

Report and Financial Statements

Year ended 31 December 2011

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Directors

L N Bury (Non-Executive Chairman)
M Duffin (Chief Executive Officer)
H Fitzwilliam-Lay (Non-Executive Director)
R Burger (Non-Executive Director)
S A Gillings (Finance Director)

Secretary

S A Gillings

Registered Office

Petersgate House, 64, St Petersgate, Stockport, Cheshire, SK1 1HE

Company number

3941006

Auditor

Deloitte LLP, Chartered Accountants and Statutory Auditor
Manchester, United Kingdom.

Joint statement of the Chairman and Chief Executive

Introduction

ServicePower has made good progress throughout the year, exceeding market forecasts for 2011 and importantly delivering a good level of profits. We were delighted to welcome some prestigious organisations onto our client roster, including the RSPCA and Assurant, which not only underlines the power of our technology offering but also the breadth of its appeal.

We continue to focus on the delivery of high margin software, hosting and Software as a Service (SaaS) offerings, the success of which has been evidenced by the increase in licence and royalty revenue during the year. This has the benefit of lowering the risk of the business by enhancing profit margins and providing for more scalability. ServicePower now has a growing base of profitable contracts providing a strong platform for future growth.

Our ability to offer our customers flexibility in terms of software delivery model, selling either via a licence or as a hosted service, continues to be well received by customers. In addition, several of the contracts won during the year were secured following rigorous competitive testing, proving the stability and highly scalable nature of our software platform.

This success has been achieved despite the relatively challenging market conditions continuing. While our offerings help businesses deliver additional services to customers and maximise the efficiency of field services, those businesses are still facing budget constraints, and we therefore continue to view our sales pipeline favourably, but nevertheless, conservatively.

The Board is firmly focused on generating increased organic profits but continues to consider the potential for accelerated growth through very selective acquisitions. ServicePower will also seek to grow through the entry into new market sectors and further extensions of contracts with existing customers.

Financial Review

The Company has two segments, ServiceScheduling and ServiceOperations.

Due to the decision taken in previous years to refocus the business away from low-margin ServiceOperations contracts, the decrease in revenues for the year has resulted in a significant increase in profit margins.

Total revenue for the year decreased by 27 per cent. To £13.3 million (2010: £18.3 million). Within this, ServiceOperations revenue reduced by 51 per cent. To £5.6 million (2010: £11.5 million) due in particular to the removal of low margin business in the UK in the second half of the prior year, whilst ServiceScheduling licence and consultancy revenue increased by 13 per cent. To £7.7 million (2010: £6.8 million).

A breakdown of revenue from the ServiceScheduling segment is as follows:

	2011	2010
	£ million	£ million
Licences	2.1	1.6
Implementation/support	5.1	4.8
Mobility	0.5	0.4
Total	<u>7.7</u>	<u>6.8</u>

A breakdown of revenue from the ServiceOperations segment is as follows:

	2011	2010
	£ million	£ million
Licences	0.9	—
Implementation/support	0.8	—
Hosting/SaaS	1.2	1.9
Operations US	1.3	3.0
Operations UK	1.4	6.6
Total	<u>5.6</u>	<u>11.5</u>

The Company continued to invest in maintaining of functionalities across all of its product range, investing £0.7 million in 2011 (2010: £0.8 million).

Gross profit for the period increased to £6.7 million (2010: £5.1 million) due to the change in product mix as shown in the table above, and profit before tax increased to £1.1 million (2010: £0.6 million).

The adjusted profit before tax was £0.9 million, an improvement of £0.6 million on the adjusted profit of £0.3 million in 2010. The adjusted profit before tax refers to the profit before tax adjusted for a foreign exchange translation gain of £0.2 million (2010: £0.3 million).

The basic and diluted earnings per share for the full year was 0.50p (2010: basic and diluted earnings per share of 0.30p).

Cash balances were £5.5 million at 31 December 2011, compared to the cash balances at 31 December 2010 of £3.7 million.

The directors cannot recommend the payment of a dividend at this time (2010: same).

Operational Review

Customers

The healthy pipeline with which the Group entered the year delivered several significant new customer wins.

ServiceScheduling

In December 2011, the ServiceScheduling platform was selected by the RSPCA, the UK's leading animal welfare charity, as part of its new Command and Control Project. The contract is for an initial five years, consisting of a licences, maintenance and support.

The RSPCA has a vital role to play in crisis situations that threaten the welfare of animals. ServicePower's ServiceScheduling platform will be used by the RSPCA to improve the management of its officers' workloads. The platform will enable the scheduling and dispatch of incidents in real time to officers out in the field and the subsequent management of the ongoing actions associated with each incident.

Steritech, one of the largest outsourced food safety and quality assurance companies in the US also became a new customer for ServiceScheduling, while existing ServiceScheduling customers, including Homeserve, and North America's leading home appliance retailer and largest provider of home services, extended their use of the software.

ServiceOperations

In addition to extending its ServiceScheduling licence, Homeserve added a new two year contract for the ServiceOperations SaaS platform to manage the dispatch of jobs and the payment of claims.

Another existing customer, Richer Sounds, the UK's hi-fi, home cinema and flat panel TV specialist retailer, also extended its use of the platform, moving from a rolling one year contract onto a three year contract, adding a number of new home services. ServicePower is now also providing access to, and managing, a network of qualified servicers across the UK who will deliver a UK home repair service to Richer Sounds' customers, providing a physical repair, installation and inspection network service.

Following a successful development and implementation phase, ServicePower's ServiceOperations software also went live in the period at Mitsubishi, managing the claims and dispatch for the repair of consumer electronics across North America and replacing an incumbent provider.

The most significant contract in the year was the signing of an additional ServiceOperations licence and revenue share contract in March 2011 with Assurant Solutions, one of the world's leading speciality insurance providers. Assurant has used ServiceOperations software via the SaaS model for over five years. The new arrangement will expand the use of the software for the management of claims and dispatch. ServicePower will receive licence revenue, software development and maintenance fees throughout the term of the contract.

In addition, Assurant Solutions will provide access to the ServiceOperations software to its commercial customer base, which includes some of the world's leading retailers and manufacturers.

ServicePower was delighted to announce in June the first customer to be added via this partnership, a tier 1 retailer. The contract is worth a minimum of £1.5 million in revenue in 2011 and due to the part transactional nature of the implementation, has the ability to grow in 2012 and 2013.

Assurant continues to actively target many additional top retailers in the US and ServicePower hopes to be able to update shareholders on further progress in 2012.

Market developments

In the current market environment, service and retail organisations are seeking means of increasing their customer offerings while also increasing efficiencies within their organisations. What has been evident in 2011 is the growing adoption of scheduling technology across a broad sweep of sectors to enable what have previously been complex scheduling processes carried out manually to become automated and therefore more efficient. Both our ServiceScheduling and ServiceOperations platforms can demonstrate high levels of return on investment and are therefore well placed to benefit from this trend.

In addition, in the current economic climate, retailers in particular are seeing slow growth in store revenues and are seeking new means of revenue generation. There is a growing recognition of the value of service offerings, such as installation and warranty, alongside traditional product ranges. In 2012 we will continue to address this part of the market through our ServiceScheduling and ServiceOperations platforms but also via the ServiceMarket platform, described below.

Products

We continued to invest in enhancements to our core ServiceScheduling and ServiceOperations products including a major new release of ServiceScheduling in January 2012. This added support for new platforms and operating systems, enabling the management of staff capacity at a more granular level and improvement of the handling of non-working time, such as breaks. Further integration between ServiceScheduling and ServiceOperations has been developed with the introduction of ServiceBroker which allows clients to direct work between various channels of employed engineers, the independent servicer network or ServiceMarket.

During 2012, further development will continue to support the next generation of ServicePower products using cloud technology.

ServiceMarket

During the latter part of 2011 ServicePower added ServiceMarket to its portfolio of software products. ServiceMarket is a web-based marketplace on which pre-approved servicers can 'bid' for service jobs advertised by retailers, incorporating a payment system. ServicePower will market the software platform initially to the US retail market. The directors anticipate this will form part of the ServiceOperations segment.

Growth Strategy

ServicePower is the only independent global provider in the marketplace and our market position and expertise is becoming more widely known. We are a leader in the white goods, consumer electronics, and insurance and energy verticals and continue to build on our reputation in these sectors. However, we are now actively seeking additional opportunities in other market verticals such as retail and home services, both of which provide significant opportunities for 2012.

Outlook

We continue to be focused on our main markets of the US and UK and are working on a number of scheduling opportunities and transactional business opportunities both directly and through Assurant. With a robust and scalable software platform, a growing customer base and strengthened financial position we believe the opportunities for ServicePower to be highly encouraging and are confident of a successful outcome to the year.

Lindsay Bury, Chairman

Mark Duffin, CEO

22 March 2012

Report of the directors

for the year ended 31 December 2011

The directors present their report on the affairs of the Group, together with the audited financial statements, for the year ended 31 December 2011. The Corporate Governance Statement, the Report of the Audit Committee and the Report of the Remuneration Committee on pages 12 to 19 are included in this report.

Results and dividends

The consolidated income statement is set out on page 28 and shows the financial performance for the year.

The directors cannot recommend the payment of a dividend on the ordinary shares (2010: same).

Principal activities, trading review and future developments

The principal activity of the Group is the outsourcing and hosting of dispatch, claims and warranty processing, sale and implementation of scheduling software and the sale of GPS and mobility products.

Operations: ServicePower's focus is on providing services, technology solutions and industry expertise globally to allow service businesses to operate with maximum efficiency. Our solutions and services enable our customers to address the three key service delivery challenges: offer a higher quality of service, reduce the cost of service delivery, and grow revenue and profitability. The Group's head office is based in Stockport, United Kingdom, with offices in Annapolis MD and Costa Mesa CA in the USA. The Group has three subsidiaries, ServicePower Business Solutions Limited in the UK, ServicePower, Inc in the US and ServicePower AG in Switzerland. The financial position and performance of the Group is set out on pages 28 to 57.

