Report and Financial Statements

Year ended 31 December 2012

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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) (Resigned 17 October 2012)
R E Mace (Non-executive Director) (Appointed 17 October 2012)
S A Gillings (Finance Director) (Resigned 28 February 2013)
M E Martin (Chief Financial Officer) (Appointed 7 January 2013)

Secretary

S A Gillings (Resigned 28 February 2013)
M E Martin (Appointed 1 March 2013)

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

The financial results for 2012 were below management's initial expectations for the year due to delays in customer purchasing decisions having an impact on resulting revenue and profits. Strong progress was made at the operational level during the year with investments in ServicePower's field service management platform, cementing its position as the only global provider of truly end to end field labour software. The enhanced ServiceScheduling product, the one of a kind ServiceBroker, and the acquisition of S^2 and Service Market in 2012 and ServiceMobility in early 2013 broaden the ServicePower portfolio and create additional revenue streams in 2013.

With £4.5m of cash at year end, the fundamentals of the business remain strong with ServicePower having a powerful Field Service technology platform that is progressively differentiating itself from the competition. The significant contracts signed post year-end demonstrate the power of the enlarged software offering and build confidence in 2013 and the future beyond.

The Company has four segments, ServiceScheduling, ServiceOperations, as it has had historically, and in addition S^2, a CRM, and ServiceMarket, a platform that offers customers that ability to allocate work not only across its own labour force and to third party service providers, but also to bid work out to independent service providers in a seamless fashion. No revenue has been earned on S^2 and ServiceMarket in the year under review. Further integration between the segments has been developed with ServiceBroker, which provides a common user interface that enables customers to access the end to end field service management platform offered by ServicePower, something unmatched in the industry.

The Board is focused on generating increased organic profits, but continues to consider the potential for accelerated growth through additional 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

Relatively challenging market conditions are expected to continue, however, the successes we have had early in 2013 give us confidence that the strength of our core products and the appeal of our expanded offering will position us well for growth, providing customers with increased efficiencies, enhanced service and the possibility of additional revenue streams.

Total revenue for the year decreased by 17 per cent. to £11.1 million (2011: £13.3 million). Within this, ServiceScheduling licence and consultancy revenue decreased by 10 per cent. to £7.0 million (2011: £7.7 million), whilst ServiceOperations revenue reduced by 27 per cent. to £4.1 million (2011: £5.6 million). The new business segments will generate revenue in 2013.

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

	2012 **£ million**	**2011** **£ million**
Licences	1.2	2.1
Implementation/support	5.3	5.1
Mobility	0.5	0.5
Total	**7.0**	**7.7**

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

	2012 £ million	2011 £ million
Licences	0.3	0.9
Implementation/support	0.2	0.8
Hosting/SaaS	1.2	1.2
Operations US	0.8	1.3
Operations UK	1.6	1.4
Total	**4.1**	**5.6**

The Company continued to invest in maintaining functionalities across all of its product range, investing £1.0 million in 2012 (2011: £0.7 million) in its organic development efforts separate from acquisitions.

Gross profit for the period decreased to £4.5 million (2011: £6.7 million) and profit before tax decreased to a loss of £1.8 million (2011: profit of £1.1 million).

The adjusted loss before tax was £1.3m (2011: profit before tax £0.9 million). The adjusted loss before tax refers to the loss before tax adjusted for a foreign exchange translation loss of £0.5 million (2011: gain of £0.2 million).

The basic and diluted loss per share for the full year was 0.95p (2011: basic and diluted earnings per share of 0.54p).

Cash balances were £4.5 million at 31 December 2012, compared to the cash balances at 31 December 2011 of £5.5 million.

Operational Review

Creating a complete field services platform

2012 saw ServicePower continue to build out its field management platform, cementing its position as the only global provider of a truly end-to-end, mixed labour resource software. Development of the platforms below have meant the evolution of ServicePower from the provider of a niche software solution to one with an end-to-end field services platform, enabling our customers to use resource pools independently or mix resource pools together, thus providing control over their ability to execute work within desired cost and time parameters.

The additions of ServiceMarket and ServiceBroker to the ServicePower portfolio significantly extended the product portfolio adding the next generation of social media technology onto the established platform.

- ServiceMarket is a web-based marketplace on which pre-approved servicers can 'bid' for service jobs advertised by retailers, incorporating a payment system.

- ServiceBroker allows clients to direct work between various channels of employed engineers, the independent servicer network or ServiceMarket.

In November 2012, the acquisition of a service management software source code licence from Bella Solutions, Inc. enabled the provision of a hosted version of ServiceMarket to be launched in early 2013. This SaaS version of ServiceMarket offers our network of independent service providers a comprehensive, low cost CRM with which to run their businesses more efficiently, while creating a new recurring revenue channel for the Company.

Integration to automated parts distribution was also completed in 2012, enabling ServicePower to offer supply chain logistics through its field management platform, as well as a mechanism to control part costs for customers who consume parts as part of the repair process, but do not manufacture parts.

Development of the platform has been continued in 2013, with the acquisition of Stratix Field Service software, bringing enhanced mobile functionality. Device and operating system agnosticism is especially important in today's constantly evolving mobility environment where businesses are embracing a Bring-Your-Own-Device (BYOD) strategy, allowing employees to work from their own mobile devices.

The acquisition not only enhances the end-to-end platform with technology that is adaptable to any device, but it enables ServicePower to bid mobile-only opportunities due to the breadth of product functionality, creating a new stand-alone revenue stream.

As a result of building the platform to contain all of the necessary tools, a customer can now turn to ServicePower to manage the complete lifecycle of a job, using a variety of field resources, from optimised scheduling and 3rd party dispatch, to mobile status updates, job based parts management, signature capture, GPS tracking, 3rd party claim payments and analytics.

