2013

	Note	2013 £	2012 £
Revenue		18,494,489	19,096,301
Cost of sales		<u>(9,870,184)</u>	<u>(9,948,174)</u>
Gross profit		8,624,305	9,148,127
Administrative expenses		<u>(8,240,879)</u>	<u>(8,340,479)</u>
Operating profit before amortisation of intangible assets and share-based payments		383,426	807,648
Share based payments		(10,000)	(48,000)
Amortisation of intangible assets		<u>(421,500)</u>	<u>(534,000)</u>
Operating (loss)/profit		(48,074)	225,648
Finance income		1,817	1,051
Finance costs		<u>(158,142)</u>	<u>(186,317)</u>
Net finance cost	6	<u>(156,325)</u>	<u>(185,266)</u>
(Loss)/profit before tax		(204,399)	40,382
Income tax receipt	10	<u>115,665</u>	<u>22,671</u>
(Loss) / profit and total comprehensive income for the year attributable to equity holders of the parent		<u>(88,734)</u>	<u>63,053</u>

The above results were derived from continuing operations

Basic (loss)/earnings per share	11	(0 3p)	0 2p
Diluted (loss)/earnings per share	11	(0 3p)	0 2p

Innovise plc
(Registration number: 4101777)
Consolidated Balance Sheet as at 30 September 2013

	Note	2013 £	2012 £
Assets			
Non-current assets			
Intangible assets	12	13,007,612	13,429,112
Property, plant and equipment	13	633,432	616,994
Investments	14	51	51
Deferred tax assets	10	44,022	29,709
		<u>13,685,117</u>	<u>14,075,866</u>
Current assets			
Inventories	15	58,698	72,526
Trade and other receivables	16	4,637,125	5,976,468
Income tax asset		122,209	22,099
Cash and cash equivalents	17	829,839	504,570
		<u>5,647,871</u>	<u>6,575,663</u>
Total assets		<u>19,332,988</u>	<u>20,651,529</u>
Equity and liabilities			
Equity			
Share capital	18	(2,211,461)	(2,266,007)
Share premium		(1,083,917)	(1,083,917)
Capital redemption reserve	19	(83,600)	(29,054)
Other reserves	20	(5,154,906)	(5,069,792)
Retained earnings	21	(2,009,788)	(2,825,206)
Equity attributable to owners of the company		<u>(10,543,672)</u>	<u>(11,273,976)</u>
Non-current liabilities			
Loans and borrowings	22	(1,449,874)	(908,436)
Provisions	23	(120,000)	(128,000)
Deferred tax liabilities	10	(57,409)	(104,234)
		<u>(1,627,283)</u>	<u>(1,140,670)</u>

The notes on pages 17 to 52 form an integral part of these financial statements
Page 12

Innovise plc

(Registration number: 4101777)

Consolidated Balance Sheet as at 30 September 2013

	Note	2013 £	2012 £
Current liabilities			
Trade and other payables	24	(2,410,743)	(3,316,196)
Loans and borrowings	22	(791,831)	(1,020,824)
Income tax liability		-	(51,754)
Deferred income		<u>(3,959,459)</u>	<u>(3,848,109)</u>
		<u>(7,162,033)</u>	<u>(8,236,883)</u>
Total liabilities		<u>(8,789,316)</u>	<u>(9,377,553)</u>
Total equity and liabilities		<u>(19,332,988)</u>	<u>(20,651,529)</u>

Approved by the Board on 18 December 2013 and signed on its behalf by



A Edwards

Company secretary and director

The notes on pages 17 to 52 form an integral part of these financial statements

Innovise plc

Consolidated Statement of Changes in Equity for the Year Ended 30 September 2013

	Share capital £	Share premium £	Capital redemption reserve £	Other reserves £	Retained earnings £	Total £
At 1 October 2012	2,266,007	1,083,917	29,054	5,069,792	2,825,206	11,273,976
Total comprehensive income	-	-	-	-	(88,734)	(88,734)
Purchase of own share capital	(49,105)	-	49,105	(10,005)	(641,565)	(651,570)
Treasury shares cancelled	(5,441)	-	5,441	95,119	(95,119)	-
Share based payment transactions	-	-	-	-	10,000	10,000
At 30 September 2013	2,211,461	1,083,917	83,600	5,154,906	2,009,788	10,543,672

Innovise plc

Consolidated Statement of Changes in Equity for the Year Ended 30 September 2013

	Share capital £	Share premium £	Capital redemption reserve £	Other reserves £	Retained earnings £	Total £
At 1 October 2011	2,266,007	1,083,917	29,054	5,349,981	2,714,153	11,443,112
Total comprehensive income	-	-	-	-	63,053	63,053
Purchase of own share capital	-	-	-	(280,189)	-	(280,189)
Share based payment transactions	-	-	-	-	48,000	48,000
At 30 September 2012	<u>2,266,007</u>	<u>1,083,917</u>	<u>29,054</u>	<u>5,069,792</u>	<u>2,825,206</u>	<u>11,273,976</u>

Innovise plc

Consolidated Statement of Cash Flows for the Year Ended 30 September 2013

	Note	2013 £	2012 £
Cash flows from operating activities			
(Loss)/profit for the year		(88,734)	63,053
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	676,080	810,718
Loss on disposal of property plant and equipment		13,064	-
Finance income	6	(1,817)	(1,051)
Finance costs	6	158,142	186,317
Share based payment transactions		10,000	48,000
Income tax expense	10	(115,665)	(22,671)
		<u>651,070</u>	<u>1,084,366</u>
Working capital adjustments			
Decrease/(increase) in inventories	15	13,828	(42,923)
Decrease/(increase) in trade and other receivables	16	1,339,343	(1,129,263)
(Decrease)/increase in trade and other payables	24	(794,103)	1,140,830
(Decrease)/increase in provisions	23	(8,000)	33,500
		<u>1,202,138</u>	<u>1,086,510</u>
Cash generated from operations			
Income taxes paid		(97,337)	(14,703)
Net cash flow from operating activities		<u>1,104,801</u>	<u>1,071,807</u>
Investing activities			
Interest received		1,817	1,051
Acquisitions of property plant and equipment		(85,722)	(430,566)
Proceeds from sale of property plant and equipment		9,252	-
Acquisition of subsidiaries		-	2,475
		<u>(74,653)</u>	<u>(427,040)</u>
Net cash flows from investing activities			
Cash flows from financing activities			
Interest paid		(132,183)	(36,480)
Payments for purchase of own shares		(651,570)	(280,189)
Repayment of borrowings		(459,036)	(619,365)
Proceeds from other borrowing draw downs		546,242	-
Payments to finance lease creditors		(8,332)	-
		<u>(704,879)</u>	<u>(936,034)</u>
Net cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		325,269	(291,267)
Cash and cash equivalents at 1 October		<u>504,570</u>	<u>795,837</u>
Cash and cash equivalents at 30 September		<u>829,839</u>	<u>504,570</u>

The notes on pages 17 to 52 form an integral part of these financial statements

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

1 General information

The company is a public company limited by share capital incorporated and domiciled in England and Wales

The address of its registered office is

Keypoint
17-23 High Street
Slough
SL1 1DY

Innovise is an IT company with two divisions. Innovise ESM and Innovise Software & Solutions. Innovise ESM helps enterprise scale businesses transform complex IT environments to deliver improved business service at lower cost. Innovise Software & Solutions provides Workforce Management and Compliance Management Software for the Facilities Management industry.

2 Accounting policies

Statement of compliance

The group financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's") and therefore the group financial statements comply with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in this note below.

The principal accounting policies adopted are set out below.

