



Alphameric

Annual Report & Accounts

2009



# Alphameric aims to become the first choice provider of end-to-end systems in the markets in which it operates

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# Chairman's Statement

## BACKGROUND TO ALPHAMERIC PLC

**Alphameric plc and its subsidiaries (together 'the Group' or 'Alphameric') and Amalgamated Racing Limited ('AMRAC').**

**Alphameric is a leading provider of end to end technology solutions to the gaming market in the UK and the Republic of Ireland comprising Electronic Point of Sale (EPoS) systems, display systems and a range of other value added business focussed solutions.**

**Alphameric is a 50% shareholder in AMRAC, its joint venture with Racecourse Media Services Limited ('RMS') (which is in turn owned by a number of the UK's foremost racecourses and Racecourse Investments Limited), which holds exclusive licences with 31 racecourses to broadcast pictures, audio and data from these courses to licensed betting offices within the UK and the Republic of Ireland on its television channel, TurfTV.**

## Introduction

The financial year to 30 November 2009 was a successful year for the Group which saw the achievement of a number of key objectives, including:

- Significantly enhanced profits from AMRAC and the successful closure of its long running litigation;
- The return to profitable trading for the Alphameric Solutions Limited ('ASL') business;
- The securing by ASL of a major new contract for the supply of EPoS and ALBOS systems to Tote Bookmakers; and
- The recommencement of the payment of dividends to shareholders.

Since the year end, AMRAC has also secured the extension until 2018 of its exclusive media rights with 30 of the UK's most prestigious racecourses.

We look forward to working hard to continue the Group's success and to deliver acceptable levels of return for our shareholders going forward.

## Results

### CONSOLIDATED INCOME STATEMENT

Revenues for the year to 30 November 2009 increased to £40.0 million (2008: £35.9 million) which generated an improved operating profit of £7.7 million (2008: operating profit before exceptional administrative expenses and share based payment charges £2.9 million).

The Group returned a pre-tax profit of £7.9 million, compared to a loss before tax of £2.2 million last year.

The basic earnings per share were 3.0 pence (2008: 0.8 pence before exceptional administrative expenses).

In accordance with IAS 31; 'Interests in Joint Ventures' Alphameric's consolidated results include 50% of AMRAC's revenues, costs and balance sheet headings.

# Chairman's Statement

## CONSOLIDATED BALANCE SHEET

The Group's consolidated balance sheet remains robust with net assets at 30 November 2009 of £30.3 million including £20.8 million in cash (30 November 2008: net assets of £25.4 million including cash balances net of debt of £17.8 million).

In December 2008, the Group repaid all of its outstanding bank debt.

In January 2009, a term loan from Alphameric of £3 million (plus interest) was repaid in full by AMRAC.

AMRAC's customer supply contracts typically run annually from 1 January with a number of its larger customers paying in advance for the service. Consequently, the Group consolidated cash balances are usually higher in the earlier months of the financial year.

In December 2009, AMRAC entered into a series of contracts which extended its exclusive media rights with 30 racecourses until 2018; certain of these contracts required in advance payments to be made by AMRAC which have reduced its cash balances since the financial year end.

## Review of Operations

### ALPHAMERIC SOLUTIONS

ASL is focused on the provision of end to end technology to high street bookmakers, predominantly in the UK and the Republic of Ireland.

Having repositioned ASL over the past couple of years and lowered its overhead base, it is pleasing to note that ASL traded profitably for the year as a whole, marginally exceeding our own financial expectations. Towards the end of the financial year, we were pleased to announce that ASL had secured a major new contract to roll out its latest EPoS and display systems to Tote Bookmakers; the majority of the roll out will fall in the 2010 financial year.

ASL's revenues for the year were £13.9 million which produced an operating profit of £0.6 million (2008: revenues of £15.3 million; operating loss £0.5 million before exceptional administrative expenses).

### AMRAC

Through its television channel, TurfTV, AMRAC provides betting opportunities for bookmakers in the UK and the Republic of Ireland, predominantly focused on the best UK horse racing. The TurfTV television channel consists of pictures and associated real time race day data from 31 of the UK's horse racecourses, together with international horse racing and a range of virtual horse and dog race meetings. TurfTV is a closed user group service, delivered by satellite, to customers who pay in advance for the service.

During the year AMRAC's subscriber base rose to more than 10,000 licensed betting offices following the signing of BetFred as a long term customer in April 2009 and a number of independent bookmakers throughout the year.

In December 2009, AMRAC announced that it had signed exclusive agreements with 30 of its current 31 racecourses which extended its media rights relating to those racecourses by a further 5 years from 2013 to 2018. Under the terms of these contracts, which reflect the increasingly competitive market and pricing for racecourse media rights, £6.0 million of the race fees due for the 5 year period have been paid in advance by AMRAC. In addition, AMRAC has entered into new 3 year sponsorship agreements, with effect from 1 December 2009, with certain of the racecourses to reflect the long-term partnership arrangements in existence; the total cost to AMRAC of these sponsorship agreements is £4.6 million.