Markets: The market for the Group's technology solutions and services is global. The Group has made significant sales to companies throughout North America and Europe. Customers interested in the Group's solutions and services are those which employ in-house service engineers, or utilise a network of independent service contractors to respond to a request for service. These companies vary in size from large corporations with their own service engineers to small independent organisations with less than 5 technicians. The market for ServicePower enterprise optimisation software, ServiceScheduling, is those organisations which employ the greatest numbers and hence a typical solution would cost in excess of £1.0 million. ServiceOperations is targeted at companies which manage service delivery through independent service companies. As part of the Group's total service product offering, our clients can, and sometimes do, outsource part or all of their service delivery operations. This service is delivered throughout North America, the United Kingdom and parts of Europe.

Sales and marketing: 65 per cent. (2010: 49 per cent.) of group turnover (£8.7 million) has been generated in North America (2010: £9.0 million). Whilst there has been a reduction of £0.3 million, the directors are satisfied by this result, which has been achieved through the management of regionally based sales and implementation consultants and business managers, thereby covering the whole of the continent. The Group continues to implement a sales and marketing strategy to enable it to capitalise fully on the 250 man years of development already invested in its products. In 2011, 71 per cent. of revenue was generated from ServiceScheduling and 29 per cent. from ServiceOperations, (2010: 37 per cent. And 63 per cent., respectively) the change in percentage from the prior year being due to the change in product mix in revenue in the year.

Research and development: To maintain the Group's leading edge software-based solutions, £0.7 million (2010: £0.8 million) in research and development has been expensed to the income statement in the year. The Group has research and development centres in North America and the United Kingdom which employed an average of 10 staff (2010: 10) through which the Group develops its own intellectual property. In addition, to meet the demand for further customer enhancements, the Group has outsourced certain development work to an offshore development company.

Contract values: Large corporations can either buy a one-time perpetual licence for ServiceScheduling with an annual fee for support and maintenance releases or pay for the use of the licence and maintenance on a regular subscription or SaaS basis. This type of contract is variable in size and can range up to a value of £1.8 million over three years, depending upon the nature of the contract. Revenue from ServiceOperations is earned from a transaction cost approach.

Commercial risks and uncertainties

The key commercial risks and uncertainties facing the Group are as follows:

Recruitment, retention and training of employees: ServicePower operates in a knowledge based industry and recognises the importance of the recruitment and retention of its highly skilled workforce (for further information, see key performance indicators section).

Reference customers: The Group sells on the basis of a strong Return on Investment (RoI) case. A significant amount of the sales success is dependent upon the continued goodwill of existing customers to host reference visits by potential customers. This involves presentations by senior staff to demonstrate the RoI, the non-financial benefits and a demonstration of the software operating in real time. The Group works closely in partnership with all its clients to ensure the RoI is delivered and that they act as a reference.

Customer procurement timescales: The Group sells to global organisations which may have lengthy procurement processes, occasionally stretching over a considerable number of months. The procurement may go through several budgeting cycles, require board approval, face competition from other non IT related projects and key decision makers may move on. For these reasons, it is difficult to forecast securing individual contracts, and it is almost impossible to predict the precise timing of the signing of contracts.

Unpredictable cash flow: To date, a significant portion of cash receipts have come from the sale of large software licences. The signing of contracts by large corporate customers is very difficult to predict due to long procurement cycles. Consequently, the Group has sought to reduce the impact of such sales by focusing the revenue streams towards a transactional and SaaS approach and developing other means of managing the cash outflows, including identifying and carrying out cost saving measures.

Exchange rates fluctuations: The Group has significant operations in North America and as such is exposed to movements in the US Dollar/Sterling exchange rate. This risk has historically been alleviated somewhat by matching revenues and costs in the two currencies.

Technological advancement: The Group operates in markets where technical development of the products can be fast-paced. This is particularly relevant as regards the use of new cloud technology, and consequently the Group will continue to develop its products so they can interface with the latest technology and, if suitable, acquire selective companies that would facilitate this further.

Competition: The Group keeps up to date on the business activities of all existing major competitors in its markets as well as identifying new entrants who may potentially gain a foothold in the market. The Group has ensured its pricing structure is competitive when faced with competition for new business and has an account management programme in place to ensure existing business is protected from competitors.

Key performance indicators (KPIs)

ServicePower operates in a complex and specialised field using a business model of a conventional outsourcing business; the primary objective each year is to maximise the number of transactions through ServiceOperations and thereby cover the fixed overhead cost of the facilities. The business has high operational gearing driven by the generation and completion of contractual revenue in the year; and therefore the KPIs of the Group have been identified as follows:

Turnover and deferred and accrued income: In the year, invoiced sales for the Group were £12.8 million (2010: £19.4 million). £13.3 million was recognised as revenue (2010: £18.3 million) and held in the balance sheet was deferred income of £2.3 million (2010: £2.2 million) and accrued income of £1.1 million (2010: £0.3 million). This provides an indication of the value of support and maintenance contracts that has been invoiced and paid, but not yet completed and the value of transactional jobs completed but yet to be invoiced.

Monthly recurring revenue: ServicePower has many ServiceScheduling maintenance contracts that are renewable annually and provide regular monthly revenue. Recurring revenue also comes from ServiceOperations clients, provided they continue to renew and previous transaction volumes can be relied upon to continue into the future.

Gross margins and profit before tax: These are other key performance financial indicators, the outcome of which is dependent upon sales volume and the mix of the business. The gross margin was £6.7 million in 2011 (2010: £5.1 million). The Group had a profit before tax of £1.1 million in 2011 (2010: £0.6 million).

Operating cash flow: ServicePower usually charges a percentage of the ServiceScheduling licence fee upon contract signature and the support and maintenance fees are invoiced annually in advance. This assists the Group with working capital requirements given that a significant proportion of costs are fixed employee related costs. Trade debtors at the end of the financial year were £1.8 million (2010: £2.8 million) and although there was a decrease in sales revenue of £5.0 million, debtor days for the Group represented 48 days of invoiced sales compared to 50 days at the end of 2010. The trade and other creditors and accruals at the end of the financial year were £1.9 million (2010: £1.8 million) representing 49 creditor days and on a like for like basis 31 days in 2010. Cash inflow from operations for the year was £2.0 million (2010: £0.3m).

Cash at bank: The Board pays particular attention to the cash at bank and cash movements and regularly reviews cash forecasts to ensure the financial commitments of the Group are met. ServicePower closed the financial year with cash at bank, including short term deposits, of £5.5 million (2010: £3.7 million).

Employee recruitment and retention: As a result of the restructuring carried out in the prior year, the Group decreased its average headcount in the year by 17 to 67 employees (2010: 84). ServicePower operates in a knowledge-based industry and requires a highly skilled workforce, particularly within the development teams. Consequently to maintain skill levels, flexibility and an ability to respond to market and client demands promptly, ServicePower has developed a partnership with an offshore development company.

Capital structure

Details of the authorised and issued share capital, together with the details of the movements in the Company's issued share capital during the year are shown in note 18. The Company has two classes of shares. The ordinary shares carry no right to fixed income and each share carries the right to vote at general meetings of the Company. The deferred shares carry no rights to dividends or voting rights.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights.

Details of employee share schemes are set out in note 21.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Main Board Terms of reference, copies of which are available on request, and the Corporate Governance Statement on page 12.

Under its Articles of Association, the Company has authority to issue ordinary shares.

There is an agreement should the Company be taken over by a purchase of its shares that all existing employee share options would vest immediately. This is not considered to be significant in terms of likely impact on the business of the Group as a whole. Furthermore, the directors are not aware of any agreements between the Company and its directors or employees that provide compensation for loss of office or employment that occurs because of a takeover bid.

The bonus payable to M Duffin to the value of £150,000 will crystallise should there be a change of corporate control, and it will be paid in cash on the exit date.

Directors and their interests

The directors who served during the year are:

Lindsay Bury, Non-Executive Chairman

Lindsay Bury has been with the Group since January 2000. He was a founding director of ACT, now part of Misys, and is Chairman of Bango plc, a company listed on AIM. He is a director of Electric & General Investment Co Plc and a number of private software companies.

Mark Duffin, Chief Operating Officer

Mark Duffin joined the Group in November 2007 and is responsible for strategic direction, sales, and operations, together with human resources, properties and MIS facilities. He is a qualified engineer with an MBA. Previously Mark was a director of Rentokil Initial plc, having grown a start-up business which he sold and successfully integrated into the company. He had previously been a director of Appian Technology plc.

Hugh Fitzwilliam-Lay, Non-Executive Director

Hugh joined Servicepower in September 2007. He was co-founder of Citipost Inc., a logistics company that was sold to Royal Mail in 2000 and is currently Managing Partner of BFL&P, an early stage venture capital investor that has stakes in 15 companies. He also has an interest in Venrex 1 LLP, a small venture capital company.

Rudy Burger, Non-Executive Director

Rudy is currently the Managing Partner of Woodside Capital Partners LLC and Woodside Capital Partners (UK) Limited and has extensive experience among U.S. and European technology companies.

Sally Gillings, Finance Director

Sally is responsible for all the finance functions of the Group. Before joining the Board she held the position of Group Financial Controller with ServicePower for 8 years. A CIMA qualified accountant, she has held senior financial officer positions for both private and publicly-held companies over the past 20 years.

As from 1 January 2011 directors and officers liability insurance was in force.

The directors who held office at 31 December 2011 had the following interests, including those of connected parties, in the ordinary share capital of the Company:

	31 December 2011		Ordinary shares of 1p each 31 December 2010	
	Options	Shares	Options	Shares
L N Bury <i>Chairman</i>	—	8,262,599	—	8,262,599
M Duffin	10,000,000	350,000	10,000,000	350,000
H Fitzwilliam-Lay	—	6,299,504	—	6,299,504
S A Gillings	3,000,000	2,000	1,642,105	2,000

R Burger and S A Gillings both retire by rotation at the AGM and, being eligible, offer themselves for re-election. In addition, L N Bury, having served as a non-executive director for longer than nine years, retires at the AGM and, being eligible, offers himself for re-election.

Creditors' payment policy and practice

It is the Group's policy to agree commercial terms of business with suppliers prior to the supply of goods and services. In the absence of any dispute, the Group pays, wherever possible, in accordance with these agreed terms. The number of days purchases of the Group represented by trade creditors at 31 December 2011 was 49 days and at 31 December 2010 was 31 days.

Charitable and political donations

Charitable and political donations made in the year were £nil (2010: £nil).