At the date of approval of these financial statements, no Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective are expected to have a material impact on financial statements in the future.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 30 September each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition. Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

2 Accounting policies (continued)

Business combinations

On 6 February 2006, the company became the legal parent company of TimeGate Group Limited in a share for share transaction. The substance of the combination was, however, that TimeGate Group Limited acquired Innovise plc in a reverse acquisition. This business combination was accounted for using the reverse acquisition method as required by IFRS 3, so that the consolidated financial statements are prepared on the basis of a continuation of the legal subsidiary at the date of acquisition.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill

Goodwill on acquisitions comprises the excess of the aggregate of the fair values of the consideration transferred, the fair value of any previously held interests, and the recognised value of the non-controlling interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

2 Accounting policies (continued)

Revenue recognition

The group derives revenue from the sale of software licences, hardware, support and installation, project management and other services. These revenue components are often entered into as part of a single transaction, however, each element of the contract is separable and the fair value associated with each element can be reliably measured.

Revenue is recognised as follows:

- licence revenue is recognised on invoicing or when the software and licence key have been delivered whichever is later,
- hardware revenue is recognised on delivery to the customer,
- services and training are recognised as and when performed,
- project revenue is recognised based on the proportion of the total contract completed, if the final outcome can be assessed with reasonable certainty. The proportion is calculated as costs incurred over total expected costs, applied to total contract value, and
- support and maintenance are recognised straight-line over the period of cover to which they relate.

Amounts billed in excess of revenue recognised are recorded as deferred revenue and are included within current liabilities. Unbilled revenue is included within receivables and accrued income.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see below).

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

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

2 Accounting policies (continued)

Foreign currency transactions and balances

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

2 Accounting policies (continued)

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease

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 the income statement

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives on a straight line basis, as follows

Asset class	Depreciation method and rate
Land and buildings short leasehold	over the period of the lease
Office equipment	20% - 33%
Fixtures and fittings	10%
Motor vehicles	25%

Intangible assets

Intellectual property rights acquired are initially recorded at cost and are written off over five years on a straight line basis, being their estimated useful life

When an acquisition of a business is made, a review is undertaken to identify non-monetary assets that meet the definition under IAS 38 Intangible assets. In respect of acquisitions made in the period since transition to IFRS, customer relationships were recognised as being separately identifiable. The fair value was determined on a basis that reflects the amounts the acquirer would have paid for the assets in arm's length transactions between knowledgeable willing parties.

Customer relationships are amortised over their useful economic life of five years on a straight line basis.

Research and development

Research expenditure is written off in the year in which it is incurred.

Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the group is expected to benefit from the project. The group has not identified any projects that meet the criteria for recognition.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

2 Accounting policies (continued)

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Defined contribution pension obligation

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Financial instruments

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions in the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value which is the original invoiced amount less provision for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

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

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

2 Accounting policies (continued)

Derivatives and hedging

It is the group's policy not to trade in derivative financial instruments

All derivatives are recognised at their fair value. The method of recognising movements in the fair value of derivatives depends on whether they are designated as hedging instruments and, if so, the nature of the item being hedged. Derivatives are only designated as hedges provided certain strict criteria are met. At the inception of a hedge, its terms must be clearly documented and there must be an expectation that the derivative will be highly effective in offsetting changes in the cash flow of the hedged risk. The effectiveness of the hedging relationship is tested throughout its life and if at any point it is concluded that it is no longer highly effective in achieving the hedge relationship, it is terminated.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges (being the interest rate swap) is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised costs, using the effective interest rate method.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Share based payments

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

3 Critical accounting judgements and key sources of estimation uncertainty

Critical judgments in applying the group's accounting policies

In the process of applying the group's accounting policies, which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below)

Identification and measurement of separate intangible assets acquired in a business combination

IFRS 3 Business combinations require the acquirer to recognise separately an intangible asset of the acquiree at the acquisition date if it meets the definition of an intangible asset in IAS 38 Intangible assets and its fair value can be measured reliably

IAS 38 defines an intangible asset as "an identifiable non-monetary asset without physical substance" An asset meets the identifiability criterion in the definition only if it

- a) is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability, or
- b) arises from contractual or other legal rights, regardless of whether those rights are transferrable or separable from the entity or from other rights and obligations

IFRS 3 requires the acquirer to determine the fair value of intangibles by reference to an active market as defined in IAS 38, or if no active market exists, on a basis that reflects the amounts the acquirer would have paid for the assets in arm's length transactions between knowledgeable willing parties, based on the best information available

The separate intangible assets acquired as part of business combinations effected after the transition to IFRS are customer relationships arising from customer maintenance and support agreements (contractual customer relationships) and intellectual property

The values of the contractual customer relationships were estimated using an "excess earnings income approach", by estimating the cash flows expected to be generated from the relationships net of a reasonable return on other assets also contributing to that stream of cash flows, discounted at an appropriate rate of return. This requires the entity to estimate the future cash flows and a suitable discount rate in order to calculate present value

The value of the intellectual property is based on the estimated equivalent current value of the development costs

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of goodwill

The group tests annually for impairment or more frequently if there are indications that goodwill might be impaired

The recoverable amount of the goodwill is determined from value in use calculations. The key assumptions and estimates for the value in use calculations are those regarding the discount rates, growth rates and expected changes to sales during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to cash-generating units.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management (which take into account past experience, recent trends and industry growth forecasts) for the next three years, and extrapolates cash flows for subsequent years assuming nominal growth.

The carrying amount of goodwill as at 30 September 2013 is £12,659,639. The directors conducted an impairment review and are satisfied that goodwill is not impaired.

The key assumptions used in the consideration of the carrying amount of goodwill are set out in note 12.

Details of goodwill allocated to cash generating units for which the goodwill so allocated is significant in comparison to total goodwill are as follows:

	2013	2012
	£	£
Innovise Enterprise Services Management	8,632,715	8,632,715
Innovise Software & Solutions	4,026,924	4,026,924
	<u>12,659,639</u>	<u>12,659,639</u>

Share-based payments

The group has made awards of options over its unissued share capital to certain employees as part of their remuneration package.

The valuation of these options involved making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions are described in more detail in note 26.

Income recognition

As set out in the accounting policy note, revenue is recognised as contract activity progresses and the right to consideration is earned, reflecting time and cost incurred as a percentage of total anticipated costs.

Deferred tax asset

The directors have considered the timing differences arising in calculating the deferred tax position of the group, which gives rise to a potential deferred tax asset primarily in respect of unutilised losses. This has not been recognised as an asset in the financial statements because there are some restrictions on the utilisation of these losses and the directors have therefore decided not to recognise a deferred tax asset.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

4 Financial risk management

The group is exposed to risks arising from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them.

The principal financial instruments used by the group, from which financial instrument risk arises, are trade receivables, cash and cash equivalents, trade and other payables, and financial liabilities.

The group is exposed through its operations to the following financial instrument risks: credit risk, liquidity risk, interest rate risk and foreign currency risk. The policy for managing these risks is set by the Board. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. The policy for each of the above risks is described in more detail below.

Credit risk

Credit risk arises from the group's trade receivables. It is the risk that the counterparty fails to discharge their obligation in respect of the instrument. The group is mainly exposed to credit risk from credit sales. It is group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are then factored into the credit assessment process to determine the appropriate credit limit for each customer. The group does not enter into derivatives to manage credit risk.

All cash is held with AA-rated banks.

Other than cash held by the group's bank at 30 September 2013 there are no other significant concentrations of credit risk within the group at the balance sheet date.