Further development in 2013

ServicePower will launch ServiceRating.com in 2013, providing service providers with the means to market their services on the web, without maintaining in-house web marketing expertise.

ServiceRatings.com will be a comprehensive directory of service providers, which includes features like deals of the day, article publishing, and profile videos and audio. It will offer service providers many different advertising opportunities throughout the site as well as a micro site option, providing them with additional revenue streams and encouraging social commerce and crowd sourced sharing of product and repair information

ServiceRatings.com enables ServicePower to enhance the platform through enabling third party networks to communicate like employed field resources, thereby enhancing their profitability and efficiency, strengthening opportunities for growth.

New Head Office

In September 2012, ServicePower announced that it had secured new premises for its head office in the United States, in Reston, Virginia. Reston is an established hub for growth technology businesses and the high quality offices will serve as a good base from which to service the Company's growing US client base. ServicePower's CFO, CIO, project managers, business analysts, technical consultants, product managers and architects have all now been centralised in Reston.

ServiceOperations

ServiceOperations had a good year in relation to sourcing new contracts, signing ten contracts (compared to five in the preceding year) with particular successes in the North American electronics market. New customers include Appliance Guard, Arcelik, Global Warranty Group, ESI International, Funai Service Corporation, TP Vision, Service Team and Haier America Trading.

These names add to Service Power's existing electronics customers, who include Richer Sounds in the UK, Mitsubishi in the US and one of the world's largest TV manufacturers.

A significant contract renewal was signed in the year for a two-year extension to the company's major contract with E.ON UK, one of the UK's leading integrated power and gas companies.

ServiceScheduling

Implementation of contracts won in 2011 continued with good progress being made at the RSPCA, Steritech and HomeServe, all of which went live in the year.

Significant contract wins post-period end

In January 2013, ServicePower secured a landmark, three-year global contract with a communications provider globally recognised as the industry leader. Through a very competitive bid process, the client selected ServiceScheduling as the mechanism through which it will manage, plan and analyse its field workforce in EMEA, North and South America. This contract further highlights the global capabilities of the platform and our ability to implement and execute on a global scale.

In January 2013, as a testament to the strength and completeness of the platform, Assurant Solutions, a global provider of underwriting, marketing and administration solutions, and an existing ServiceOperations client since 2009, extended its license in a six figure deal to include ServiceMarket, enabling Assurant to provide additional, unique service offerings to their clients and to consumers, yielding the best possible experience at the best possible price.

Board Changes

In October 2012, ServicePower announced the appointment to the Board of Rick Mace as non-executive Director. Rick has led businesses within the telecommunications and networking markets, with extensive experience with hardware, software and service business models. He has international experience and has worked with both publicly listed and private companies. At the same time, non-executive Director, Rudy Burger resigned from the Board.

On 7 January 2013, post the year end, Marne Martin was appointed to the Board as Chief Financial Officer, acting alongside Sally Gillings, who resigned on 28 February 2013 to effect an orderly handover. Ms. Martin has a strong background in corporate and global finance execution. Most recently, Ms. Martin was CFO of AIM listed Norcon plc, a UK based telecommunications and defence consulting company, leading the company's IPO on AIM in 2008 and successfully completing primary and secondary share placements in 2009 and 2010.

Growth Strategy

ServicePower's expanded product set, strengthened market position and growing number of successful customer reference sites both in the UK and US provide a broad platform on which to build. In the Group's core verticals of white goods, consumer electronics, insurance and energy, ServicePower will continue to seek new opportunities whilst also bringing in expertise in additional vertical markets into the Group through new hires.

Outlook

With demonstrated sales success, and continued investment in development of our global field management platform, ServicePower is positioned for a strong performance in 2013 and beyond. Our growing, prestigious client base, including some of the best know brands in the world, is proof of our commitment to providing the best, most complete, and technologically advanced field management tool in the world. Trading in 2013 has begun extremely positively, and we are confident of a successful outcome to the year.

Lindsay Bury, Chairman **Mark Duffin, CEO**

21 March 2013

Report of the directors

for the year ended 31 December 2012

The directors present their report on the affairs of the Group, together with the audited financial statements, for the year ended 31 December 2012. The Corporate Governance Statement, the Report of the Audit Committee and the Report of the Remuneration Committee on pages 19 to 23 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 (2011: same).

Principal activities, trading review and future developments

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

Operations: ServicePower's focus is on providing technology solutions, services, and industry expertise globally to allow service businesses to operate with maximum efficiency. The Group's solutions and services enable our customers to address the three key service delivery challenges: i) offer a higher quality of service, ii) reduce the cost of service delivery, and iii) grow revenue and profitability. The Group's head office is based in Reston, VA, with offices in Stockport, United Kingdom and Santa Ana, CA in the USA. The Group has three subsidiaries, ServicePower Business Solutions Limited in the UK, ServicePower Inc and ServicePower network LLC in the US. ServicePower AG in Switzerland was liquidated on 30 September 2012. The financial position and performance of the Group is set out on pages 28 to 32.

Markets: The market for the Group's technology solutions and services is global, with most of its existing sales to companies throughout North America and the UK. 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 for whom a typical solution would cost in excess of £1.0 million. ServiceOperations is targeted at companies that 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. In the future, the Group anticipates broadening its geographical reach.

Sales and marketing: 60 per cent. (2011: 65 per cent.) of Group turnover (£6.7 million) has been generated in North America (2011: £8.7 million). Whilst there has been a reduction of £2.0 million, the directors made changes in the second half of 2012 to expand the sales coverage in North America and begin to build a key account management structure. The Group continues to capitalise on the 250 man years of development already invested in its products, and the investment in 2012 to bring a number of new products into the fold through internal developing and acquisition of source code. In 2012, 60 per cent. of revenue was generated from ServiceScheduling and 40 per cent. from ServiceOperations, (2011: 58 per cent. and 42 per cent., respectively) the change in percentage from the prior year being due to the change in product mix in revenue in the year. Further development includes migrating clients to more hosted and cloud-based solutions.