Employees

The number of employees and their remuneration is set out in note 7.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee share scheme has been running successfully since its inception in 2000. It is open to certain employees and provides a tax-favourable way for them to own shares in the Company.

Going concern

As disclosed on page 28, a significant portion of cash receipts comes from the sale of large software licences. The signing of contracts by large corporate customers can be difficult to predict due to long procurement cycles and therefore there is uncertainty in forecasting the timing and quantum of cash receipts from these customers.

During the year, the Group has continued its SERVICEOperations business which provides a regular revenue stream and cash funding to the Group. During the year ended 31 December 2009, the Group implemented a wide-ranging cost cutting programme in order to conserve cash. As a result of this programme annual expenditure is covered by recurring and contracted repeat revenue.

At 31 December 2011 the Group had net assets of £3,186,000 including £5,473,000 of cash and cash equivalents (31 December 2010 – net assets of £2,140,000 including £3,665,000 of cash and cash equivalents).

Based on cash flow forecasts which take into account current sales orders and opportunities, expenditure forecasts and the Group's current cash balance, the directors consider it appropriate to prepare the Group's financial statements on the going concern basis.

Auditor

In the case of each of the persons who are Directors of the Group at the date when this report is approved:

- as far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Group's auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any audit information (as defined) and to establish that the Group's auditor is aware of that information.

This confirmation should be given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditor will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Mark Duffin

Director

22 March 2012

Corporate governance statement

Corporate governance

Lindsay N. Bury (Chairman of the Board)

Dear shareholder

The Company is committed to the principles of corporate governance, and although not required to do so by the AIM Rules, the directors have decided to provide corporate governance disclosures comparable with those required of a listed company.

There is commitment to high standards of corporate governance throughout the Group. The Board confirms that for the year ended 31 December 2011 the Group has complied with the provisions set out in the UK Corporate Governance Code, with the exception of the matters referred to below:

- Provision A.4.1 of the UK Corporate Governance Code states that the Board should appoint one of the independent non-executive directors to be the senior independent director. Under the Code, the Chairman is not considered independent. The Chairman of the company has been appointed to this role as he is considered to be the most appropriately experienced director to undertake this role; however the Board accepts that this is not in compliance with provision A.4.1. The position will be reviewed from time to time and where contact through normal channels does not satisfy investors' concerns, then alternative contact via the non-executive directors will be arranged as appropriate.
- Provision B.6.1 requires a statement to be made of the Board's formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. No such formal review of Board performance takes place, as the Board considers an informal rolling programme of review to be more appropriate given the Group's current scale.

The Company complies with the UK Corporate Governance Code so far as it is practicable and appropriate for a public company of its size. The Company also follows the recommendations on corporate governance of the Quoted Companies Alliance (QCA).

The Board is accountable to the Company's shareholders for good governance and the statement set out below describes how the principles identified in the UK Corporate Governance Code have been applied.

Directors

At 31 December 2011, the Board comprised a Chairman, two executive Directors, namely the Chief Executive, and the Finance Director; and two independent non-executive Directors, all of whom bring a wide range of skills and experience to the Board. The roles of Chairman and Chief Executive are separated and clearly defined. The Chairman is primarily responsible for the working of the Board and the Chief Executive for the running of the business and implementation of Board strategy and policy. The Chief Executive is assisted in managing the business on a day-to-day basis by an executive management Board whose span of control covers the outsourcing and hosting and the scheduling businesses; it meets at least monthly and comprises of the global operations director, global sales director and finance director. Notwithstanding the requirements of the Code, each of the non-executive directors is considered by the Board to be independent despite their interests in the share capital detailed on page 10 because they are considered to be independent from management and free from any relationship which could materially interfere with the exercise of their judgement.

The non-executive directors make a significant contribution to the functioning of the Board, thereby helping to ensure that no one individual or group dominates the Board's decision-making process. In particular the non-executive directors constructively challenge and help develop proposals on strategy.

The Board's focus is on strategy formulation, policy and control. A corporate governance framework has been adopted by the Board, which identifies its roles and responsibilities and how these are discharged.

Biographies of the Board members appear on page 9 of this report.

There were 6 Board meetings in 2011. The attendance of directors is set out below:

L N Bury	6
M Duffin	6
H Fitzwilliam-Lay	6
R Burger	5
S A Gillings	6

One of the responsibilities of the Chairman is to ensure that Board members receive sufficient and timely information regarding corporate and business issues to enable them to discharge their duties. The adequacy of this information is periodically reviewed.

All Directors have access to the advice and services of the Company Secretary and the Board has established a procedure whereby Directors, wishing to do so in the furtherance of their duties, may take independent professional advice at the expense of ServicePower.

The Company Secretary is also charged with ensuring that any new Board members are equipped to fulfil their duties and responsibilities. The induction and personal development of both executive and non-executive Directors is subject to ongoing review to ensure ServicePower operates in accordance with the provisions of the UK Corporate Governance Code.

Non-executive Directors are appointed for a three year term, after which their appointment may be extended upon mutual agreement. It is envisaged that the maximum term for a non-executive Director under this regime is unlikely to exceed nine years. However, as noted on page 10, L N Bury has served for greater than nine years and therefore offers himself for annual re-election. In accordance with the Company's Articles of Association, one-third of the Board are required to retire by rotation each year, or if their number is not three or an integral multiple of three, the number nearest to but not exceeding one-third, shall retire from office. However, over a three year period all Directors must have retired from the Board and faced re-election. Additionally, each director must retire at the third annual general meeting following his appointment or reappointment in a general meeting.

The senior independent non-executive director is L N Bury and concerns relating to the executive management of the Company or the performance of the other non-executive directors can be raised with him. Whilst no formal review of performance takes place, if a member of the Board were not performing, and as the Board comprises five members it would be immediately apparent, then remedial action would be the responsibility of Mr Bury in his capacity as Chairman.

The Audit Committee is considered to have recent and relevant financial experience, all members have many years of financial experience, details of which are referred to in their biographies on page 9.

Committees of the Board

The Board maintains three standing committees; all of which operate within written terms of reference. They are the Audit Committee, the Remuneration Committee and the Nominations Committee. Their minutes are circulated for review and consideration by the full complement of Directors, supplemented by oral reports from the committee chairman, or other members. The Nominations Committee meets on an ad hoc basis as required to make recommendations in relation to all new appointments to the Board. The Audit Committee met on 22 March 2011 and was attended by H Fitzwilliam-Lay, L N Bury and R Burger; M Duffin and S A Gillings attended by invitation.

The members of the committees are as follows:

H Fitzwilliam-Lay (Chairman of the Audit Committee), L N Bury, R Burger
L N Bury (Chairman of the Remuneration Committee), H Fitzwilliam-Lay, R Burger
R Burger (Chairman of the Nominations Committee), L N Bury, H Fitzwilliam-Lay

The reports of the Audit Committee and the Remuneration Committee follow on pages 16 to 19.

Internal control

The Board of Directors has overall responsibility for the system of internal control covering all controls including financial, operational and compliance controls and risk management and for reviewing its effectiveness throughout ServicePower. Such a control system can only provide reasonable and not absolute assurance against material misstatement or loss, and is designed not to eliminate risk, but to enable ServicePower to achieve its corporate objectives within a managed risk profile. The Board is responsible for determining strategies and policies for risk and control, whilst management is responsible for designing, operating and monitoring risk management and control processes to implement Board policies effectively.

The Board confirms that an ongoing process for identifying, evaluating and managing ServicePower's significant risks has operated throughout the year and up to the date of approval of the Annual Report and Accounts. This process has been subject to regular annual review by the Board and is in accordance with the revised guidance on internal control published in October 2005 (The Turnbull Guidance). During the year, steps have been taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to the Board's and management's attention. The key elements of the process are as follows:

- Strategic risks are considered by both the Board and the Executive Committees in the context of an agreed strategic framework, which is revised during the year through one or more meetings devoted specifically to the long term strategic direction of ServicePower. Annually, ServicePower produces a three year plan to reflect and respond to the strategic challenges facing ServicePower, which is approved by the Board. Detailed financial and operating plans are developed for the year ahead and monthly reports are provided to the Board covering actual performance against plan, analysis of significant variances and scrutiny of key performance indicators.
- The Executive Committee manages the business on a day to day basis and the Divisional Directors are responsible for embedding risk management and control in accordance with the corporate governance framework.

The Board undertakes a formal annual assessment of the overall risk management in order to form a view on the effectiveness of the system of internal controls. The Board has concluded that the size of the company and the volume of transactions currently does not warrant an Internal Audit department. This is subject to annual review.

There has been no change in ServicePower's internal control over financial reporting during the 2011 fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Relations with shareholders

ServicePower values its dialogue with both institutional and private investors. Effective two-way communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy. The Company also posts financial information on its website www.servicepower.com.

All investors are encouraged to participate in the Annual General Meeting at which the Chairman presents a review of the results and comments on current business activity. The Chairmen of the Audit, Remuneration and Nomination Committees will be available at the Annual General Meeting to answer any shareholder questions.

The Notice of the Annual General Meeting is circulated more than 20 working days before the Meeting and ServicePower will continue its practice of proposing only unbundled individual resolutions.

On behalf of the Board

L N Bury
Chairman

22 March 2012

Report of the Audit Committee

Audit Committee Report

Membership of the Audit Committee is restricted to independent non-executive Directors. They have a wide variety of skills and experience including investment banking, commercial and senior management. The Chief Executive Officer and the Finance Director, who are invited to the Audit Committee meetings, provide business and accounting expertise. The Audit Committee met once in 2011, with full attendance by its members.

The Audit Committee's primary tasks are to review the scope of external audit, to receive reports from Deloitte LLP and to review the preliminary results, half yearly report and annual financial statements before they are presented to the Board, focusing in particular on accounting policies and compliance and areas of management judgement and estimates, and the appointment and removal of external auditors. The Committee's scope was extended during 2005 to include risk oversight. The Audit Committee more generally acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Company's internal control and risk management systems and processes. The terms of reference for the Audit Committee are available for inspection. The Audit Committee also regularly reviews the requirement for an internal audit function. It is the view of the Audit Committee that an internal audit function is not required at this time due to the Group's size. ServicePower's relationship with the external auditor is monitored by the Audit Committee and a framework for ensuring auditor independence has been adopted which defines unacceptable non-audit assignments, and pre-approval of acceptable non-audit assignments.