There is no difference between the total carrying amount of trade receivables and cash and cash equivalents and the group's maximum credit risk exposure. The maximum credit risk exposure at 30 September 2013 was:

	2013	2012
	£	£
Trade receivable	2,362,631	3,131,592
Other receivables	55,732	54,117
Accrued income	777,566	1,255,540
Cash and cash equivalents	829,839	504,570
	<u>4,025,768</u>	<u>4,945,819</u>

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

4 Financial risk management (continued)

Liquidity risk

Liquidity risk arises from the group's management of working capital and the finance charges on its borrowings. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The liquidity of each group company is managed locally and monitored by the Board at group level. The level of the group's facilities is approved periodically by the Board and negotiated with the group's current bankers. At the balance sheet date, cash flow projections were considered by the Board and the group is forecast to have sufficient funds and available funding facilities to meet its obligations as they fall due, under all reasonably expected circumstances.

We continue to monitor the working capital requirements and tailor the financing requirements to ensure the group will have sufficient funds to finance its ongoing trading activities.

Financial liability maturity analysis

At 30 September 2013

	Less than 6 months	6 months to 1 year	1 year to 5 years	Total
Trade and other payables	2,410,743	-	-	2,410,743
Redeemable loan stock	217,281	535,811	1,289,333	2,042,425
Finance lease obligations	18,707	20,032	160,541	199,280
Total	2,646,731	555,843	1,449,874	4,652,448

At 30 September 2012

	Less than 6 months	6 months to 1 year	1 year to 5 years	Total
Trade and other payables	2,470,797	-	-	2,470,797
Redeemable loan stock	-	895,824	908,436	1,804,260
Bank loans	125,000	-	-	125,000
Total	2,595,797	895,824	908,436	4,400,057

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Sensitivity analysis: A one percentage point change in bank base rate would result in a change in finance cost of £11,000 (2012 - £11,000).

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

4 Financial risk management (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The directors consider that reasonably possible changes in the relevant exchange rates would not have a significant effect on the group's operations.

The debtor and cash balances denominated in foreign currency at the year end represent approximately 2% of annual turnover and the directors consider that changes in the relevant exchange rates are unlikely to have a significant effect on the group's operations.

Included within the financial statements at 30 September 2013 are the following amounts that are denominated in foreign currencies:

	US Dollar	Euros	Other	Total
	£	£	£	£
Trade receivables	234,471	91,952	56,464	382,887
Cash and cash equivalents	14,347	12,046	303	26,696
				<u>409,583</u>

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

4 Financial risk management (continued)

Financial assets

The group has the following financial assets, all of which are classified as loans and receivables

	2013	2012
	£	£
Trade and other receivables	3,195,929	4,441,249
Cash and cash equivalents	829,839	504,570
	<u>4,025,768</u>	<u>4,945,819</u>

Further details of these items can be found in notes 16 and 17. The fair value of all financial assets is considered to be equal to their carrying amounts.

Financial liabilities

The group has the following financial liabilities

	2013	2012
	£	£
At amortised cost		
Trade and other payables	2,410,743	2,470,797
Finance lease obligations	199,280	-
Other loans	2,042,425	1,929,260
	<u>4,652,448</u>	<u>4,400,057</u>

The fair value of all financial liabilities is considered to be equivalent to their carrying amount.

Managing capital

The group is both equity and debt funded and these two elements combine to make up the capital structure of the business. Equity comprises share capital and reserves and is equal to the amount shown as "Total Equity" in the balance sheet. Debt comprises convertible loan stock and other loans as set out in note 19.

The group's objectives when maintaining capital are

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital it requires in proportion to risk. The group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

During the year ended 30 September 2013, the group's strategy, which was unchanged from the previous year, was to keep net debt to a minimum, through profitable trading and good cash management.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

5 Operating profit

Operating profit is arrived at after charging/(crediting)

	2013 £	2012 £
Depreciation expense	254,580	276,718
Amortisation expense	421,500	534,000
Research and development cost	1,430,803	1,295,643
Equity-settled share-based payment	<u>10,000</u>	<u>48,000</u>

6 Finance income and costs

	2013 £	2012 £
Finance income		
Interest income on bank deposits	1,817	1,051
Finance costs		
Interest on bank loans	-	(43,559)
Interest on non-convertible loan stock	<u>(158,142)</u>	<u>(142,758)</u>
Total finance costs	<u>(158,142)</u>	<u>(186,317)</u>
Net finance costs	<u>(156,325)</u>	<u>(185,266)</u>

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows

	2013	2012
	£	£
Wages and salaries	7,760,107	7,916,868
Social security costs	860,814	893,451
Pension costs, defined contribution schemes	172,449	160,926
Share-based payment expenses	10,000	48,000
	<u>8,803,370</u>	<u>9,019,245</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows

	2013	2012
	No.	No.
Management and administration	26	27
Development, service and support	109	104
Sales and marketing	28	28
	<u>163</u>	<u>159</u>

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

8 Directors' remuneration

The directors' remuneration, who are the key management of the group, for the year was as follows

	2013 £	2012 £
Emoluments	412,616	481,299
Contributions paid to money purchase schemes	40,800	21,750
Total emoluments and pension contributions	<u>453,416</u>	<u>503,049</u>
Other		
Estimated value of share-based payment entitlement	4,600	14,000
Social security contributions	52,889	50,720
Total cost of employment	<u>510,905</u>	<u>567,769</u>

During the year the number of directors who were receiving benefits and share incentives was as follows

	2013 No.	2012 No.
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>3</u>

In respect of the highest paid director:

	2013 £	2012 £
Remuneration	201,056	225,965
Company contributions to money purchase pension schemes	9,000	6,250
	<u>210,056</u>	<u>232,215</u>

Directors' remuneration above relates to remuneration paid to the directors of the parent company by any group company for the periods for which they were directors thereof. During the year, four directors accrued benefits under defined contribution pension schemes (2012 - three)

The share-based payment in the year related to EMI options awarded to directors was £4,600 (2012 - £14,000). Three directors currently hold options over 3,041,667 EMI options issued to the directors on 21 October 2011 at an exercise price of 12p each and with a total exercise value of £365,000. These EMI options have a vesting period of three years and must be exercised within ten years. EMI options over 666,767 shares with a value of £80,012 were awarded to one director on 30 October 2012 at an exercise price of 12p each. These EMI options have a vesting period of three years and must be exercised within ten years.

No director exercised any share options in the year.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

9 Auditors' remuneration

	2013 £	2012 £
Audit of these financial statements	18,000	18,000
Audit of the financial statements of subsidiaries of the company pursuant to legislation	<u>24,000</u>	<u>24,000</u>
	<u>42,000</u>	<u>42,000</u>
Other fees to auditors		
Tax advisory services	9,270	11,666
Financial due diligence services	<u>-</u>	<u>12,000</u>
	<u>9,270</u>	<u>23,666</u>

10 Income tax

Tax charged/(credited) in the income statement

	2013 £	2012 £
Current taxation		
UK corporation tax	-	51,754
UK corporation tax adjustment to prior periods	<u>(132,579)</u>	<u>(38,391)</u>
	(132,579)	13,363
Foreign tax	<u>78,051</u>	<u>57,913</u>
Total current income tax	(54,528)	71,276
Deferred taxation		
Arising from origination and reversal of temporary differences	<u>(61,137)</u>	<u>(93,947)</u>
Tax receipt in the income statement	<u>(115,665)</u>	<u>(22,671)</u>

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

10 Income tax (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK of 23.5% (2012 - 25%)

The differences are reconciled below

	2013 £	2012 £
(Loss)/profit before tax	<u>(204,399)</u>	<u>40,382</u>
Corporation tax at standard rate	(48,034)	10,096
Effect of expense not deductible in determining taxable profit	20,061	44,322
Unrelieved / (Recovered) overseas tax	6,444	(19,491)
Effect of tax loss in the year not recognised as an asset	58,760	13,900
Allowance for goodwill amortisation recognised in single entity company financial statements under UK GAAP but not recognised in consolidated financial statements	(12,256)	(13,038)
(Over) / under provision in respect of prior year relating to enhanced allowance on research & development	(132,579)	(38,391)
Tax effect of utilisation of tax losses not previously recognised as a deferred tax asset	(27,730)	(29,934)
Other differences (including effective change in tax rates)	<u>19,669</u>	<u>9,866</u>
Total tax credit	<u>(115,665)</u>	<u>(22,671)</u>