Research and development: To maintain the Group's leading edge software-based solutions, £1.0 million (2011: £0.7 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 11 staff (2011: 10) through which the Group develops its own intellectual property. In addition, to meet the demand for further customer enhancements, the Group has both acquired intellectual property and outsourced certain development and validation work to an offshore company.

Contract values: Customers can either i) buy a one-time perpetual licence for ServiceScheduling with an annual fee for support and maintenance and new releases or ii) pay for the use of the licence and maintenance on a hosted or SaaS basis. This type of contract is variable in size and can range in value and term, depending upon the nature of the contract. Revenue from ServiceOperations is earned from a transaction cost approach.

Key performance indicators (KPIs)

ServicePower operates in a complex and specialised field using a business model of a software sales company; the primary objective is to sell software licenses or hosted solutions using its software. In ServiceOperations, the goal is to maximise the number of transactions through ServiceOperations. The KPIs of the Group have been identified as follows.

Revenue and deferred and accrued income: In the year, invoiced sales for the Group were £12.0 million (2011: £12.8 million). £11.1 million was recognised as revenue (2011: £13.3 million) and held in the balance sheet was deferred income of £2.6 million (2011: £2.3 million) and accrued income of £0.4 million (2011: £1.1 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. The Company despite decreased turnover has generated increased deferred income and strengthened its pipeline year on year.

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. The renewal rate of the Group's customers remains very stable and high.

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 £4.5 million in 2012 (2011: £6.7 million). The Group had a loss before tax of £1.8 million in 2012 (2011: Profit before tax of £1.1 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 £2.3 million (2011: £1.8 million). Debtor days for the Group represented 66 days of invoiced sales compared to 48 days at the end of 2011. The trade and other creditors and accruals at the end of the financial year were £1.9 million (2011: £1.9 million) representing 53 creditor days and 49 days in 2011. Cash outflow from operations for the year was £0.8 million (2011: inflow £2.0 million).

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 £4.5 million (2011: £5.5 million).

Employee recruitment and retention: The Group increased its average headcount in the year by 4 to 71 employees (2011: 67) as part of the preparation to launch new products in 2013. 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.

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.

Reference customers: The Group sells on the basis of adding value to the customer. 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 value of the offering, the non-financial benefits and a demonstration of the software operating in real time.

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 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 the stability of the currencies and 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 ensures 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.

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.

Directors and their interests

The directors who served during the year, and to the date of this report, except where stated on page 1, are:

Lindsay Bury, Non-Executive Chairman
Lindsay Bury has been with the Group since January 2000. Throughout his extensive business career he has been a founding director of ACT, now part of Misys, Chairman of Bango plc, a company listed on AIM, a director of Electric & General Investment Co Plc and a number of private software companies.

Mark Duffin, Chief Executive 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 the Group 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. Rudy resigned from the Board in October 2012.

Rick Mace, Non-Executive Director
Rick joined ServicePower in October 2012. He has extensive experience business experience within the technology industry at international level and with both publicly-listed and private companies. He currently holds directorships with Hakisa Corp., Island Club Resort, Kentrox Court, Tekelec Corp., and Wireless Telecom Group, Inc.

Sally Gillings, Finance Director
Sally was 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. Sally resigned from the Board in February 2013.

Marne Martin, Chief Financial Officer
Marne joined the Group in January 2013. She has experience in a wide range of domestic and international industries, and notably her last position was as CFO for Norcon plc, a UK AIM-listed telecommunication and defence consulting company. She is currently a director of Formigo Ltd (Tep Wireless). Marne assumed full responsibility for the finance function after the departure of Sally Gillings in February 2013.

As from 1 January 2012 directors and officers liability insurance was in force.

The directors who held office at 31 December 2012 had the following interests, including those of connected parties, in the ordinary share capital of the Company:

			Ordinary shares of 1p each	
	31 December 2012		31 December 2011	
	Options	**Shares**	**Options**	**Shares**
L N Bury *Chairman*	—	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	3,000,000	2,000

M Martin, R E Mace and M Duffin all 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 2012 was 53 days and at 31 December 2011 was 49 days.

Charitable and political donations

Charitable donations made in the year were £302 (2011: £nil). Political donations were £nil in both years.

Employees

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

The Group complies with all applicable labour laws in the respective jurisdictions.

Disabled employees

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

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.

At 31 December 2012 the Group had net assets of £1,787,000 including £4,524,000 of cash and cash equivalents (31 December 2011: net assets of £3,186,000 including £5,473,000 of cash and cash equivalents).

In determining whether the Group's accounts can be prepared on a going concern basis, the directors considered the Group's business activities together with factors likely to affect its future development, performance and its financial position including cashflows, liquidity position and the principal risks and uncertainties relating to its business activities.

Based on cash flow forecasts which take into account the directors' best estimate of current sales orders and opportunities, expenditure forecasts as well as 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

21 March 2013

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 maintain the standards of corporate governance throughout the Group. The Board confirms that for the year ended 31 December 2012 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 2012, 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 50 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 regular 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 7 Board meetings in 2012. The attendance of directors is set out below:

L N Bury	7
M Duffin	7
H Fitzwilliam-Lay	7
R Burger	5
R E Mace	1
S A Gillings	7

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 9, 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 compromises 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 met on 20 November 2012 and was attended by L N Bury, H Fitzwilliam-Lay; M Duffin and S A Gillings attended by invitation, and again on 20 December 2012, when it was attended by L N Bury, and H Fitzwilliam-Lay; M Duffin by invitation, to recommend new appointment of R E Mace and M E Martin to the Board respectively.