The Audit Committee is appointed by the Board from the non-executive directors of the Group. The Audit Committee's terms of reference include all matters indicated by the UK Corporate Governance Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

The Audit Committee is responsible for:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the Group's internal financial controls and, unless expressly addressed by the Board itself, the Group's internal control and risk management systems;
- making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- developing and implementing a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee is required to report its findings to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken.

The Board expects the Audit Committee members to have an understanding of:

- the principles of, contents of, and developments in financial reporting including the applicable accounting standards;
- key aspects of the Group's operations including corporate policies, Group financing, products and systems of internal control;

- matters that influence or distort the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the role of external auditing and risk management;
- the regulatory framework for the Group's businesses; and
- environmental and social responsibility best practices.

The Group has arrangements in place for the Chief Executive Officer and Finance Director to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate for the size of the Company.

Overview of the actions taken by the Audit Committee to discharge its duties

Since the beginning of 2011 the Audit Committee has:

- reviewed the financial statements for 2010 and 2011 and the half yearly report issued in September 2011. As part of this review the Committee received a report from the external auditor on its audit of the annual report;
- considered the output from the group-wide process used to identify, evaluate and mitigate risks;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and accounts on this matter;
- reviewed and agreed the approach of the audit work to be undertaken by the external auditor;
- received a report from external auditor on management action taken in response to internal control recommendations identified by the auditor in the course of their statutory audit in 2010;
- agreed the fees to be paid to the external auditor for their audit of the 2011 accounts;
- reviewed its own effectiveness; and
- undertaken an evaluation of the performance of the external auditor monitoring their independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee, and day to day responsibility to the Group finance function.

External auditor

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The policy assigns oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee, and day to day responsibility to the Finance Director. The policy states that the external auditor is jointly responsible to the Board and the Audit Committee and that the Audit Committee is the primary contact.

The Group's policy on external audit sets out the categories of non-audit services which the external auditor will and will not be allowed to provide to the Group, subject to de minimis levels and Audit Committee Chairman approval in emergency situations.

To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee reviewed:

- the changes in key external audit staff in the external auditor's plan for the current year;
- the arrangements for day-to-day management of the audit relationship; and
- the overall extent of non-audit services provided by the external auditor, in addition to their case by case approval of the provision of non-audit services by the external auditor.

To assess the effectiveness of the external auditors, the Audit Committee reviewed:

- the external auditor's fulfilment of the agreed audit plan and variations from the plan;
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and
- the content of the external auditor's Audit Committee Report.

As part of this year's decision to recommend the re-appointment of the auditor, the Audit Committee has taken into account the tenure of the auditor and the need to consider at least every five years whether there should be a full tender process. There are no contractual obligations that act to restrict the Audit Committee's choice of external auditor.

As a consequence of its satisfaction with the results of its activities outlined above, the Audit Committee has recommended to the Board that the external auditor be re-appointed.

Overview

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditor.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Approval

This report was approved by the Audit Committee and signed on its behalf by:

H Fitzwilliam-Lay

Chairman of the Audit Committee

22 March 2012

Report of the Remuneration Committee

The Remuneration Committee Report

Introduction

Although not required to do so by the AIM rules, the directors have decided to provide directors' remuneration disclosures comparable with those required of a listed company. This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006 and as required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

Whilst not mandatory for AIM listed companies, the auditor has been requested to report to the Company's members on certain parts of the directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Accounting Regulations under the Companies Act 2006. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration committee

The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the UK Corporate Governance Code. The members of the Committee during 2011 were L N Bury, Chairman, H Fitzwilliam-Lay and Rudy Burger. All are considered by the Board to be independent non-executive directors. In addition, M Duffin and S A Gillings are also invited to attend the meeting of the Committee when their involvement is deemed beneficial to assist in consideration of the matters raised. The Committee met in January 2011, and again in January 2012.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No director plays a part in any discussion about his or her own remuneration.

Remuneration policy

The Remuneration Committee endeavours to offer competitive remuneration packages that are designed to attract, motivate and retain executive directors and senior management of the highest calibre.

The main elements of the remuneration package for executive directors and senior management are:

- Basic salary and benefits;
- Annual bonus payments;
- Share option incentives; and
- Pension arrangements.

Basic salary

An executive director's basic salary is determined by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, objective reference is taken to those in a comparative group of companies in the lower quartile of TechMARK companies, for executives of similar stature, responsibility and skill. Basic salaries were reviewed in January 2011 and an increase of 3 per cent. was awarded, the same percentage as was awarded to all Group employees from that date.

In addition to basic salary, the executive directors receive certain benefits-in-kind, namely life cover and private medical insurance.

Annual bonus payments

The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid, representing the incentive element of the overall remuneration package of the executive directors. For the year ending 31 December 2011, £120,000 was awarded for the achievement of objectives in relation to the current year, which will be paid in 2012, £80,000 to M Duffin, and £40,000 to S A Gillings. In addition, in the year, the Committee confirmed additional discretionary bonuses to the value of £345,000 in respect of the performance of the Group in prior years. Of these total bonuses, £195,000 was paid in the year, as disclosed in the director's emoluments table on page 22, with the remaining £150,000 to be paid in future years. This £150,000 is payable to M Duffin.

Share options

The Company believes that share ownership by executive directors and senior management helps strengthen the link between their personal interests and those of the shareholders. It therefore has share option schemes under which options are granted.

On 31 December 2008 a new plan was set up under which the Chief Executive and other senior managers were granted share options. The share options vest 2 years after the date of grant provided certain performance targets are met or immediately on a change of corporate control. Grants were made on 31 December 2008 at an exercise price between 2.75p and 5p. A further grant was made in 2011 to S A Gillings of 1,357,895 at an exercise price of 8.5p.

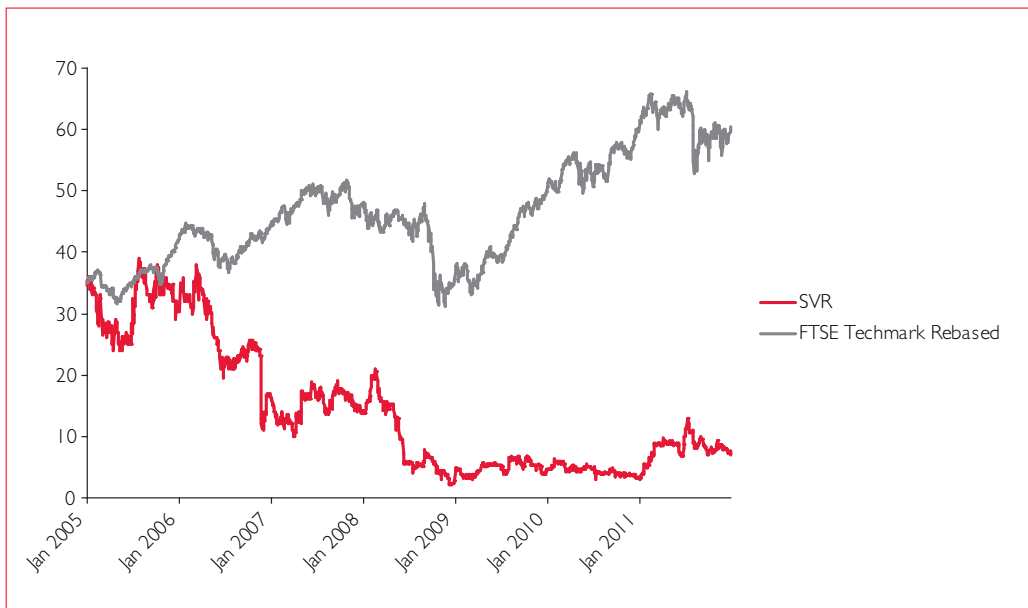
The Group recognised expenses of £73,458 and £55,789 related to equity-settled share-based payment transactions in 2011 and 2010 respectively for the directors.

Pension arrangements

The Company operates a money purchase personal pension scheme. The Company has agreed to make contributions to the personal pension plans of 2 directors. Contributions on behalf of M Duffin were 15 per cent. of his basic salary (2010: 15 per cent.) and on behalf of S A Gillings 5 per cent. of her basic salary (2010: 5 per cent.).

Performance graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the FTSE TechMARK All Share Index. It is considered the most likely benchmark by which the majority of shareholders would want to assess their investment in a company of ServicePower Technologies' size and is the one used to judge performance of the original share option scheme.



Service contracts

It is the Company's policy that the executive directors should have contracts with an indefinite term providing for a maximum of one year's notice. In accordance with the Company's articles, the Board can only remove a director from office if this is unanimously approved by other Board members. Alternatively, a director can be removed by shareholder resolution.

M Duffin has specific terms of engagement under a service contract dated 4 December 2007 and as amended on 8 December 2008. The notice period from the Company is 12 months and from the director, 6 months. There is no entitlement to compensation for loss of office.

S A Gillings has specific terms of engagement under a contract of employment as amended on 1 October 2009 on appointment as Finance Director. The notice period from the Company is 6 months and from the director, 3 months. There is no entitlement to compensation for loss of office.

Non-executive directors

All non-executive directors have specific terms of engagement under letters of appointment dated 23 March 2000 for L N Bury, 18 September 2007 for H Fitzwilliam-Lay and 1 January 2009 for R Burger. Their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. Non-executive directors cannot participate in any of the Company's share option schemes. There is no entitlement to any period of notice for the non-executive directors or any compensation payable for loss of office.

Audited information

Directors' share options

The share options of the directors are set out below.

No share options of the directors were exercised in either year. No share options lapsed in either year. The market price of the shares at 31 December 2011 was 7.50p and the range during the financial year was between 3.25p and 13.12p.

New plan share option scheme

In 2008 a new plan was set up under which M Duffin and S A Gillings were granted options. The share options vest 2 years after the date of grant provided certain performance targets are met or immediately on a change of corporate control. Grants were made on 31 December 2008 at an exercise price of 5p and a further grant made to S A Gillings in 2011 of 1,357,895 options at an exercise price of 8.5p.