There are £170,000 of unused tax losses (2012 - £290,000) for which no deferred tax asset is recognised in the statement of financial position

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

10 Income tax (continued)

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £	Liability £	Net deferred tax £
2013			
Accelerated tax depreciation	15,411	(18,350)	(2,939)
Other items	28,611	-	28,611
Fair value gains	-	(39,059)	(39,059)
	<u>44,022</u>	<u>(57,409)</u>	<u>(13,387)</u>

	Asset £	Liability £	Net deferred tax £
2012			
Accelerated tax depreciation	25,664	(4,874)	20,790
Other items	4,045	-	4,045
Fair value gains	-	(99,359)	(99,359)
	<u>29,709</u>	<u>(104,233)</u>	<u>(74,524)</u>

Fair value gains reflect the difference between the carrying value of intangible assets relating to contractual customer relationships and their tax equivalent value of zero

As explained above, the group has a potential deferred tax asset which has not been recognised in these financial statements because there are some potential restrictions on the use of these tax losses

Deferred tax movement during the year

	At 1 October 2012 £	Recognised in income £	At 30 September 2013 £
Accelerated tax depreciation	20,790	(23,729)	(2,939)
Other items	4,045	24,566	28,611
Fair value gains	(99,359)	60,300	(39,059)
Net tax assets/(liabilities)	<u>(74,524)</u>	<u>61,137</u>	<u>(13,387)</u>

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

10 Income tax (continued)

Deferred tax movement during the prior year

	At 1 October 2011 £	Recognised in income £	At 30 September 2012 £
Accelerated tax depreciation	27,086	(6,296)	20,790
Other items	6,655	(2,610)	4,045
Fair value gains	(202,212)	102,853	(99,359)
Net tax assets/(liabilities)	<u>(168,471)</u>	<u>93,947</u>	<u>(74,524)</u>

11 Earning per share

The calculation of the basic and diluted earnings per share is based on the following data

Earnings for the year attributable to equity holders of the parent

	Year end 30 September 2013 £	Year end 30 September 2012 £
Earnings for the purpose of basic earning per share being net (loss) / profit attributable to equity holders of the parent	<u>(88,734)</u>	<u>63,053</u>
Basic (loss)/earnings per share	(0 3p)	0 2p
Diluted (loss)/earnings per share	(0 3p)	0 2p

Number of shares

	Year end 30 September 2013 £	Year end 30 September 2012 £
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>34,901,179</u>	<u>38,644,717</u>

Unexercised share options are not considered to have a dilutive impact as the current value of the Company's shares is estimated to be lower than their exercise value

Adjusted earnings per share

Adjusted earnings per share calculated before deducting amortisation/impairment of intangible assets and goodwill and tax attributable thereto are presented below in order to assist in an understanding of the underlying performance of the business

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

11 Earning per share (continued)

	Year end 30 September 2013 £	Year end 30 September 2012 £
Earnings for the purpose of basic earning per share being net profit for continuing operations	(88,734)	63,053
Amortisation of intangible assets	421,500	534,000
Tax credit attributable to amortisation	(99,053)	(133,500)
Share-based payment	10,000	48,000
Earnings for the purpose of adjusted basic and diluted earnings per share calculation	243,713	511,553
Adjusted basic earnings per share	0 7p	1 3p
Adjusted diluted earnings per share	0 7p	1 3p

The number of shares for the purpose of calculating the adjusted earnings per share figures is as set out above

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

12 Intangible assets

Group

	Goodwill £	Contractual customer relationships £	Intellectual property £	Total £
Cost or valuation				
At 1 October 2011	12,662,114	2,170,000	602,500	15,434,614
Adjustment to consideration payable	(2,475)	-	-	(2,475)
At 30 September 2012	12,659,639	2,170,000	602,500	15,432,139
At 1 October 2012	12,659,639	2,170,000	602,500	15,432,139
At 30 September 2013	12,659,639	2,170,000	602,500	15,432,139
Amortisation				
At 1 October 2011	-	1,274,860	194,167	1,469,027
Amortisation charge	-	434,000	100,000	534,000
At 30 September 2012	-	1,708,860	294,167	2,003,027
At 1 October 2012	-	1,708,860	294,167	2,003,027
Amortisation charge	-	321,500	100,000	421,500
At 30 September 2013	-	2,030,360	394,167	2,424,527
Carrying amount				
At 30 September 2013	12,659,639	139,640	208,333	13,007,612
At 30 September 2012	12,659,639	461,140	308,333	13,429,112
At 1 October 2011	12,662,114	895,140	408,333	13,965,587

The goodwill shown above is attributed to non-separable intangible assets including skilled workforces, opportunities to win new customers, and non-contractual customer relationships

During the year the carrying value of goodwill was tested for impairment in accordance with IAS 36. All of the recoverable amounts were measured based on value in use.

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to business segment. A segment-level summary of the goodwill allocation is presented below.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

12 Intangible assets (continued)

	2013	2012
	£	£
Innovise ESM	8,632,715	8,632,715
Innovise Software & Solutions	4,026,924	4,026,924
	<u>12,659,639</u>	<u>12,659,639</u>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the directors covering a period of three years with an underlying growth rate of 10% and assuming no growth thereafter. The long-term growth rate does not exceed the long-term average growth rate for the industry in which the CGU operates. A discount rate of 9% has been used, which is the directors' estimate of the risk adjusted cost of capital for a business of this type.

These assumptions have been used for the analysis of each CGU within the business segment.

Management determines budgeted gross margins based on past performance and its expectations of market development. The discount rates used are the directors' estimate of the company's cost of capital as adjusted for an investment with a similar risk profile. A provision for impairment would be required for the Innovise ESM CGU if the discount rate exceeded 10% or if the long-term growth rate was worse than -1.5%. A provision for impairment would be required for the Innovise Software & Solutions CGU if the discount rate exceeded 14% or if the long-term growth rate was worse than -7%.

The weighted average remaining life of the contractual customer relationships is 4 months (2012 - 13 months).

The weighted average remaining life of the intellectual property is 25 months (2012 - 37 months).

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

13 Property, plant and equipment

Group	Short leasehold buildings £	Furniture, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 October 2011	154,997	678,732	39,000	872,729
Additions	287,136	143,430	-	430,566
Disposals	-	(55,723)	-	(55,723)
At 30 September 2012	442,133	766,439	39,000	1,247,572
At 1 October 2012	442,133	766,439	39,000	1,247,572
Additions	-	293,334	-	293,334
Disposals	(20,039)	(31,917)	(15,000)	(66,956)
At 30 September 2013	422,094	1,027,856	24,000	1,473,950
Depreciation				
At 1 October 2011	36,000	362,583	11,000	409,583
Charge for year	71,941	192,777	12,000	276,718
Eliminated on disposal	-	(55,723)	-	(55,723)
At 30 September 2012	107,941	499,637	23,000	630,578
At 1 October 2012	107,941	499,637	23,000	630,578
Charge for the year	77,851	168,191	8,538	254,580
Eliminated on disposal	(7,703)	(26,937)	(10,000)	(44,640)
At 30 September 2013	178,089	640,891	21,538	840,518
Carrying amount				
At 30 September 2013	244,005	386,965	2,462	633,432
At 30 September 2012	334,192	266,802	16,000	616,994
At 1 October 2011	118,997	316,149	28,000	463,146