The Audit Committee met on 20 March 2012 and was attended by H Fitzwilliam-Lay, L N Bury and R Burger; M Duffin and S A Gillings and representatives of the external auditor attended by invitation.

The members of the committees are as follows:

H Fitzwilliam-Lay (Chairman of the Audit Committee), L N Bury, R E Mace (appointed 17 October 2012), R Burger (resigned 17 October 2012)

L N Bury (Chairman of the Remuneration Committee), H Fitzwilliam-Lay, R E Mace (appointed 17 October 2012), R Burger (resigned 17 October 2012)

R E Mace (Chairman of the Nominations Committee) (appointed 17 October 2012), R Burger (Chairman of the Nominations Committee) (resigned 17 October 2012), L N Bury, H Fitzwilliam-Lay

The reports of the Audit Committee and the Remuneration Committee follow on pages 16 to 23.

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 2012 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

21 March 2013

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/Chief Financial Officer, who are invited to the Audit Committee meetings, also provide business and accounting expertise. The Audit Committee met once in 2012, 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 the external auditor. 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 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 2012 the Audit Committee has:

- reviewed the financial statements for 2011 and 2012 and the half yearly report issued in September 2012. 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 2012;
- agreed the fees to be paid to the external auditor for their audit of the 2012 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 auditor, 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 auditor 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

21 March 2013

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 2012 were L N Bury, Chairman, H Fitzwilliam-Lay, R E Mace (appointed 17 October 2012) and R Burger (resigned 17 October 2012). All are considered by the Board to be independent non-executive directors. In addition, M Duffin and S A Gillings, and subsequently M E Martin, 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 March and November 2012, with all members and additional invitees attending.

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 2012 and an increase of 3 per cent. was awarded at that time, the same percentage as was awarded to all Group employees from 1 April 2012. No award has been made for 2013.

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 2012, no bonuses were awarded for the achievement of objectives in relation to the current year. Bonus payments made in the year in respect of objectives achieved in previous years, and with agreement of the Remuneration Committee in the current year, are disclosed on page 23.

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.

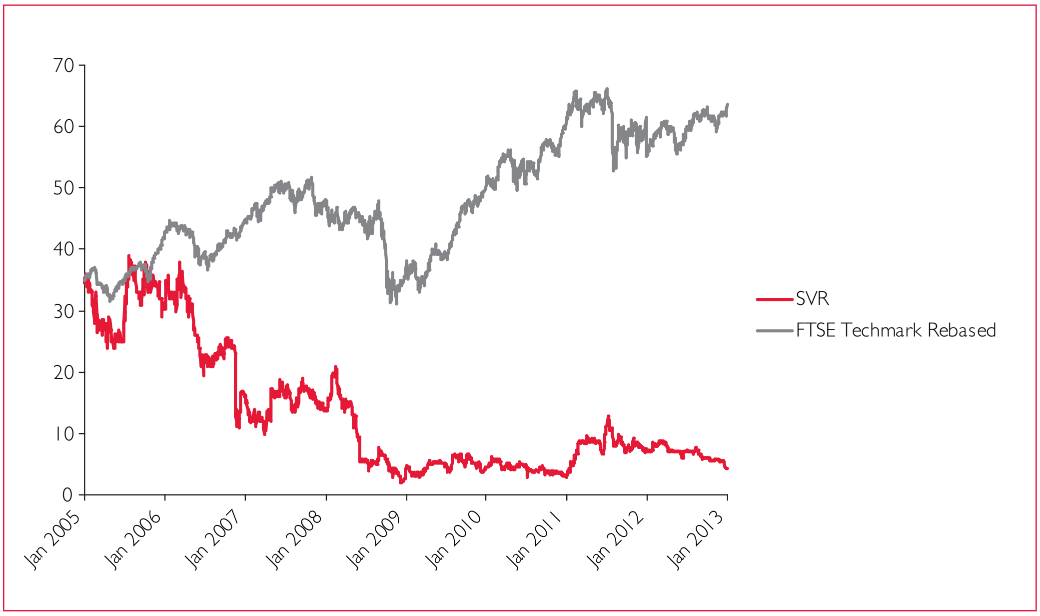
The Group recognised expenses of £79,108 and £73,458 related to equity-settled share-based payment transactions in 2012 and 2011 respectively for the directors.

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 (2011: 15 per cent.) and on behalf of S A Gillings 5 per cent. of her basic salary (2011: 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 plc's 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 had 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. She resigned as a director on 28 February 2013.

M E Martin has specific terms of engagement under a service contract dated 7 January 2013. 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.

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 17 October 2012 for R E Mace. R Burger resigned as a non-executive director on 17 October 2012. 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 2012 or 2011. No share options lapsed in either year. The market price of the shares at 31 December 2012 was 4.50p and the range during the financial year was between 4.50p and 9.00p. M E Martin under her employment contract is eligible for a grant of 3 million options six months following employment subject to Board approval. S A Gillings' vested options expire six months following her last day (28 February 2013) unless exercised sooner.

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 2012	Forfeited in the year Number	Granted in the year Number	31 December 2012 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	3,000,000	—	—	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 2012 £'000	Benefits in kind 2012 £'000	Fees 2012 £'000	Bonus earned 2012 £'000	Total emoluments 2012 £'000	2011 £'000
L N Bury	—	—	38	—	38	33
H Fitzwilliam-Lay	—	—	17	—	17	15
R Burger	—	—	18	—	18	22
R E Mace	—	—	4	—	4	—
M Duffin	223	6	—	—	229	596
S A Gillings	90	—	—	—	90	192
	313	**6**	**77**	**—**	**396**	**858**

£290k of bonuses have been paid in the year, £230k to M Duffin and £40k to S Gillings. Of the bonuses paid to M Duffin, £80k related to performance objectives of the Group in the year ended 31 December 2011 and £150k was accrued at 31 December 2011, to be payable at the earlier of M Duffin's exit from the Group or on a change of corporate control, but has been approved for payment the Remuneration Committee in 2012. £40k paid to S A Gillings related to performance objectives of the Group in the year ended 31 December 2011.