	1 January 2011	Forfeited in the year Number	Granted in the year Number	31 December 2011 Number	Date from which exercisable	Expiry date	Exercise price
M Duffin							
- Unapproved	10,000,000	—	—	10,000,000	Dec 2010	Dec 2018	5p
S A Gillings							
- Unapproved	1,642,105	—	1,357,895	3,000,000	Dec 2010	Mar 2021	4.3p-8.5p

Directors' emoluments

The emoluments of the individual directors were as follows:

	Basic salary and car allowance 2011 £'000	Benefits in kind 2011 £'000	Fees 2011 £'000	Bonus paid 2011 £'000	Discretionary bonus granted 2011 £'000	Total emoluments 2011 £'000	2010 £'000
L N Bury	—	—	33	—	—	33	29
H Fitzwilliam-Lay	—	—	15	—	—	15	13
R Burger	—	—	22	—	—	22	18
M Duffin	231	5	—	130	230	596	231
S A Gillings	87	—	—	65	40	192	85
	318	5	70	195	270	858	376

Note: of the discretionary bonus granted in the year, £120,000 will be paid in 2012 (£80,000 to M Duffin and £40,000 to S A Gillings), and £150,000 will be paid at the earlier of M Duffin's exit from the Group or the takeover of the Group.

Pension contributions were paid on behalf of M Duffin of £32,455 (2010: £31,500) and on behalf of S A Gillings of £4,378 (2010: £4,251).

Approval

This report was approved by the Remuneration Committee and signed on its behalf by:

L N Bury

Chairman of the Remuneration Committee

22 March 2012

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, Directors' Remuneration 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 are required by the AIM Rules of the London Stock Exchange to prepare the group financial statements under IFRSs as adopted by the European Union and Article 4 of the IAS Regulation. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. The group financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the joint statement of the Chairman and Chief Executive, the report of the Directors, and the information contained on pages 1 to 22 all comprise the Directors' Report for the year ended 31 December 2011. It includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The directors 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). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;

- state whether applicable UK 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the parent company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of 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 financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

To The Members of ServicePower Technologies Plc

We have audited the group financial statements of ServicePower Technologies plc for the year ended 31 December 2011, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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, the directors are responsible for the preparation of the group 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 group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

In addition, we read all the financial and non-financial information in the annual 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 financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

Although not required to do so, the directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed:

- the directors' statement in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

We have reported separately on the parent company financial statements of ServicePower Technologies plc for the year ended 31 December 2011.

William Smith MA ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

22 March 2012

Consolidated income statement

for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Revenue – ServiceScheduling		7,672	6,782
– ServiceOperations		5,612	11,473
Total revenue	4	13,284	18,255
Cost of sales		(6,537)	(13,153)
Gross profit		6,747	5,102
Administrative expenses – other expenses		(5,553)	(4,875)
– restructuring provisions release		—	256
– foreign exchange gain		173	310
		(5,380)	(4,309)
Operating profit		1,367	793
Investment revenue	8	2	5
Finance costs	9	(261)	(221)
Profit before taxation	6	1,108	577
Taxation	10	(82)	—
Profit after tax for the year		1,026	577
Earnings per share			
Basic	11	0.54p	0.30p
Diluted	11	0.54p	0.30p

All amounts relate to continuing activities.

Consolidated statement of comprehensive income

for the year ended 31 December 2011

	2011 £'000	2010 £'000
Exchange differences on translation of foreign operations	<u>(96)</u>	<u>(194)</u>
Other comprehensive income for the year	(96)	(194)
Profit for the year	<u>1,026</u>	<u>577</u>
Total comprehensive income for the year	<u><u>930</u></u>	<u><u>383</u></u>

Consolidated statement of changes in equity

for the year ended 31 December 2011

	Equity attributable to equity holders of the Company							Total £'000
	Share capital £'000	Share premium account £'000	Share scheme reserve £'000	Exchange translation reserve £'000	Equity reserve £'000	Merger reserve £'000	Retained earnings £'000	
Balance at 1 January 2010	9,926	18,626	558	(1,312)	13	(3,008)	(23,121)	1,682
Profit for the year	—	—	—	—	—	—	577	577
Other comprehensive income for the year	—	—	—	(194)	—	—	—	(194)
Total comprehensive income for the year	—	—	—	(194)	—	—	577	383
Credit to equity for equity-settled share-based payments	—	—	75	—	—	—	—	75
Balance at 31 December 2010	9,926	18,626	633	(1,506)	13	(3,008)	(22,544)	2,140
Profit for the year	—	—	—	—	—	—	1,026	1,026
Other comprehensive income for the year	—	—	—	(96)	—	—	—	(96)
Total comprehensive income for the year	—	—	—	(96)	—	—	1,026	930
Credit to equity for equity-settled share-based payments	—	—	116	—	—	—	—	116
Balance at 31 December 2011	9,926	18,626	749	(1,602)	13	(3,008)	(21,518)	3,186

Consolidated balance sheet

at 31 December 2011

	Note	2011 £'000	2010 £'000
Assets			
Non-current assets			
Intangible assets	12	249	101
Property, plant and equipment	13	145	255
		<u>394</u>	<u>356</u>
Current assets			
Inventories	16	42	42
Trade and other receivables	15	3,352	3,565
Cash and cash equivalents		5,473	3,665
		<u>8,867</u>	<u>7,272</u>
Total assets		<u>9,261</u>	<u>7,628</u>
Current liabilities			
Trade creditors and accruals	17	(2,021)	(1,774)
Deferred revenue	17	(2,315)	(2,227)
Other creditors	17	(24)	(33)
Convertible loan note	17	(1,715)	(1,454)
		<u>(6,075)</u>	<u>(5,488)</u>
Net assets		<u>3,186</u>	<u>2,140</u>
Equity			
Share capital	18	9,926	9,926
Share premium account		18,626	18,626
Share scheme reserve		749	633
Exchange translation reserve		(1,602)	(1,506)
Equity reserve		13	13
Merger reserve		(3,008)	(3,008)
Retained earnings deficit		(21,518)	(22,544)
Total equity		<u>3,186</u>	<u>2,140</u>

The financial statements of Servicepower Technologies plc, registration number 3941006, were approved by the Board of Directors and authorised for issue on 22 March 2012. They were signed on its behalf by:

M Duffin

Director

22 March 2012

Consolidated cash flow statement

for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	19	<u>1,991</u>	<u>327</u>
Investing activities			
Interest received	8	2	5
Purchases of property, plant and equipment	13	(43)	(84)
Expenditure on intangible assets	12	<u>(178)</u>	<u>—</u>
Net cash used in investing activities		<u>(219)</u>	<u>(79)</u>
Net increase in cash and cash equivalents		1,772	248
Cash and cash equivalents at beginning of year		3,665	3,543
Effect of exchange rate changes		<u>36</u>	<u>(126)</u>
Cash and cash equivalents at end of year		<u>5,473</u>	<u>3,665</u>

Notes to the consolidated financial statements

for the year ended 31 December 2011

I General information

ServicePower Technologies plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the directors' report.

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 note 2.

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

The Group has adopted Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee of the IASB. Individual standards and interpretations have to be adopted by the European Commission and the process leads to a delay between the issue and adoption of new standards and in some cases amendment by the European Commission. IFRS are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and are therefore subject to change.

At the date of authorisation of these financial statements, the following Standards and Interpretations that are relevant to the Group, which have not been applied in these financial statements were in issue but not yet effective:

Amendment to IFRS 1	<i>Limited exemption from comparative IFRS 7 disclosures for first-time adopters</i>
Amendment to IFRS 7	<i>Disclosures – transfer of financial assets</i>
IFRS 9	<i>Financial instruments</i>
IAS 24	<i>Related party disclosures</i>
Amendment to IAS 32	<i>Classification of rights issues</i>
Amendment to IFRIC 14	<i>Prepayments of a minimum funding requirement</i>
IFRIC 19	<i>Extinguishing financial liabilities with equity instruments</i>
Improvements to IFRSs 2010	

The directors anticipate that these new standards and interpretations will have no material impact on the financial statements of the Group, nor any impact on disclosures..

There are no new Standards issued by the International Accounting Standards Board that are effective in the current period. The following amendments to existing standards are effective for the current period.

IFRS 3	<i>Business combinations (revised)</i>
IAS 27	<i>Consolidated and separate financial statements (revised)</i>
Amendment to IAS 39	<i>Eligible hedged items</i>
Amendment to IFRS 2	<i>Group cash-settled share-based payment transactions</i>
Improvements to IFRSs 2009	

The adoption of these Amendments has not had a material impact on the Group's financial statements.

Basis of accounting

The annual financial statements are prepared in accordance with IFRS as adopted by the European Union.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Group expects to publish full financial statements that comply with IFRS in March 2012.

Going concern

The financial statements have been prepared on the going concern basis. Further information is disclosed in the Directors' report on page 11.

2 Significant accounting policies

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 31 December 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.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring accounting policies used into line with those used by the Group.

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

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition 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 (revised) *Business Combinations* are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Acquisition related costs are recognised in profit and loss as incurred.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Revenue recognition

Revenue represents sales to outside customers at invoiced amounts less VAT and other sales-related taxes. It is recognised when and to the extent that the Group has earned the right to consideration for services provided.

Software licence sales are recognised upon receipt of evidence of final acceptance by the customer.

Software support is invoiced annually and taken to revenue over the period in which the services are supplied.

Implementation and other consultancy work is invoiced and recognised as income as the work is performed.

Where the Group enters into contracts involving a combination of one or more of the above activities, revenue is recognised for each component separately in accordance with the relevant policy above.

Revenue relating to Service Operations contracts and the supply of computer services is recognised as income as the work is performed.

Where the Company enters into contracts scheduling a combination of one or more of the above activities, revenue is recognised for each component separately in accordance with the relevant policy above. Revenue is allocated to each separate element of the contract in proportion to the relevant fair values of each element.

Leasing

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease, except where another more systematic basis is more representative of the time pattern in which the economic benefits from the lease asset are consumed.

Foreign currencies

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.

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 profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 and liabilities 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.