Assets held under finance leases and hire purchase contracts

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases and hire purchase contracts

	2013 £	2012 £
Furniture, fittings and equipment	193,771	-

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

14 Investments

Cost	£
At 30 September 2011, 30 September 2012 and at 30 September 2013	51

Investments are stated at cost and comprise shares in Personnel Automated Screening Limited (a dormant company)

Details of undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2013	2012
Subsidiary undertakings				
Innovise S&S Holdings Limited*	England and Wales	Ordinary	100%	100%
Roster Management Limited	England and Wales	Ordinary	100%	100%
Innovise ESM Holdings Limited*	England and Wales	Ordinary	100%	100%
Ausped Limited	England and Wales	Ordinary	100%	100%
Abiltec Limited	England and Wales	Ordinary	100%	100%
Abiltec No 1 Limited	England and Wales	Ordinary	100%	100%
Innovise Solutions Limited	England and Wales	Ordinary	100%	100%
TimeGate IPR Limited	England and Wales	Ordinary	100%	100%
Innovise Software and Solutions Limited	England and Wales	Ordinary	100%	100%
Innovise India Private Limited	India	Ordinary	100%	100%
Innovise ESM Limited	England and Wales	Ordinary	100%	100%
RapidHost Limited	England and Wales	Ordinary	100%	100%
Harbrook Consultants Limited	England and Wales	Ordinary	100%	100%
Identifile Systems Limited	England and Wales	Ordinary	100%	100%
Innovise IES Limited	England and Wales	Ordinary	100%	100%
Innovise Enterprise Service Management (Pty) Limited	South Africa	Ordinary	100%	100%
Innovise EBT Limited*	England and Wales	Ordinary	100%	100%

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

14 Investments (continued)

Associates

Personnel Automated Screening Limited	England and Wales	Ordinary	50%	50%
---------------------------------------	-------------------	----------	-----	-----

* indicates direct investment of the company

Subsidiary undertakings

All of the company's subsidiaries are dormant, with the exception of

Innovise ESM Holdings Limited and Innovise S&S Holdings Limited	Intermediate holding companies
Innovise Software and Solutions Limited and Innovise IES Limited	Software development business
Innovise ESM Limited	IT service management

15 Inventories

	2013 £	2012 £
Stocks of goods for resale	<u>58,698</u>	<u>72,526</u>

16 Trade and other receivables

	2013 £	2012 £
Trade receivables	2,398,603	3,208,756
Provision for impairment of trade receivables	<u>(35,972)</u>	<u>(77,164)</u>
Net trade receivables	2,362,631	3,131,592
Accrued income	777,566	1,255,540
Prepayments	1,441,196	1,535,219
Other receivables	<u>55,732</u>	<u>54,117</u>
Total current trade and other receivables	<u>4,637,125</u>	<u>5,976,468</u>

The average credit period taken on trade receivables is 62 days (2012- 62 days) No interest is charged on receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods and services of £35,972, a decrease of £41,191 over the previous year's allowance of £77,163. This allowance has been determined by reference to past default experience and expected non-recovery of existing debts.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

16 Trade and other receivables (continued)

Movements in the provision for impairment of trade receivables are as follows

	£
At 30 September 2011	64,900
Provision for receivables impairment	37,263
Receivables subsequently recovered	(25,000)
Provision at 30 September 2012	<u>77,163</u>
Provision for receivables impairment	13,642
Provision written off	(25,560)
Receivables subsequently recovered	(29,273)
Provision at 30 September 2013	<u><u>35,972</u></u>

As at 30 September 2013, trade and other receivables of £219,793 (2012 - £528,452) were past due but not impaired. The ageing analysis of these receivables was as follows:

	2013	2012
	£	£
30 - 60 days	46,354	208,265
60 - 90 days	95,605	85,505
90 - 120 days	53,058	53,705
More than 120 days	24,776	180,977
	<u>219,793</u>	<u>528,452</u>

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

17 Cash and cash equivalents

	2013	2012
	£	£
Cash on hand	1,936	302
Cash at bank	<u>827,903</u>	<u>504,268</u>
	<u><u>829,839</u></u>	<u><u>504,570</u></u>

Cash and cash equivalents comprise cash held by the group and short-term bank deposits with an original maturity date of three months or less. The carrying amount of these assets approximates their fair value.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

18 Share capital

Allotted, called up and fully paid shares

	No.	2013 £	No.	2012 £
Ordinary shares of £0.01 each	34,946,069	349,460.69	40,400,702	404,007.02
Deferred shares of £0.01 each	186,200,000	1,862,000.00	186,200,000	1,862,000.00
	<u>221,146,069</u>	<u>2,211,461</u>	<u>226,600,702</u>	<u>2,266,007</u>

The deferred shares have no dividend or voting rights. As regards capital, the holders shall be entitled to the subscription price of such shares on winding up only after the holders of the ordinary shares have received £10 million in respect of each ordinary share.

On 4 January 2013 the shares held in treasury were cancelled. At 30 September 2012 there were 544,105 shares held in treasury.

On 10 April 2013 the Company purchased 4,910,528 shares held by A Machado (then a director of the company) and related parties thereto for a total consideration of £641,565. The shares were cancelled on acquisition.

19 Capital redemption reserve

	£
Balance at 1 October 2011 and 1 October 2012	29,054
Treasury shares cancelled	5,441
Purchase of own share capital	49,105
Balance at 30 September 2013	<u>83,600</u>

20 Other reserves

	2013 £	2012 £
Merger reserve	6,412,140	6,412,140
Reverse acquisition reserve	(918,040)	(918,040)
Own shares	(339,194)	(424,308)
	<u>5,154,906</u>	<u>5,069,792</u>

Merger Reserve

	£
Balance at 1 October 2011, 1 October 2012 and at 30 September 2013	<u>6,412,140</u>

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

20 Other reserves (continued)

The merger reserve relates to the notional premium on shares issued in exchange for shares in companies acquired, in which a holding of at least 90% of the equity share capital is acquired and hence merger relief under section 131 of the Companies Act 1985 and section 612 of the Companies Act 2006 is mandatory, whereby it is not a requirement to take the premium to share premium account

The merger reserve arising on acquisitions relates to the premiums on shares issued in consideration for the acquisition of the entire share capital of Roster Management Limited, Abiltec Limited, Innovise ESM Limited, Harbrook Consultants Limited and Innovise Solutions Limited

Reverse acquisition reserve

This represents a non-distributable reserve arising from the application of the principles of reverse acquisition accounting for the business combination of Innovise plc and TimeGate Group Limited in February 2006

Own shares

The own shares reserve in the previous year represented the cost of shares in Innovise plc purchased in the market and held in Treasury and by the Innovise Employee Benefit Trust to satisfy options under the group's share option schemes. On 24 October 2012 the Innovise Employee Benefit Trust acquired 99,500 shares for a total consideration of £10,005. The number of ordinary shares held by the Employee Benefit Trust at 30 September 2013 was 2,639,577 (2012- 2,540,077). The shares held in treasury were cancelled during the year, at 30 September 2012 there were 544,105 shares held in treasury

	£
Balance at 1 October 2011	144,119
Acquired in the period at cost	280,189
Balance at 30 September 2012	<u>424,308</u>
Treasury shares cancelled	(95,119)
Acquired in the period at cost	10,005
Balance at 30 September 2013	<u><u>339,194</u></u>

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

21 Retained earnings

	£
Balance at 1 October 2011	2,714,153
Net profit for the year	63,053
Credit to equity for equity-settled share-based payments	48,000
Balance at 30 September 2012	<u>2,825,206</u>
Net loss for the year	(88,734)
Credit to equity for equity-settled share-based payments	10,000
Treasury shares cancelled in year	(95,119)
Purchase of own shares	(641,565)
Balance at 30 September 2013	<u><u>2,009,788</u></u>

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

22 Loans and borrowings

	2013 £	2012 £
Non-current loans and borrowings		
Finance lease liabilities	160,541	-
Non-convertible loan stock 2017	527,123	-
Non-convertible loan stock 2015	312,158	908,436
Other loan stock	450,052	-
	<u>1,449,874</u>	<u>908,436</u>

	2013 £	2012 £
Current loans and borrowings		
Bank borrowings	-	125,000
Finance lease liabilities	38,739	-
Non-convertible loan stock 2012	-	895,824
Non-convertible loan stock 2015	651,842	-
Other loan stock	101,250	-
	<u>791,831</u>	<u>1,020,824</u>

Bank borrowings

Bank loan with a carrying amount of £Nil (2012 - £125,000) was denominated in Sterling with a nominal interest rate of 2.25% above the HSBC Bank plc base rate, reducing to 1.5% above base rate at such times that the ratio of all financial indebtedness has fallen below 1.5 times earnings before interest, taxation, depreciation and amortisation. The bank loan was repayable in quarterly instalments of £125,000.