Pension contributions were paid on behalf of M Duffin of £33,418 (2011: £32,455) and on behalf of S A Gillings of £4,465 (2011: £4,378).

Approval

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

L N Bury
Chairman of the Remuneration Committee

21 March 2013

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 2 to 23 all comprise the Directors' Report for the year ended 31 December 2012. 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 2012, 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 2012 and of its loss 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 2012.

William Smith

William Smith MA ACA (Senior Statutory Auditor)

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

21 March 2013

Consolidated income statement
for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Revenue – ServiceScheduling		**6,960**	7,672
– ServiceOperations		**4,182**	5,612
Total revenue	4	**11,142**	13,284
Cost of sales		**(6,633)**	(6,537)
Gross profit		**4,509**	6,747
Administrative expenses – other expenses		**(5,478)**	(5,553)
– foreign exchange (loss)/gain		**(519)**	173
		(5,997)	(5,380)
Operating (loss)/profit		**(1,488)**	1,367
Investment revenue	8	**2**	2
Finance costs	9	**(310)**	(261)
(Loss)/profit before taxation	6	**(1,796)**	1,108
Taxation	10	**—**	(82)
(Loss)/profit after taxation for the year		**(1,796)**	1,026
(Loss)/earnings per share			
Basic	11	**(0.95)p**	0.54p
Diluted	11	**(0.95)p**	0.54p

All amounts relate to continuing activities.

Consolidated statement of comprehensive income

for the year ended 31 December 2012

	2012 £'000	2011 £'000
Exchange differences on translation of foreign operations	**260**	(96)
Other comprehensive income/(expense) for the year	**260**	(96)
(Loss)/profit for the year	**(1,796)**	1,026
Total comprehensive (expense)/income for the year	**(1,536)**	930

The total comprehensive (expense)/income for the year is attributable to the equity holders of the Company.

Consolidated statement of changes in equity

for the year ended 31 December 2012

	Equity attributable to equity holders of the Company							
	Share capital £'000	Share premium account £'000	Share scheme reserve £'000	Exchange translation reserve £'000	Equity reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2011	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
Loss for the year	—	—	—	—	—	—	(1,796)	(1,796)
Other comprehensive income for the year	—	—	—	260	—	—	—	260
Total comprehensive income for the year	—	—	—	260	—	—	(1,796)	(1,536)
Credit to equity for equity-settled share-based payments	—	—	137	—	—	—	—	137
Balance at 31 December 2012	9,926	18,626	886	(1,342)	13	(3,008)	(23,314)	1,787

Consolidated balance sheet

at 31 December 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Intangible assets	12	**398**	249
Property, plant and equipment	13	**54**	145
		452	394
Current assets			
Inventories	16	**23**	42
Trade and other receivables	15	**3,278**	3,352
Cash and cash equivalents		**4,524**	5,473
		7,825	8,867
Total assets		**8,277**	9,261
Current liabilities			
Trade creditors and accruals	17	**(1,870)**	(1,939)
Deferred revenue	17	**(2,572)**	(2,315)
Other creditors	17	**(23)**	(24)
Convertible loan note	17	**(2,025)**	(1,715)
Corporation tax payable	17	**—**	(82)
		(6,490)	(6,075)
Net assets		**1,787**	3,186
Equity			
Share capital	18	**9,926**	9,926
Share premium account		**18,626**	18,626
Share scheme reserve		**886**	749
Exchange translation reserve		**(1,342)**	(1,602)
Equity reserve		**13**	13
Merger reserve		**(3,008)**	(3,008)
Retained earnings deficit		**(23,314)**	(21,518)
Total equity attributable to the owners of the Company		**1,787**	3,186

The financial statements of Servicepower Technologies plc, registration number 3941006, were approved by the Board of Directors and authorised for issue on 21 March 2013. They were signed on its behalf by:

M Duffin
Director

21 March 2013

Consolidated cash flow statement

for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Net cash (outflow)/inflow from operating activities	19	**(785)**	1,991
Investing activities			
Interest received	8	**2**	2
Purchases of property, plant and equipment	13	**(36)**	(43)
Expenditure on intangible assets	12	**(233)**	(178)
Net cash used in investing activities		**(267)**	(219)
Net (decrease)/increase in cash and cash equivalents		**(1,052)**	1,772
Cash and cash equivalents at beginning of year		**5,473**	3,665
Effect of exchange rate changes		**103**	36
Cash and cash equivalents at end of year		**4,524**	5,473

Notes to the consolidated financial statements

for the year ended 31 December 2012

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

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	*Business combinations (revised)*
IAS 27	*Consolidated and separate financial statements (revised)*
Amendment to IAS 39	*Eligible hedged items*
Amendment to IFRS 2	*Group cash-settled share-based payment transactions*

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.

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.

Costs on acquisition are recognised as an expense.

Revenue recognition

Revenue represents sales to 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.

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 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

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. 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.

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date.

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 £398,000 (2011: £249,000). 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:

	2012 £'000	2011 £'000
Continuing operations		
Sales of goods and services	**11,142**	13,284
Investment income	**2**	2
	11,144	13,286

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. The business segments ServiceMarket and S^2 referred to in the Chairman's Statement have generated no revenue and have not incurred costs in the year under review and are not disclosed below.