Property, plant and equipment

Short leasehold interests and fixtures, fittings and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method, on the following bases:

Short leasehold interests	—	over length of lease
Fixtures, fittings and equipment	—	16.6 per cent. To 33.3 per cent. per annum

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 income.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's software development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives, typically five years, but in deciding on a likely time period, the length of time revenue is expected to be generated and the length of any client contract specifically related to the asset will be taken into account. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

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

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss (FVTPL), are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future of cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership, or continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, in the case of the convertible loan notes that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

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.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

Retirement benefit costs

The Company contributes to a number of private money purchase pension schemes as well as stakeholder pension schemes. The contributions are charged to the income statement in the period in which they become payable.

Share-based payments

The Group has applied the requirements of IFRS 2 *Share-based Payment*.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value 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.

Fair value is measured by use of the binomial and Black Scholes models and Monte Carlo simulation because there are market-based vesting criteria. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

3 Critical accounting judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty

In addition to the matters included in note 2 and the Report of the Directors regarding going concern, the key source of estimation uncertainty at the balance sheet date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Recoverability of intangible assets

During the year, management reconsidered the carrying value of its intangible assets which are included in the balance sheet at £249,000 (2010: £101,000). The projects continue to progress in a satisfactory manner, and customer reaction has reconfirmed management's previous estimates of anticipated revenues from the projects.

For the assets which are currently being amortised, the estimation of revenues is based on the useful economic life of the assets which is based on applicable customer contracts and product cycle.

Critical accounting judgements

Convertible loan note

During 2008 year a convertible loan note was issued. On issuance the directors used judgement in calculating the fair value of the liability, which has been estimated based on the market interest rate for a similar non-convertible instrument. See note 17.

Revenue recognition

Where the company enters into contracts involving a combination of one or more of the revenue generating activities, revenue is recognised for each component separately in accordance with the relevant revenue recognition policy. Revenue is allocated to each separate element in proportion to the relative fair values of each element.

4 Revenue

An analysis of the Group's revenue is as follows:

	2011 £'000	2010 £'000
Continuing operations		
Sales of goods and services	13,284	18,255
Investment income	2	5
	13,286	18,260

5 Business segments

Segment information reported externally is analysed on the basis of the Group's business streams, namely ServiceScheduling software licences which provide scheduling solutions, and ServiceOperations which provides claims and despatch processing in the consumer electronics market. This method of segment analysis is used to report to the Board and the Chief Executive.

Segment information about these businesses is presented below:

	Service Scheduling 2011 £'000	Service Operations 2011 £'000	Group Total 2011 £'000
2011			
Revenue from external sales	7,672	5,612	13,284
Segment profit	4,229	1,462	5,691
Central administration costs – other			(4,497)
Foreign exchange gain			173
Total central administration costs			(4,324)
Investment income			2
Finance costs			(261)
Profit before tax			1,108
Taxation			(82)
Profit after tax			1,026

	Service Scheduling 2010 £'000	Service Operations 2010 £'000	Group Total 2010 £'000
Revenue from external sales	6,782	11,473	18,255
Segment profit	3,462	765	4,227
Central administration costs – other			(4,000)
Release of restructuring provision			256
Foreign exchange gain			310
Total central administration costs			(3,434)
Investment income			5
Finance costs			(221)
Profit before tax			577
Taxation			—
Profit after tax			577

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represent the profit earned by each segment without allocation of central administration costs, including directors' salaries, investment revenue and finance costs and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

Segment assets

	2011 £'000	2010 £'000
ServiceScheduling	2,907	2,325
ServiceOperations	878	1,636
Total segment assets	3,785	3,961
Unallocated assets	5,476	3,667
Total consolidated assets	9,261	7,628

For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of cash and cash equivalents and trade and other receivables of the parent company and Servicepower AG.

Other segment information

	Depreciation and amortisation and impairment losses		Additions to non-current assets	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
ServiceScheduling	61	82	18	59
ServiceOperations	121	451	203	25
Group total	182	533	221	84

Revenues from major products and services were as follows:

The Group's revenues from its major products and services were as follows:

	2011	2010
	£'000	£'000
ServiceScheduling	9,395	6,782
ServiceOperations	3,889	11,473
Group total	<u>13,284</u>	<u>18,255</u>

Geographical information

The Group's operations are located in the United States of America, the United Kingdom and the rest of Europe. The Group's revenue from external customers and information about its segment assets by geographical location are detailed below irrespective of the origin of the services:

	Revenue from external customers		Non-current assets	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
United States of America	8,692	8,994	365	285
United Kingdom	4,577	9,207	29	71
Rest of Europe	15	54	—	—
	<u>13,284</u>	<u>18,255</u>	<u>394</u>	<u>356</u>

Information about major customers

In 2011, included in revenues arising from ServiceScheduling were revenues of approximately £1.5 million from one customer; which represented more than 10 per cent. of Group revenue. In 2010 this customer contributed revenues of £0.9 million, which was less than 10 per cent. of Group revenue.

Included in revenues arising from ServiceOperations are revenues of approximately of £1.3 million (2010: £2.6 million), which arose from sales to a customer whose turnover represents more than 10 per cent. of Group revenue.

6 Profit before taxation

Profit before taxation has been arrived at after (crediting)/charging:

	2011	2010
	£'000	£'000
Net foreign exchange gains	(173)	(310)
Research and development costs	705	831
Depreciation of property, plant and equipment	152	209
Amortisation of internally-generated intangible assets	30	324
Staff costs (see note 7)	4,763	4,529
Impairment loss recognised on trade receivables	174	49
Cost of inventories recognised as an expense	41	11
Restructuring provision release	—	(256)
Auditor's remuneration for audit services (see below)	67	63

Amounts payable to Deloitte LLP and their associates by the Group in respect of non-audit services were £7,000 (2010: £7,000).

A more detailed analysis of auditor's remuneration on a worldwide basis is provided below.

	2011		2010	
	£'000	%	£'000	%
Fees payable to the Company's auditor for the audit of the Company's annual accounts	10	15	10	16
Fees payable to the Company's auditor and their associates for other services to the Group				
– the audit of the Company's subsidiaries pursuant to legislation	57	85	53	84
Total audit fees	67	100	63	100
Other services				
– tax advisory services	7	100	7	100
Total non-audit fees	7	100	7	100

A description of the work of the Audit Committee is set out in the Audit Committee report on page 16 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

7 Staff costs

The average monthly number of employees (including executive directors) was:

	2011	2010
	Number	Number
Sales and marketing	9	11
Development	10	10
Support and implementation	15	14
Operation and administration	33	49
	<u>67</u>	<u>84</u>
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	4,075	3,922
Social security costs	415	358
Other pension costs	155	174
Share compensation charge	118	75
	<u>4,763</u>	<u>4,529</u>

8 Investment revenue

	2011	2010
	£'000	£'000
Interest on bank deposits	<u>2</u>	<u>5</u>

9 Finance costs

	2011	2010
	£'000	£'000
Interest on convertible loan notes	<u>261</u>	<u>221</u>

10 Taxation

Corporation tax is calculated at 26.5 per cent. (2010: 28 per cent.) of the estimated assessable loss for the year.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2011 £'000	2011 %	2010 £'000	2010 %
Profit before tax				
Continuing operations	1,108		577	
Tax at the UK corporation tax rate of 26.5% (2010: 28%)	271	24	170	(28)
Tax effect of expenses that are not deductible in determining taxable profit	51	4	35	7
Tax effect of short term timing differences	(72)	(10)	(59)	(10)
R&D tax claim adjustment	—	—	(13)	(13)
Tax effect of losses carried forward	—	—	—	—
Difference in overseas tax rate	(12)	(2)	—	—
US state taxes payable	54	4	—	—
Prior year US state taxes payable	2	—	—	—
Utilisation of brought forward losses	(212)	(20)	(133)	(23)
Tax expense/(credit and effective rate for the year)	82	—	—	—

Subject to agreement with the HMRC, the Group has taxable losses of approximately £16.0 million (2010: £16.9 million), which are available for offset against future trading profits.

No deferred tax asset has been recognised on the basis of the uncertainty of the timing of new licence contracts, particularly given the long procurement processes for new licence agreements. In the opinion of the directors there is sufficient evidence that the asset would be recoverable in the foreseeable future.

II Earnings per share

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

Earnings	2011	2010
	£'000	£'000
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	<u>1,026</u>	<u>577</u>
Earnings for the purposes of diluted earnings per share	<u>1,026</u>	<u>577</u>
Number of shares	2011	2010
	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>189,526,299</u>	<u>189,526,299</u>
Earnings per share	2011	2010
	pence	pence
Basic earnings per share	<u>0.54p</u>	<u>0.30p</u>
Diluted earnings per share	<u>0.54p</u>	<u>0.30p</u>

The convertible loan note has an anti-dilutive effect and therefore diluted earnings per share is capped at basic earnings per share.

12 Intangible assets

	Software development £'000
Cost	
At 1 January 2010	3,012
Exchange adjustment	93
At 1 January 2011	3,105
Additions	178
Exchange adjustment	40
At 31 December 2011	3,323
Amortisation	
At 1 January 2010	2,603
Charge for the year	324
Exchange adjustment	77
At 1 January 2011	3,004
Charge for the year	30
Exchange adjustment	40
At 31 December 2011	3,074
Carrying amount	
At 31 December 2011	249
At 1 January 2011	101
At 1 January 2010	409

Software development costs are amortised over their estimated useful lives, which are based on applicable customer contracts and product cycle and represent the cost of developing ServiceOperations software. The amortisation charge is included within administration expenses in the income statement.

In the year, a software application was purchased as an enhancement to the order processing system used in ServiceOperations.

13 Property, plant and equipment

	Short leasehold £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 January 2010	66	1,234	1,300
Additions	—	84	84
Disposals	—	(24)	(24)
Exchange adjustment	2	26	28
At 1 January 2011	68	1,320	1,388
Additions	—	43	43
Exchange adjustment	1	12	13
At 31 December 2011	69	1,375	1,444
Accumulated depreciation and impairment			
At 1 January 2010	65	866	931
Charge year	1	208	209
Depreciation on disposals	—	(24)	(24)
Exchange adjustment	2	15	17
At 1 January 2011	68	1,065	1,133
Charge for year	1	151	152
Exchange adjustment	—	14	14
At 31 December 2011	69	1,230	1,299
Carrying amount			
At 31 December 2011	—	145	145
At 1 January 2011	—	255	255
At 1 January 2010	1	368	369

14 Subsidiaries

The following were subsidiary undertakings at the end of the current and prior year and have all been included in the consolidated financial statements:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held
ServicePower Business Solutions Limited	England	100	100
ServicePower Incorporated	USA	100	100
ServicePower AG	Switzerland	100	100
ServiceNetwork LLC	USA	100	100

ServicePower Business Solutions Limited is a wholly-owned subsidiary of Servicepower Technologies plc.