The bank loan was secured by a first fixed and floating charge over all assets of the group and by cross guarantees between all group companies.

The group has undrawn committed borrowing facilities of £1 million relating to a revolving credit facility from its bankers which expire on 30 April 2014, together with a bank overdraft facility of £500,000 expiring on the same date.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

22 Loans and borrowings (continued)

Non-convertible loan stock 2017

On 4 November 2012 the company issued £500,000 of non-convertible loan stock 2017, redeemable on 4 November 2017. The non-convertible loan stock 2017 bears interest at 10% per annum which becomes payable on the second anniversary of issue and annually thereafter.

Non-convertible loan stock 2015

On 26 January 2012 the company issued £869,123 of non-convertible loan stock 2015, redeemable on 26 January 2015. The non-convertible loan stock 2015 bears interest at 6 percentage points above HSBC base rate per annum which is rolled up annually and payable annually on redemption at the option of the company.

Other loan stock

On 10 April 2013 the company issued £546,242 of unsecured loan stock. £100k of loan stock is repayable on the first anniversary of issue, £30,000, £20,000, £10,000 and £308,496 repayable on the subsequent anniversaries. The unsecured loans bears interest at 3.7% per annum until the fourth anniversary of issue, and 10% thereafter. Interest is payable quarterly.

23 Provisions

	Dilapidations on leasehold properties £
At 1 October 2012	128,000
Unused provision reversed	(8,000)
At 30 September 2013	<u>120,000</u>

The dilapidations provision represents management's best estimate of dilapidation costs accrued to date in respect of leasehold properties. It is expected that the dilapidation provision will become payable between September 2014 and September 2016.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

24 Trade and other payables

	2013	2012
	£	£
Trade payables	436,845	987,259
Accrued expenses	973,283	1,201,649
Social security and other taxes	868,118	845,398
Outstanding defined contribution pension costs	17,243	18,015
Other payables	115,254	263,875
	<u>2,410,743</u>	<u>3,316,196</u>

Trade creditors and accruals principally comprise amounts outstanding from trade purchases and ongoing costs
The average credit period taken for trade purchases is 27 days (2012 - 29 days)

The directors consider that the carrying amount of trade payables approximates their fair value

25 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £172,449 (2012 - £160,926)

Contributions totalling £17,243 (2012 - £18,015) were payable to the scheme at the end of the year and are included in creditors

26 Share-based payments

Scheme details and movements

The company has an EMI share option scheme for employees and directors. Options are exercisable at a price equal to the average market price of the company's shares on the date of grant. The vesting period is usually three years. The options are settled in equity once exercised. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before the options vest. No options were exercised during the year.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

26 Share-based payments (continued)

The movements in the number of share options during the year were as follows

	2013	2012
	Number	Number
Outstanding, start of period	7,930,308	460,746
Granted during the period	1,096,867	7,581,796
Forfeited during the period	(1,021,501)	(112,234)
Cancelled during the period	(1,096,867)	-
Outstanding, end of period	6,908,807	7,930,308
Exercisable, end of period	<u>314,500</u>	<u>348,500</u>

The movements in the weighted average exercise price of share options during the year were as follows

	2013	2012
	pence	pence
Outstanding, start of period	13 00	28 00
Granted during the period	12 00	12 00
Forfeited during the period	12 00	27 00
Cancelled during the period	13 00	-
Outstanding, end of period	<u>13 00</u>	<u>13 00</u>

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

26 Share-based payments (continued)

Outstanding share options

Details of share options outstanding at the end of the year are as follows

	2013	2012
Number of share options outstanding	6,908,795	7,930,296
Expected weighted average remaining life (years)	<u>8 00</u>	<u>9 00</u>

Fair value of options granted

The weighted average fair value of options granted during the period at measurement date was £15,945 (2012 - £110,215)

The fair values were calculated using the Black Scholes pricing model and the main inputs are set out in the table below. The date of grant of the options was 30 October 2012 (2012 - 21 October 2011)

	2013	2012
Expected volatility (%)	25 00	25 00
Vesting period in years	4 00	4 00
Risk-free interest rate (%)	2 00	2 00
Number of shares covered by option	<u>1,096,867</u>	<u>7,581,796</u>

Expected volatility was determined by calculating an estimated volatility of the company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on the directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Charge/credit arising from share-based payments

The total charge for the year for share-based payments was £10,000 (2012 - £48,000), of which £10,000 (2012 - £48,000) related to equity-settled share-based payment transactions.

27 Operating lease arrangements

The total future value of minimum lease payments is as follows

	2013 £	2012 £
Within one year	119,684	140,162
In two to five years	<u>60,638</u>	<u>199,738</u>
	<u>180,322</u>	<u>339,900</u>

28 Contingent liabilities

The group received a claim from HIMRC in relation to a matter which relates to a subsidiary company and which occurred prior to the acquisition by the group. It has not been possible to either assess the validity or quantum of the claim. Furthermore, the directors are satisfied that there are sufficient and appropriate indemnities and warranties in place from the vendors of the acquired subsidiary to cover any potential claim which might arise and consequently the group has no net liability.

Innovise plc

Notes to the Financial Statements for the Year Ended 30 September 2013

29 Related party transactions

M Taylor, a director of the company, has a material financial interest in Cardinal Security Limited. Sales were made to the company totalling £59,620 (2012 - £60,781). At the year-end a debtor of £9,667 (2012 - £28,482) was outstanding.

A Edwards, a director of the company, is a trustee of the Adint Charitable Trust. Adint Charitable Trust holds £346,183 of loan stock 2015 which accrued interest of £22,000 (2012 - £22,000) in the year. The loan stock 2015 was issued to Adint Charitable Trust by the company in January 2012 and replaced a loan and accrued interest of the same amount which was repaid by the company.

A Edwards is a shareholder in Adint Unlimited. Adint Unlimited holds £346,183 of loan stock 2015 which accrued interest of £22,000 (2012 - £22,000) in the year. The loan stock 2015 was issued to Adint Unlimited by the company in January 2012 and replaced a loan and accrued interest of the same amount which was repaid by the company.

P Trendell, who was appointed a director of the company on 28 February 2013, holds £500,000 of loan stock 2017, which accrued interest of £32,000 in the year (2012 - £50,000). The loan stock 2017 was issued to P Trendell by the company in November 2012 and replaced loan stock and accrued interest of the same amount which was repaid by the company.

On 10 April 2013 the Company purchased 4,910,528 shares owned by A Machado a director of the Company who resigned on 10 April 2013 further details are given in note 22.