Segment information about these businesses is presented below:

2012	Service Scheduling 2012 £'000	Service Operations 2012 £'000	Group Total 2012 £'000
Revenue from external sales	6,960	4,182	11,142
Segment profit	2,861	346	3,207
Central administration costs – other			(4,176)
Foreign exchange loss			(519)
Total central administration costs			(4,695)
Investment income			2
Finance costs			(310)
Loss before tax			(1,796)
Taxation			—
Loss after tax			(1,796)

2011	Service Scheduling 2011 £'000	Service Operations 2011 £'000	Group Total 2011 £'000
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

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

	2012 £'000	2011 £'000
ServiceScheduling	**2,447**	2,907
ServiceOperations	**1,302**	878
Total segment assets	**3,749**	3,785
Unallocated assets	**4,528**	5,476
Total consolidated assets	**8,277**	9,261

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		Additions to non-current assets	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
ServiceScheduling	**41**	61	**250**	18
ServiceOperations	**158**	121	**19**	203
Group total	**199**	182	**269**	221

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

	2012 £'000	2011 £'000
ServiceScheduling	**6,960**	7,672
ServiceOperations	**4,182**	5,612
Group total	**11,142**	13,284

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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
United States of America	**6,720**	8,692	**219**	365
United Kingdom	**4,355**	4,577	**233**	29
Rest of Europe	**67**	15	**—**	—
	11,142	13,284	**452**	394

Information about major customers

In 2012, included in revenues arising from ServiceScheduling were revenues of approximately £1.6 million from one customer, which represented more than 10 per cent. of Group revenue. In 2011 this customer contributed revenues of £1.5 million, which was more than 10 per cent. of Group revenue.

Included in revenues arising from ServiceOperations are revenues of approximately of £0.9 million (2011: £0.6 million), which arose from sales to a customer whose turnover represents more than 10 per cent. of Group revenue.

6 (Loss)/profit before taxation

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

	2012 £'000	2011 £'000
Net foreign exchange loss/(gain)	**519**	(173)
Research and development costs	**980**	705
Depreciation of property, plant and equipment	**124**	152
Amortisation of intangible assets	**75**	30
Staff costs (see note 7)	**4,538**	4,763
Impairment loss recognised on trade receivables	**65**	174
Loss on disposal of property, plant and equipment	**2**	—
Operating lease rentals – other	**140**	70
Cost of inventories recognised as an expense	**204**	41
Auditor's remuneration for audit services (see below)	**71**	67

Amounts payable to Deloitte LLP and their associates by the Group in respect of non-audit services were £10,000 (2011: £7,000).

A more detailed analysis of auditor's remuneration is provided below.

	2012		2011	
	£'000	%	£'000	%
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**10**	**14**	10	15
Fees payable to the Company's auditor and its associates for other services to the Group				
- the audit of the Company's subsidiaries pursuant to legislation	**61**	**86**	57	85
Total audit fees	**71**	**100**	67	100
Other services				
- tax compliance services	**10**	**100**	7	100
Total non-audit fees	**10**	**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:

	2012 Number	2011 Number
Sales and marketing	**10**	9
Development	**11**	10
Support and implementation	**18**	15
Operation and administration	**32**	33
	71	67

	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	**3,877**	4,075
Social security costs	**358**	415
Other pension costs	**166**	155
Share compensation charge	**137**	118
	4,538	4,763

8 Investment revenue

	2012 £'000	2011 £'000
Interest on bank deposits	**2**	2

9 Finance costs

	2012 £'000	2011 £'000
Interest on convertible loan notes	**310**	261

10 Taxation

Corporation tax is calculated at 24.5 per cent. (2011: 26.5 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:

	2012 £'000	2012 %	2011 £'000	2011 %
(Loss)/profit before tax	**(1,796)**		1,108	
Tax at the UK corporation tax rate of 24.5% (2011: 26.5%)	**(440)**	**24**	271	24
Tax effect of expenses that are not deductible in determining taxable profit	**57**	**(3)**	51	4
Capital allowances in excess of depreciation	**(4)**	**—**	—	—
Tax effect of short term timing differences	**31**	**(2)**	(72)	(10)
Difference in overseas tax rate	**42**	**(2)**	(12)	(2)
US state taxes payable	**—**	**—**	54	4
Prior year US state taxes payable	**—**	**—**	2	—
Utilisation of tax losses	**1**	**—**	—	—
Current year losses carry forward	**384**	**(21)**		
Utilisation of brought forward losses	**(71)**	**4**	(212)	(20)
Tax expense and effective rate for the year	**—**	**—**	82	7

Subject to agreement with the HMRC, the Group has taxable losses of approximately £17.2 million (2011: £16.0 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 not sufficient evidence that the asset would be recoverable in the foreseeable future

11 (Loss)/earnings per share

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

(Loss)/earnings	**2012 £'000**	**2011 £'000**
(Loss)/earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**(1,796)**	1,026

Number of shares	**2012 Number**	**2011 Number**
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	**189,526,299**	189,526,299

(Loss)/earnings per share	**2012 pence**	**2011 pence**
Basic (loss)/earnings per share	**(0.95)**	0.54
Diluted (loss)/earnings per share	**(0.95)**	0.54

The convertible loan note and share warrant issued in the year have an anti-dilutive effect and therefore diluted (loss)/earnings per share are capped at basic (loss)/earnings per share.

12 Intangible assets

	Software development £'000
Cost	
At 1 January 2011	3,105
Additions	178
Exchange adjustment	40
At 1 January 2012	3,323
Additions	233
Exchange adjustment	(141)
At 31 December 2012	3,415
Amortisation	
At 1 January 2011	3,004
Charge for the year	30
Exchange adjustment	40
At 1 January 2012	3,074
Charge for the year	75
Exchange adjustment	(132)
At 31 December 2012	3,017
Carrying amount	
At 31 December 2012	398
At 31 December 2011	249
At 31 December 2010	101

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. As part of the asset purchase agreement the Group has an option to purchase 10 per cent. of the capital of the selling company for $200,000 in the period up to 16 October 2013. Based on the scale of operation and trading record of the company, the directors have assessed the fair value of this option to be £nil.