ServicePower Incorporated and ServicePower AG are both wholly-owned subsidiaries of ServicePower Business Solutions Limited.

ServiceNetwork LLC is a wholly-owned subsidiary of ServicePower Incorporated.

15 Other financial assets

Trade and other receivables

	2011	2010
	£'000	£'000
Trade receivables	1,965	2,832
Allowance for doubtful debts	(182)	(8)
	1,783	2,824
Other receivables – prepayments and accrued income	1,569	741
	3,352	3,565

The average credit period taken on sales of goods is 48 days (2010: 50 days). No interest is charged on overdue receivables. The Group has provided fully for receivables it considers to be generally not recoverable based on historical default experience.

Before accepting any new customer the Group assesses the customer's credit status and reviews on a regular basis thereafter their ability to pay to terms.

Of the trade receivables balance at the end of the year, £198,032 (2010: £551,712) is due from one of the Group's largest customers. There are no other customers who represent more than 5 per cent of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of £977,000 (2010: £1,591,000) which are past due but not impaired at the reporting date. The Group has provided £183,683 against debtors with receivable amounts outstanding over 90 days. The Group regards all other amounts as recoverable as there has not been a significant change in credit quality. The Group does not hold any collateral over any of these balances. On average past due receivables are 26 days overdue (2010: 24 days).

Ageing of past due but not impaired receivables

	2011	2010
	£'000	£'000
30-60 days	637	1,093
60-90 days	116	124
Over 90 days	224	374
Total	977	1,591

Movement in the allowance for doubtful debts

	2011	2010
	£'000	£'000
Balance at 1 January	8	165
Impairment losses recognised	174	8
Amounts written off as uncollectable	—	(165)
Balance at 31 December	<u>182</u>	<u>8</u>

The allowance for doubtful receivables relates to balances which are all past due by greater than 90 days. In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date.

The directors consider that the carrying amount of trade and other receivables is approximately equal to fair value.

Bank balances and cash comprise cash held by the Group, short-term bank deposits with an original maturity of three months or less and letters of credit issued to third parties as guarantees of £61,494 (2010: £58,982). The carrying amount of these assets approximates their fair value.

Credit risk

The Group's principal financial assets are bank balances, cash and trade and other receivables.

16 Inventories

	2011	2010
	£'000	£'000
Equipment for resale	<u>42</u>	<u>42</u>

In the opinion of the directors, there is no material difference between the carrying value of inventory and its replacement cost.

17 Other financial liabilities

Trade and other payables

	2011	2010
	£'000	£'000
Trade creditors and accruals	1,939	1,774
Deferred revenue	2,315	2,227
Other creditors	24	33
Convertible loan note	1,715	1,454
Corporation tax payable	82	—
	<u>6,075</u>	<u>5,488</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 49 days (2010: 31 days).

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

In 2008 convertible loan notes were issued which gave the investors the right to convert the loan note at the lower of 5 pence a share or the price paid for the new shares issued in the fundraising. The loan note would incur interest at 8 per cent., which would compound every six months and roll up into the value of the note.

The accounting treatment for the convertible loan notes is prescribed in IAS 39. The Company did not elect to use the fair value option for this instrument on initial recognition.

On the date of issue, the fair value of the liability component has been estimated based on a market interest rate for a similar non-convertible instrument and included in creditors. The equity component, recognised in 2008, has been estimated to be £13,000 by deducting the amount of the liability component from the fair value of the whole instrument and included in the equity reserve.

In 2011 accrued interest using the effective interest rate of £261,000 (2010: £220,977) was recognised in the income statement.

18 Share capital

Capital structure is as follows:

	2011	2010
	£'000	£'000
<i>Authorised</i>		
446,621,299 Ordinary shares of 1p each	4,466	4,466
803,378,700 Deferred shares of 1p each	8,034	8,034
1,000,000 Preference shares of 1p each	10	10
	<u>12,510</u>	<u>12,510</u>
	2011	2010
	£'000	£'000
<i>Allotted, called-up and fully paid</i>		
189,264,299 Ordinary shares of 1p each	1,892	1,892
803,378,691 Deferred shares of 1p each	8,034	8,034
	<u>9,926</u>	<u>9,926</u>

As a result of the capital reorganisation in a prior year every authorised but unissued Ordinary Share of 10p was subdivided into New Ordinary shares of 1p each and every issued ordinary share of 10p was subdivided into and reclassified as one New Ordinary Share of 1p and nine Deferred Shares of 1p.

The deferred shares are not listed, non-voting and carry no right to a dividend and will be subject to eventual redemption by the Company for a nominal amount.

The rights attached to the New Ordinary Shares, including voting and dividend rights, are same as the rights attached to the Ordinary Shares.

100,000,000 New Ordinary Shares of 1p were issued on 26 September 2008 at a premium of 4p.

No shares were issued in respect of the exercise of share options in either year.

Reserves are described as follows:

Share scheme reserve: reserve account for share-based payments made by the Group

Exchange translation reserve: reserve for the translation into sterling of the foreign currency denominated balance sheet for the wholly-owned subsidiary.

Equity reserve: residual equity component of the convertible loan

Merger reserve: reserve for own shares acquired on the admission of Servicepower Technologies plc to the London Stock Exchange Full List in 2000.

19 Notes to the cash flow statement

	2011 £'000	2010 £'000
Profit from operations	1,285	793
Adjustments for:		
Depreciation of property, plant and equipment	152	209
Amortisation of intangible assets	30	324
Bad debt expense	174	49
Share-based payments expense	118	75
Operating cash flows before movements in working capital	<u>1,759</u>	1,450
Decrease in inventories	—	8
Decrease in receivables	4	435
Increase/(decrease) in payables	228	(1,616)
Cash generated by operations	<u>1,991</u>	277
Income taxes received	—	50
Net cash from operating activities	<u><u>1,991</u></u>	<u><u>327</u></u>

20 Commitments under operating leases

	2011 £'000	2010 £'000
Minimum lease payments under operating leases Recognised in income for the year	<u>170</u>	<u>233</u>

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011 £'000	2010 £'000
Within one year	110	159
In the second to fifth years inclusive	76	154
	<u><u>186</u></u>	<u><u>313</u></u>

Operating lease payments represent rentals payable by the Group for certain of its office properties, computer equipment and telephone systems. Leases are negotiated for terms of 1 to 5 years and rentals are fixed for terms of 3 to 5 years.

21 Share-based Payments

Equity-settled share option schemes under the 2000 Share option schemes

The Company has a share option scheme for certain levels of employees of the Group. Approved options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant.

Under the ServicePower Technologies plc (Approved) 2000 Share Option Scheme, the option will vest provided the share price has risen by more than 10 per cent. per annum and they are exercisable not earlier than 3 or later than 10 years after the option was granted. Options are forfeited if the employee leaves the Group.

Under the ServicePower Technologies plc (Unapproved) 2000 Share Option Scheme, the option will vest provided the overall percentage increase in the market value of the Company being greater than the percentage increase of the 75 per cent. of the other companies which are part of the TechMARK index. They are exercisable not earlier than 1 or later than 10 years after the option was granted. Options are forfeited if the employee leaves the Group.

At 31 December 2011, the following share options were outstanding in respect of the ordinary shares:

	Year of grant	Number of shares	Ranges of dates exercisable	Exercise price per share
Unapproved share option scheme	2002	132,733	May 2003 - May 2012	10p
Approved share option scheme	2003	42,153	May 2006 - May 2013	12.5p
Unapproved share option scheme	2003	103,120	May 2006 - May 2013	10.0p
Approved share option scheme	2004	34,884	January 2007 - November 2014	30.5p- 50.0p
Unapproved share option scheme	2004	62,364	March 2005 - July 2016	26.5p-44.5p
Approved share option scheme	2005	6,875	January 2008 - April 2015	28.5p-34.0p
Unapproved share option scheme	2006	5,375	January 2008 - May 2015	22.5p-34p
Unapproved share option scheme	2011	150,000	September 2011 - September 2018	8.5p

Movements in share options are summarised as follows:

	2011		2010	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of year	568,465	24.1	2,165,731	18.5
Granted during the year	150,000	8.5	—	—
Forfeited during the year	(180,961)	14.0	(1,597,266)	19.0
Outstanding at the end of the year	537,504	15.7	568,465	24.1
Exercisable at the end of the year	537,504	15.7	568,465	24.1

Equity-settled share option schemes under the 2000 Share option schemes

The options outstanding at 31 December 2011 had a weighted average exercise price of 15.7 pence, and a weighted average remaining contractual life of 4.0 years (2010: 2.8 years).

150,000 options were granted on 13 September 2011. The estimated fair value of the options granted on this date is £4,932.

Inputs into the Black Scholes simulation valuation model are as follows:

		2011	2010
Weighted average share price	Pence	16.6	26.9
Weighted average exercise price	Pence	15.7	24.1
Expected volatility	%	50	50
Expected life	Years	3.17	3.17
Risk-free rate	%	4.48	4.48

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 years. 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.

New options granted after 1 January 2008

At an EGM held on 11 December 2008 the Group adopted a new share option plan which is available to directors and certain levels of employees in the Group. The new plan does not replace the existing schemes but those granted share options under the new plan surrendered all outstanding share options held under the existing schemes. The new discretionary share option scheme is set up to take advantage of the tax-favoured EMI options to UK employees and tax-favoured ISO's to US employees.

The options will vest not earlier than 2 years after the option was granted provided certain performance targets are met, or immediately upon a change of corporate control without the need to satisfy the performance targets.

Initial grants were made on 31 December 2008 at 5p to UK employees and to comply with US law, to US employees at the market price at the date of grant. All subsequent grants to both UK and US employees will be at the market price at the date of grant. All share options are forfeited if the employee leaves the Group. Options granted to Mark Duffin, Chief Operating Officer, will be subject to slightly different terms; if he leaves the Group he will be entitled to exercise his option over at least one third of the share options granted for each year of completed service. The number of share options granted to Mark Duffin at 31 December 2010 was 10,000,000.