Innovise plc

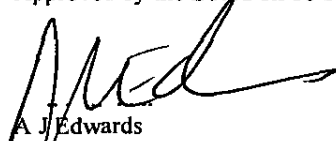
Innovise plc

Parent company accounts prepared under UK GAAP

Innovise plc
(Registration number: 4101777)
Balance Sheet as at 30 September 2013

	Note	2013 £	2012 £
Fixed assets			
Tangible assets	3	82,997	100,997
Investments	4	<u>147,729</u>	<u>147,729</u>
		<u>230,726</u>	<u>248,726</u>
Current assets			
Debtors	5	13,470,152	13,985,433
Cash at bank and in hand		<u>113,701</u>	<u>86,727</u>
		13,583,853	14,072,160
Creditors Amounts falling due within one year	6	<u>(901,664)</u>	<u>(1,307,341)</u>
Net current assets		<u>12,682,189</u>	<u>12,764,819</u>
Total assets less current liabilities		12,912,915	13,013,545
Creditors Amounts falling due after more than one year	7	(1,449,874)	(908,436)
Provisions for liabilities	8	<u>(55,000)</u>	<u>(55,000)</u>
Net assets		<u>11,408,041</u>	<u>12,050,109</u>
Capital and reserves			
Called up share capital	10	2,211,461	2,266,007
Share premium reserve	11	1,083,917	1,083,917
Capital redemption reserve	11	83,600	29,054
Other reserves	11	7,411,988	7,326,874
Profit and loss account	11	<u>617,075</u>	<u>1,344,257</u>
Shareholders' funds	12	<u>11,408,041</u>	<u>12,050,109</u>

Approved by the Board on 18 December 2013 and signed on its behalf by:


A J Edwards
Director

Innovise plc

Notes to the Financial Statements

1 Accounting policies

Accounting convention

The separate financial statements of the company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies have been applied consistently throughout the year and the preceding year.

Cash flow statement

A cash flow statement has been presented in the group financial statements.

Cash flows reported under IFRS in the group cash flow statement would not have been materially different had they been reported under UK GAAP.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset's carrying amount.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life on a straight line basis, as follows:

Land and buildings short leasehold - over the period of the lease

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Innovise plc
Notes to the Financial Statements

1 Accounting policies (continued)

Leasing

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see below)

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term

Investments

Investments in subsidiaries are held in the company balance sheet at cost less any provisions for impairment. The company has taken advantage of merger relief provisions given in company law in respect of shares issued in exchange for shares in wholly owned subsidiary companies and has not reflected a share premium on the issue of these shares

Employee benefits

The company operates money purchase pension scheme arrangements for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account

Deferred taxation

Deferred tax is recognised, if material, in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. The recognition of deferred tax assets is limited to the extent that the conditions for recognition of a deferred tax asset in accordance with FRS19 have not been met

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

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All exchange differences are taken to the profit and loss account. There are no non-monetary assets denominated in foreign currencies

Innovise plc

Notes to the Financial Statements

1 Accounting policies (continued)

Share-based payments

The company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Financial instruments

The company uses financial instruments comprising cash, liquid resources, loans and various items such as debtors, creditors and other items that arise from operations. Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Interest receivable and payable is accrued and credited or charged to the profit and loss account in the period to which it relates.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the group, is included in reserves.

The interest expense on the liability component is calculated by applying the effective interest rate to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Innovise plc
Notes to the Financial Statements

2 Profit / (loss) dealt with in the profit and loss account of the parent company

As permitted by section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the year

Innovise plc reported a loss for the financial year ended 30 September 2013 of £498 (2012 - profit of £591,494)

The auditors' remuneration for audit services to the company amounted to £18,000 (2012 - £18,000)

Details of directors' emoluments are shown within the consolidated financial statements

3 Tangible fixed assets

	Short leasehold land and buildings £
Cost	
At 1 October 2012	154,997
Additions	-
At 30 September 2013	<u>154,997</u>
Depreciation	
At 1 October 2012	54,000
Charge for the year	<u>18,000</u>
At 30 September 2013	<u>72,000</u>
Net book value	
At 30 September 2013	<u>82,997</u>
At 30 September 2012	<u>100,997</u>

Innovise plc
Notes to the Financial Statements

4 Investments held as fixed assets

Shares in group undertakings

	Subsidiary undertakings £
Cost	
As at 1 October 2012 and 30 September 2013	4,601,915
Provision for impairment	
As at 1 October 2012 and 30 September 2013	<u>4,454,186</u>
Net book value	
At 30 September 2013	<u>147,729</u>
At 30 September 2012	<u>147,729</u>

Innovise plc
Notes to the Financial Statements

4 Investments held as fixed assets (continued)

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

	Country of registration	Holding	Proportion held	Nature of business
Innovise S & S Holdings Limited	England and Wales	Ordinary shares	100%	Holding company
Roster Management Limited	England and Wales	Ordinary shares	100%	Dormant
Innovise ESM Holdings Limited	England and Wales	Ordinary shares	100%	Holding company
Ausped Limited	England and Wales	Ordinary shares	100%	Dormant
Abiltec Limited	England and Wales	Ordinary shares	100%	Dormant
Abiltec No 1 Limited	England and Wales	Ordinary shares	100%	Dormant
Innovise Solutions Limited	England and Wales	Ordinary shares	100%	Dormant
TimeGate IPR Limited	England and Wales	Ordinary shares	100%	Dormant
Innovise Software and Solutions Limited	England and Wales	Ordinary shares	100%	Software development
Personnel Automated Screening Limited	England and Wales	Ordinary shares	50%	Dormant
Innovise India Private Limited	India	Ordinary shares	100%	Dormant
Innovise ESM Limited	England and Wales	Ordinary shares	100%	IT Service Management
RapidHost Limited	England and Wales	Ordinary shares	100%	Dormant
Harbrook Consultants Limited	England and Wales	Ordinary shares	100%	Dormant
Identifile Systems Limited	England and Wales	Ordinary shares	100%	Dormant
Innovise IES Limited	England and Wales	Ordinary shares	100%	Software development
Innovise Enterprise Service Management Pty Ltd	South Africa	Ordinary shares	100%	Dormant
Innovise EBT Limited	England and Wales	Ordinary	100%	Dormant

Innovise plc
Notes to the Financial Statements

4 Investments held as fixed assets (continued)

The shares in Innovise Software and Solutions Limited are held by Innovise S & S Holdings Limited

The shares in Innovise India Private Limited are held by Innovise S & S Holdings Limited (99%) and Innovise plc (1%)

The shares in Personnel Automated Screening Limited, TimeGate IPR Limited, Roster Management Limited, Innovise Solutions Limited, RapidHost Limited and Identifile Systems Limited are held by Innovise Software and Solutions Limited

The shares in Innovise ESM Limited and Innovise IES Limited are held by Innovise ESM Holdings Limited

The shares in Abilitec Limited, Abilitec No 1 Limited, Innovise ESM (Private) Limited, Innovise Enterprise Service Management Pty Ltd and Harbrook Consultants Limited are held by Innovise ESM Limited

5 Debtors

	2013 £	2012 £
Amounts owed by group undertakings	13,365,189	13,930,665
Other debtors	50,000	50,000
Corporation tax debtor	32,577	9,642
Deferred tax	22,386	(4,874)
	<u>13,470,152</u>	<u>13,985,433</u>

Debtors includes £nil (2012 - £50,000) receivable after more than one year

	2013 £	2012 £
Other debtors	<u>-</u>	<u>50,000</u>

Innovise plc
Notes to the Financial Statements

5 Debtors (continued)

Deferred tax

The movement in the deferred tax asset in the year is as follows

	Deferred tax £
At 1 October 2012	(4,874)
Credited to the profit and loss account	<u>27,260</u>
At 30 September 2013	<u>22,386</u>