13 Property, plant and equipment

	Short leasehold £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 January 2011	68	1,320	1,388
Additions	—	43	43
Exchange adjustment	1	12	13
At 1 January 2012	69	1,375	1,444
Additions	—	36	36
Disposals	—	(17)	(17)
Exchange adjustment	(3)	(40)	(43)
At 31 December 2012	66	1,354	1,420
Accumulated depreciation and impairment			
At 1 January 2011	68	1,065	1,133
Charge for the year	1	151	152
Exchange adjustment	—	14	14
At 1 January 2012	69	1,230	1,299
Charge for the year	—	124	124
Disposals	—	(17)	(17)
Exchange adjustment	(3)	(37)	(40)
At 31 December 2012	66	1,300	1,366
Carrying amount			
At 31 December 2012	—	54	54
At 31 December 2011	—	145	145
At 31 December 2010	—	255	255

14 Subsidiaries

The following were subsidiary undertakings at the end of the current 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
ServiceNetwork LLC	USA	100	100

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

ServicePower Incorporated is a wholly-owned subsidiary of ServicePower Business Solutions Limited.

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

ServicePower AG was a wholly-owned Swiss subsidiary of ServicePower Business Solutions Ltd and was liquidated on 30 September 2012.

The principal activity of all subsidiaries listed above is the sale, hosting and implementation of field service management software, outsourcing and management of dispatch, claims and warranty processing, and the sale of GPS and mobility products.

15 Other financial assets

Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	**2,373**	1,965
Allowance for doubtful debts	**(57)**	(182)
	2,316	1,783
Other receivables – prepayments and accrued income	**962**	1,569
	3,278	3,352

The average credit period taken on sales of goods is 66 days (2011: 48 days). No interest is charged on overdue receivables. The Group has provided fully for receivables it considers to be 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.

Included within other receivables is a performance bond with a customer for £26,000 (2011: £nil).

Of the trade receivables balance at the end of the year, £368,046 (2011: £198,032) is due from one of the Group's largest customers. There are 4 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 £906,000 (2011: £977,000) which are past due but not impaired at the reporting date. In the year the Group has provided £65,000 against debtors with receivable amounts outstanding over 90 days and utilised a prior year provision of £190,000. 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 27 days overdue (2011: 26 days).

Ageing of past due but not impaired receivables

	2012 £'000	2011 £'000
30-60 days	**409**	637
60-90 days	**396**	116
Over 90 days	**101**	224
Total	**906**	977

Movement in the allowance for doubtful debts

	2012 £'000	2011 £'000
Balance at 1 January	**182**	8
Impairment losses	**65**	174
Utilisation of provision previously recognised	**(190)**	—
Balance at 31 December	**57**	182

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 £87,255 (2011: £61,494). 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

	2012 £'000	2011 £'000
Equipment for resale	**23**	42

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

	2012 £'000	2011 £'000
Trade creditors and accruals	**1,870**	1,939
Deferred revenue	**2,572**	2,315
Other creditors	**23**	24
Convertible loan note	**2,025**	1,715
Corporation tax payable	**—**	82
	6,490	6,075

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 53 days (2011: 49 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 2012 accrued interest using the effective interest rate of £310,000 (2011: £261,000) was recognised in the income statement.

18 Share capital

Capital structure is as follows:

	2012 £'000	2011 £'000
Authorised		
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
	12,510	12,510

	2012 £'000	2011 £'000
Allotted, called- up and fully paid		
189,264,299 Ordinary shares of 1p each	**1,892**	1,892
803,378,691 Deferred shares of 1p each	**8,034**	8,034
	9,926	9,926

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.

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

	2012 £'000	2011 £'000
(Loss)/profit from operations	**(1,488)**	1,285
Adjustments for:		
Depreciation of property, plant and equipment	**124**	152
Amortisation of intangible assets	**75**	30
Loss on disposal of property, plant and equipment	**2**	—
Bad debt expense	**80**	174
Share-based payments expense	**137**	118
Operating cash flows before movements in working capital	**(1,070)**	1,759
Decrease in inventories	**17**	—
(Increase)/decrease in receivables	**(84)**	4
Increase in payables	**352**	228
Cash (used in)/generated by operations	**(785)**	1,991
Net cash (outflow)/inflow from operating activities	**(785)**	1,991

20 Commitments under operating leases

	2012 £'000	2011 £'000
Minimum lease payments under operating leases recognised in income for the year	**142**	170

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:

	2012 £'000	2011 £'000
Within one year	**38**	110
In the second to fifth years inclusive	**—**	76
	38	186

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 2012, 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**
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	58,876	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:

		2012		**2011**
	Number of share options	**Weighted average exercise price (pence)**	**Number of share options**	**Weighted average exercise price (pence)**
Outstanding at beginning of year	**537,504**	**15.7**	568,465	24.1
Granted during the year	**—**	**—**	150,000	8.5
Forfeited during the year	**(3,488)**	**44.5**	(180,961)	14.0
Lapsed during the year	**(132,733)**	**10.0**	—	—
Outstanding at the end of the year	**401,283**	**17.3**	537,504	15.7
Exercisable at the end of the year	**401,283**	**17.3**	537,504	15.7

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

The options outstanding at 31 December 2012 had a weighted average exercise price of 17.3 pence, and a weighted average remaining contractual life of 4.2 years (2011: 4.0 years).

No options were granted in the year (2011: 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:

		2012	2011
Weighted average share price	Pence	**19.0**	16.6
Weighted average exercise price	Pence	**17.3**	15.7
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 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.