At 31 December 2011, the following share options were outstanding in respect of the ordinary shares:

Equity-settled share option scheme under the 2008 scheme

	Year of grant	Number of shares	Dates exercisable	Exercise price per share
New plan share options	2008	12,400,000	1 January 2011	5.0p
New plan share options	2008	250,000	1 January 2011	2.75p
New plan share options	2009	250,000	22 July 2011	4.0p
New plan share options	2010	1,880,701	30 March 2012	4.3p
New plan share options	2011	4,519,299	30 March 2013	8.5p

Movements in share options are summarised as follows:

	2011		2010	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of year	16,030,701	5.9p	15,200,000	4.7p
Granted during the year	4,519,299	7.3p	1,880,701	4.3p
Forfeited during the year	(1,250,000)	2.8p	(1,050,000)	3.9p
Outstanding at the end of the year	19,300,000	5.0p	16,030,701	5.9p
Exercisable at the end of the year	12,650,000	5.7p	10,000,000	5.0p

The options outstanding at 31 December 2011 had a weighted average exercise price of 5.7 pence, and a weighted average remaining contractual life of 7.7 years (2010: 8.2 years).

4,519,299 options were granted on 29 March 2011. The estimated fair value of the options granted on this date is £48,562.

The inputs into the Black Scholes and Monte Carlo simulation valuation model are as follows:

		2011	2010
Weighted average share price	Pence	4.3	3.0
Weighted average exercise price	Pence	5.7	4.7
Expected volatility	%	60	60
Expected life of option	Years	4	4
Risk-free rate	%	2.5	2.5

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 4 years. 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.

Equity-settled share option scheme under the 2008 scheme

The Group recognised total expenses of £118,017 and £74,854 related to equity-settled share-based payment transactions in 2011 and 2010 respectively.

22 Related party transactions

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

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out in the audited part of the Report of the Remuneration Committee on pages 19 to 23.

23 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to the stakeholders through the optimisation of cash and equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

	2011 £'000	2010 £'000
Cash and cash equivalents	5,473	3,665
Convertible loan note	1,715	1,454
Equity	3,186	2,140

Equity includes all capital and reserves of the Group attributable to equity holders of the parent. The Group is not subject to externally imposed capital requirements.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.

	Carrying value	
	2011 £'000	2010 £'000
Financial assets		
Inventories	42	42
Cash	5,473	3,665
Trade debtors	1,783	2,824
	7,298	6,531
Financial liabilities		
Liabilities less deferred revenue	3,762	3,260

Financial risk management objectives

The Group accounting function provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk and price risk), credit risk and liquidity risk. The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of dealing only with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings and credit limits are continuously monitored and reviewed.

Trade receivables consist of a large number of customers, spread across a number of industries in the United Kingdom, United States and Europe. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Information on significant outstanding debtor balances is included in note 15. The Group does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. At present the Group does not have foreign exchange contracts to manage the risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2011 are as follows:

	Liabilities		Assets	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
US Dollar	<u>5,391</u>	<u>6,894</u>	<u>4,920</u>	<u>3,922</u>

The Group is exposed to the currency of the United States of America (US dollar currency).

The following table details the Group's sensitivity to a potential 10 per cent increase and decrease in the sterling against the US dollar. Ten percent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates. A positive number below indicates an increase in profit where the sterling strengthens 10 per cent. Against the US dollar; For a 10 per cent weakening of the sterling against the US dollar, there would be a comparable impact on the profit, and the balance would be negative.

Financial currency risk management

	US dollar currency impact	
	2011	2010
	£'000	£'000
Profit or loss and net assets	<u>47</u>	<u>297</u>

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's liabilities. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. The Group has no undrawn facilities at 31 December 2011.

Liquidity risk

The Group's remaining contractual maturity for its financial liabilities was £3,762,000 (2010: £3,260,000). All liabilities fall due within 30 days and they have been calculated based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Independent auditor's report

to the members of Servicepower Technologies Plc

To the shareholders of ServicePower Technologies Plc

We have audited the parent company financial statements of ServicePower Technologies plc for the year ended 31 December 2011, which comprise the Parent Company Balance Sheet and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors Responsibilities, the directors are responsible for the preparation of the parent company 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 parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

In addition, we read all the financial and non-financial information in the annual 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 financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

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

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

Other matters

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the company a quoted company.

We have reported separately on the group financial statements of ServicePower Technologies plc for the year ended 31 December 2011.

William Smith MA ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

22 March 2012

Company balance sheet

at 31 December 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Investment in subsidiaries	3	<u>5,684</u>	<u>5,563</u>
Current assets			
Debtors	4	<u>7,886</u>	<u>8,021</u>
Creditors: falling due within one year			
Other creditors	5	(20)	(12)
Convertible loan note	5	<u>(1,715)</u>	<u>(1,454)</u>
Net current assets		<u>6,151</u>	<u>6,555</u>
Total assets less current liabilities		<u>11,835</u>	<u>12,118</u>
Net assets		<u>11,835</u>	<u>12,118</u>
Shareholders' funds			
Share capital	6	9,926	9,926
Share premium account	7	18,626	18,626
Equity reserve	7	754	633
Share scheme reserve	7	13	13
Retained earnings	7	<u>(17,484)</u>	<u>(17,080)</u>
Shareholders' funds	8	<u>11,835</u>	<u>12,118</u>

The financial statements of Servicepower Technologies Plc, registration number 3941006, were approved by the Board and authorised for issue on 22 March 2012.

They were signed on its behalf by:

M Duffin

Director

22 March 2012

Notes to the company financial statements

for the year ended 31 December 2011

1 Significant accounting policies

Basis of preparation

Going concern

The financial statements have been prepared on the going concern basis. Further information has been disclosed in the Directors' report on page 6.

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 are summarised below. They have been applied consistently throughout the year and the preceding year.

Financial instruments

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, in the case of the convertible loan notes that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Share options

The accounting policy for share options in issue on the Company's share capital is set out in the Significant Accounting Policies note on page 38 to the consolidated financial statements.

2 Loss for the year

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. Servicepower Technologies plc reported a loss for the financial year ended 31 December 2011 of £404,000 (2010: £274,000).

The auditor's remuneration for audit and other services are disclosed in note 6 to the consolidated financial statements.

3 Fixed asset investments

Subsidiaries

	£'000
Cost and net book value as at 1 January 2011	5,563
Capital contribution in the year	121
Cost and net book value as at 31 December 2011	<u>5,684</u>

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
ServicePower Business Solutions Limited	England	100 per cent.	Development and sale of licences to use scheduling software

4 Debtors

Amounts falling due within one year

	2011 £'000	2010 £'000
Amounts owed by group undertakings	7,884	8,019
Trade and other receivables	2	2
	<u>7,886</u>	<u>8,021</u>

5 Creditors

Amounts falling due within one year

	2011 £'000	2010 £'000
Other creditors	20	12
Convertible loan note	1,715	1,454
	<u>1,735</u>	<u>1,466</u>

In 2008 convertible loan notes were issued, which gave the investors the right to convert the loan note at the lower of 5 pence a share or the price paid for the new shares issued in the fundraising. The loan note would incur interest at 8 per cent., which would compound every six months and roll up into the value of the note.

The accounting treatment for the convertible loan notes is prescribed in FRS 39. The Company did not elect to use the fair value option for this instrument on initial recognition.

The notes are convertible into ordinary share shares of the Company at any time between the date of issue of the notes and their settlement date. If the notes have not been converted, they will be redeemed on 29 September 2016 at par. Interest will be rolled up into the value of the note every six months up until that settlement date.

On the date of issue, the fair value of the liability component has been estimated based on a market interest rate for a similar non-convertible instrument and included in creditors. The equity component, recognised in 2008, has been estimated to be £13,000 by deducting the amount of the liability component from the fair value of the whole instrument and included in the equity reserve.

In 2010 accrued interest using the effective interest rate of £261,000 (2010: £220,977) was recognised in the profit and loss account.

6 Share capital

Existing capital structure is as follows:

	2011 £'000	2010 £'000
<i>Authorised</i>		
446,621,299 Ordinary shares of 1p each	4,466	4,466
803,378,700 Deferred shares of 1p each	8,034	8,034
1,000,000 Preference shares of 1p each	10	10
	<u>12,510</u>	<u>12,510</u>
	2011	2010
	£'000	£'000
<i>Allotted, called-up and fully paid</i>		
189,264,299 Ordinary shares of 1p each	1,892	1,892
803,378,691 Deferred shares of 1p each	8,034	8,034
	<u>9,926</u>	<u>9,926</u>

As a result of the capital reorganisation in a prior year every authorised but unissued Ordinary Share of 10p was subdivided into New Ordinary shares of 1p each and every issued ordinary share of 10p was subdivided into and reclassified as one New Ordinary Share of 1p and nine Deferred Shares of 1p.

The deferred shares are not listed, non-voting and carry no right to a dividend and will be subject to eventual redemption by the Company for a nominal amount.

The rights attached to the New Ordinary Shares, including voting and dividend rights, are same as the rights attached to the Ordinary Shares.

100,000,000 New Ordinary Shares of 1p were issued on 26 September 2008 at a premium of 4p.

7 Reserves

	Share premium account £'000	Equity reserve £'000	Share scheme reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2011	18,626	13	633	(17,080)	2,192
Loss for the year	—	—	—	(404)	(404)
Capital contribution	—	—	121	—	121
At 31 December 2011	<u>18,626</u>	<u>13</u>	<u>754</u>	<u>(17,484)</u>	<u>1,909</u>

8 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Loss for the year	(404)	(274)
Credit to the reserves for share-based payments	121	75
Net reduction in shareholders' funds	(283)	(199)
Opening shareholders' funds	12,118	12,317
Closing shareholders' funds	<u>11,835</u>	<u>12,118</u>

9 Related party transactions

The company has taken advantage of the exemption allowed by FRS 8 *Related party transactions*, not to disclose any transactions with wholly-owned subsidiaries that are included in the consolidated financial statements of ServicePower Technologies plc.

servicepower
technologies plc

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