Analysis of deferred tax

	2013 £	2012 £
Difference between accumulated depreciation and amortisation and capital allowances	(2,776)	(4,874)
Other timing differences	<u>25,162</u>	<u>-</u>
	<u>22,386</u>	<u>(4,874)</u>

The deferred tax asset includes short term timing differences in respect of interest payable

6 Creditors: Amounts falling due within one year

	2013 £	2012 £
Bank loans and overdrafts	-	125,000
Other loans	753,092	895,824
Obligations under finance lease and hire purchase contracts	38,739	-
Other creditors	75,007	202,007
Accruals and deferred income	<u>34,826</u>	<u>84,510</u>
	<u>901,664</u>	<u>1,307,341</u>

Innovise plc
Notes to the Financial Statements

7 Creditors: Amounts falling due after more than one year

	2013 £	2012 £
Secured loan stock	1,289,333	908,436
Obligations under finance lease and hire purchase contracts	<u>160,541</u>	<u>-</u>
	<u>1,449,874</u>	<u>908,436</u>
Analysis of loans		
Wholly repayable within five years	1,289,333	908,436
Included in current liabilities	<u>753,092</u>	<u>895,824</u>
	<u>2,042,425</u>	<u>1,804,260</u>

Fixed assets held under finance lease and hire purchase contracts are used and reported as fixed assets with Innovise Software and Solutions Limited. The net carrying amount of the assets at the year end was £193,771 (2012 £nil)

Loan stock

Loan stock comprises

	30 September 2013 £	30 September 2012 £
Unsecured non-convertible loan stock 2012	-	895,824
Non-convertible loan stock 2015	964,000	908,436
Non-convertible loan stock 2017	527,123	-
Other loan stock	<u>551,302</u>	<u>-</u>
	<u>2,042,425</u>	<u>1,804,260</u>

Non-convertible loan stock 2017

On 4 November 2012 the company issued £500,000 of non-convertible loan stock 2017, redeemable on 4 November 2017. The non-convertible loan stock 2017 bears interest at 10% per annum which becomes payable on the second anniversary of issue and annually thereafter.

Non-convertible loan stock 2015

On 26 January 2012 the company issued £869,123 of non-convertible loan stock 2015, redeemable on 26 January 2015. The non-convertible loan stock 2015 bears interest at 6 percentage points above HSBC base rate per annum which is rolled up annually and payable annually on redemption at the option of the company.

Other loan stock

On 10 April 2013 the company issued £546,242 of unsecured loan stock. £100,000 of loan stock is repayable on the first anniversary of issue, £30,000, £20,000, £10,000 and £308,496 repayable on the subsequent anniversaries. The unsecured loans bears interest at 3.7% per annum until the fourth anniversary of issue, and 10% thereafter. Interest is payable quarterly.

Innovise plc
Notes to the Financial Statements

8 Provisions

	Dilapidations
	£
At 1 October 2012 and 30 September 2013	<u>55,000</u>

The dilapidations provision represents management's best estimate of dilapidation costs accrued to date in respect of leasehold properties. It is expected that the dilapidation provision will become payable by September 2014.

9 Share-based payment transactions

Details of share based payment transactions, all of which are attributable to the parent company are disclosed in the consolidated financial statements.

10 Share capital

Allotted, called up and fully paid shares

	No.	2013	No.	2012
		£		£
Ordinary shares of £0.01 each	34,946,069	349,460.69	40,400,702	404,007.02
Deferred shares of £0.01 each	186,200,000	1,862,000.00	186,200,000	1,862,000.00
	<u>221,146,069</u>	<u>2,211,461</u>	<u>226,600,702</u>	<u>2,266,007</u>

Details of outstanding options in existence over unissued shares are set out in the consolidated financial statements.

The deferred shares have no dividend or voting rights. As regards capital, the holders shall be entitled to the subscription price of such shares on winding up only after the holders of the ordinary shares have received £10 million in respect of each ordinary share.

On 4 January 2013 the shares held in treasury were cancelled. At 30 September 2012 there were 544,105 shares held in treasury.

On 10 April 2013 the Company purchased 4,910,528 shares held by A Machado (then a director of the company) and related parties there to for a total consideration of £641,565. The shares were cancelled on acquisition.

Innovise plc
Notes to the Financial Statements

11 Reserves

	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total £
At 1 October 2012	1,083,917	29,054	7,326,874	1,344,257	9,784,102
Loss for the year	-	-	-	(498)	(498)
Purchase of own shares	-	49,105	(10,005)	(641,565)	(602,465)
Share-based payments	-	-	-	10,000	10,000
Treasury shares cancelled	-	5,441	95,119	(95,119)	5,441
At 30 September 2013	<u>1,083,917</u>	<u>83,600</u>	<u>7,411,988</u>	<u>617,075</u>	<u>9,196,580</u>

Other reserves

Own shares

	£
Balance at 1 October 2012	424,308
Treasury shares cancelled	(95,119)
Purchase of own share capital	10,005
Balance at 30 September 2013	<u>339,194</u>

Merger reserve

Balance at 1 October 2012 and 30 September 2013	<u>6,553,825</u>
---	------------------

Non-distributable profits reserve

Balance at 1 October 2012 and 30 September 2013	<u>1,197,357</u>
---	------------------

The non-distributable profit reserve relates to profits realised by the former subsidiary company Data Technology Limited on the disposal of goodwill to Innovise Solutions Limited of £1,057,594 and on the disposal of shares in a subsidiary company of Data Technology to Innovise Software and Solutions Limited of £139,763. The parent company received a dividend out of the profits realised on these disposals. The amount of the dividend attributable to these profits does not however represent a realised profit of the company because the gain is reflected in assets held by other group companies. The directors consider it appropriate to recognise these profits separately in the company's balance sheet because they are not available for distribution to shareholders.

Innovise plc
Notes to the Financial Statements

12 Reconciliation of movement in shareholders' funds

	2013 £	2012 £
(Loss)/profit attributable to the members of the company	(498)	591,494
Other recognised gains and losses relating to the year	10,000	48,000
Purchase of own share capital	<u>(651,570)</u>	<u>(329,189)</u>
Net (reduction)/addition to shareholders funds	(642,068)	310,305
Shareholders' funds at 1 October	<u>12,050,109</u>	<u>11,739,804</u>
Shareholders' funds at 30 September	<u>11,408,041</u>	<u>12,050,109</u>

13 Related party transactions

M Taylor, a director of the company, has a material financial interest in Cardinal Security Limited. Sales were made to the company totalling £59,620 (2012 - £60,781). At the year-end a debtor of £9,667 (2012 - £28,482) was outstanding.

A Edwards, a director of the company, is a trustee of the Adint Charitable Trust. Adint Charitable Trust holds £346,183 of loan stock 2015 which accrued interest of £22,000 (2012 - £22,000) in the year. The loan stock 2015 was issued to Adint Charitable Trust by the company in January 2012 and replaced a loan and accrued interest of the same amount which was repaid by the company.

A Edwards is a shareholder in Adint Unlimited. Adint Unlimited holds £346,183 of loan stock 2015 which accrued interest of £22,000 (2012 - £22,000) in the year. The loan stock 2015 was issued to Adint Unlimited by the company in January 2012 and replaced a loan and accrued interest of the same amount which was repaid by the company.

P Trendell, who was appointed a director of the company on 28 February 2013, holds £500,000 of loan stock 2017, which accrued interest of £32,000 in the year (2012 - £50,000). The loan stock 2017 was issued to P Trendell by the company in November 2012 and replaced loan stock and accrued interest of the same amount which was repaid by the company.

On 10 April 2013 the Company purchased 4,910,528 shares owned by A Machado a director of the Company who resigned on 10 April 2013 further details are given in note 10.

14 Control

There is no one controlling party.