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 ISOs 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 2012, 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	100,000	1 January 2011	2.75p
New plan share options	2010	934,210	30 March 2012	4.3p
New plan share options	2011	2,715,790	30 March 2013	8.5p

Movements in share options are summarised as follows:

	2012 Number of share options	2012 Weighted average exercise price (pence)	2011 Number of share options	2011 Weighted average exercise price (pence)
Outstanding at beginning of year	**19,300,000**	**5.9p**	16,030,701	5.9p
Granted during the year	**—**	**—**	4,519,299	7.3p
Forfeited during the year	**(3,150,000)**	**6.6p**	(1,250,000)	2.8p
Outstanding at the end of the year	**16,150,000**	**5.5p**	19,300,000	5.0p
Exercisable at the end of the year	**13,434,210**	**4.9p**	12,650,000	5.7p

M E Martin under her employment contract is eligible for a grant of 3 million options six months following employment, subject to Board approval. S A Gillings vested options expire six months following her last day (28 February 2013), unless exercised sooner.

The options outstanding at 31 December 2012 had a weighted average exercise price of 5.5 pence, and a weighted average remaining contractual life of 6.5 years (2011: 7.7 years).

No options were granted in the year (2011: 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:

		2012	2011
Weighted average share price	Pence	**3.8**	4.3
Weighted average exercise price	Pence	**5.5**	5.7
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 £137,196 and £118,017 related to equity-settled share-based payment transactions in 2012 and 2011 respectively.

Share warrant

On 5 September 2012 the Company issued share warrants in lieu of rent on the new Head Office for the Company. The warrant grants the right to the warrant holder to subcribe to 3,676,634 Ordinary shares for a period up to 5 years from following the grant date at a purchase price per share fixed at the closing market price on the business day before exercise of the warrant. The fair value of the warrant is the total sum of years 1 and 2 rent on the property being leased £133,278. A charge of £11,100 has been recognised in the income statement in the year.

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 a going concern 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.

	2012 £'000	2011 £'000
Cash and cash equivalents	**4,524**	5,473
Convertible loan note	**2,025**	1,715
Equity	**1,787**	3,186

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	
	2012	**2011**
	£'000	**£'000**
Financial assets		
Cash and cash equivalents	**4,524**	5,473
Trade debtors	**2,316**	1,783
	6,840	7,256
Financial liabilities		
Liabilities less deferred revenue	**3,918**	3,762

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 analyse 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 2012 are as follows:

	Liabilities		Assets	
	2012	**2011**	**2012**	**2011**
	£'000	**£'000**	**£'000**	**£'000**
US Dollar	**4,681**	5,391	**4,712**	4,920

The Group is exposed to movements in the value of 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. 10 per cent. 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	
	2012	**2011**
	£'000	**£'000**
Profit or loss and net assets	**3**	47

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 2012.

Liquidity risk

The Group's remaining contractual maturity for its financial liabilities was £3,918,000 (2011: £3,762,000). 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 2012, 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 2012;
- 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 2012.

Willi Smith

William Smith MA ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

21 March 2013

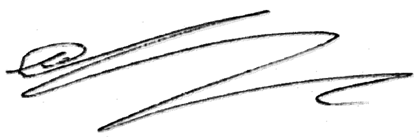
Company balance sheet

at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investment in subsidiaries	3	**5,821**	5,684
Current assets			
Debtors	4	**7,757**	7,886
Creditors: falling due within one year			
Other creditors	5	**(27)**	(20)
Convertible loan note	5	**(2,025)**	(1,715)
Net current assets		**5,705**	6,151
Total assets less current liabilities		**11,526**	11,835
Net assets		**11,526**	11,835
Shareholders' funds			
Share capital	6	**9,926**	9,926
Share premium account	7	**18,626**	18,626
Equity reserve	7	**891**	754
Share scheme reserve	7	**13**	13
Retained earnings	7	**(17,930)**	(17,484)
Shareholders' funds	8	**11,526**	11,835

The financial statements of Servicepower Technologies Plc, registration number 3941006, were approved by the Board and authorised for issue on 21 March 2013.

They were signed on its behalf by:



M Duffin
Director

21 March 2013

Notes to the company financial statements

for the year ended 31 December 2012

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 Report of Directors on page 11.

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 63 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 2012 of £446,000 (2011: £404,000).

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

3 Fixed asset investments

Subsidiaries

	£'000
Cost and net book value as at 1 January 2012	5,684
Capital contribution in the year	137
Cost and net book value as at 31 December 2012	5,821

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

	2012 £'000	2011 £'000
Amounts owed by group undertakings	**7,753**	7,884
Trade and other receivables	**4**	2
	7,757	7,886

5 Creditors

Amounts falling due within one year

	2012 £'000	2011 £'000
Other creditors	**27**	20
Convertible loan note	**2,025**	1,715
	2,052	1,735

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 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 2012 accrued interest using the effective interest rate of £310,000 (2011: £261,000) was recognised in the profit and loss account.

6 Share capital

Existing capital structure is as follows:

	2012 £'000	2011 £'000
Authorised		
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
	12,510	12,510

	2012 £'000	2011 £'000
Allotted, called-up and fully paid		
189,264,299 Ordinary shares of 1p each	**1,892**	1,892
803,378,691 Deferred shares of 1p each	**8,034**	8,034
	9,926	9,926

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.

7 Reserves

	Share premium account £'000	Equity reserve £'000	Share scheme reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2012	18,626	13	754	(17,484)	1,909
Loss for the year	—	—	—	(446)	(446)
Capital contribution	—	—	137	—	137
At 31 December 2012	18,626	13	891	(17,930)	1,600

8 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Loss for the year	**(446)**	(404)
Credit to reserves for share-based payments	**137**	121
Net reduction in shareholders' funds	**(309)**	(283)
Opening shareholders' funds	**11,835**	12,118
Closing shareholders' funds	**11,526**	11,835

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.

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