During the year a long running legal dispute between Alphameric, AMRAC and a large number of racecourses and William Hill, Ladbrokes and the Bookmakers Afternoon Greyhound Service Limited (BAGS) was finally settled following determination by the Court of Appeal in favour of Alphameric, AMRAC and the racecourses. On 9 November 2009, the Supreme Court refused to grant the claimants leave to appeal the Court of Appeal's decision. The majority of costs payable and receivable in relation to the dispute have been settled and accounted for as at 30 November 2009.

Alphameric's share of AMRAC's revenues for the year grew to £26.1 million which produced an increased operating profit share of £7.1 million after management charges (2008: revenue £20.6 million and operating profit £3.4 million before exceptional administrative charges).

# Chairman's Statement

## DIVIDENDS

At a general meeting of the Company held on 20 April 2009, shareholders approved a capital reorganisation which eliminated the deficit on the Company's profit and loss account. Subsequently, the realisation by the Company of an element of its merger relief reserve and the resulting transfer to retained reserves placed the Company in a position to re-introduce the payment of dividends. An interim dividend for the year to 30 November 2009 of 0.75 pence per share was paid on 30 September 2009.

Going forward, subject to the Group's cash requirements, financial conditions and the availability of sufficient distributable reserves, and in the absence of alternative mechanisms, it is now your Board's intention that the Company pursues a progressive dividend policy that returns a significant proportion of net profits to shareholders each year.

The Directors are recommending a final dividend for the year to 30 November 2009 of 0.95 pence per share (2008: nil), payable on 31 March 2010 to shareholders on the register on 12 March 2010. This would bring the total dividends for the 2009 financial year to 1.70 pence per share (2008: nil).

## BOARD CHANGE

The Group announces that Alan Morcombe, Chief Executive of the Group since 1995 and Executive Chairman of TurfTV since 2007, is to stand down on 28 February 2010. Alan has been instrumental in setting up TurfTV and negotiating its media rights contracts and is leaving the business in good shape for the next stage of its development. The Board thanks Alan for all his endeavours over the years.

Mike McLaren, Chief Operating Officer and Group Finance Director and James Soulsby, Commercial Director, will report directly to Peter Bertram, Chairman. The Board is seeking to appoint an additional independent non-executive director, and the search for a suitable candidate is under way.

Mike McLaren will replace Alan Morcombe as one of the two Alphameric representatives on the TurfTV Board. The senior management of TurfTV has recently been strengthened by the appointments of a Managing Director and Finance Director.

## OUTLOOK

AMRAC now has over 10,000 licensed betting office subscribers for its TurfTV service, which represents the vast majority of the available marketplace. It has delivered a good trading performance for the year and has commenced the payment of dividends to its joint shareholders, Alphameric and Racecourse Media Services. The extension of its exclusive media rights with 30 of the UK's most prestigious horse racecourses underpins the business for the foreseeable future.

ASL is now trading profitably, has refreshed much of its product offering and secured a major contract for roll out during 2010.

The Group has a strong balance sheet, significant cash balances and has re-introduced a progressive dividend policy.

I believe that the Group is now well positioned to generate enhanced levels of return for its shareholders whilst delivering growth in its core businesses.

## FORWARD LOOKING STATEMENTS

This document includes forward looking statements concerning both the Group and AMRAC. Whilst these forward looking statements are made in good faith they are based upon the information available as at the date of this document and upon current expectations, projections and assumptions about future events. These forward looking statements are subject to risks, uncertainties and assumptions about the Group and AMRAC and should be treated with an appropriate degree of caution.

Peter Bertram  
Chairman  
9 February 2010

# Board of Directors

## **Peter Bertram**

NON-EXECUTIVE CHAIRMAN

AGED 55

Peter joined the Board as a Non-Executive Director in April 2007 and was appointed Non-Executive Chairman in May 2007. Peter was Chief Executive of Azlan Group plc from 1998 until its takeover in 2003 and was previously the Non-Executive Chairman of AttentiV Systems Group plc. He is Chairman of Phoenix IT Group plc and Non-Executive Director of Microgen plc. Peter is a fellow of the Institute of Chartered Accountants in England and Wales. He is Chairman of the Nomination Committee and a member of the Audit and Remuneration Committees.

## **Alan McWalter**

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

AGED 56

Alan joined the Board in January 2003. He is also Chairman of Constantine Group plc and Trafficmaster plc and a Non-Executive Director of Cattles plc, Dignity plc and Haygarth Group Limited. He was previously Group Marketing Director at Marks and Spencer and with the Kingfisher Group as Marketing Director of Woolworths and Marketing and Business Development Director of Comet. His earlier career was spent at Unilever, Spillers Foods and Thomson Consumer Electronics, where he became Vice President for UK operations. He is Chairman of the Audit and Remuneration Committees and a member of the Nomination Committee.

## **Alan Morcombe**

GROUP CHIEF EXECUTIVE

AGED 57

Alan joined the Group in 1987 and later moved on to British Aerospace Communications before returning in 1994 as Managing Director of the Retail Betting and Finance Division. He was appointed Group Managing Director in 1994 and Group Chief Executive in 1995. In 2006, he became a founder director of Amalgamated Racing Limited and, working closely with the Joint venture partner, has been responsible for the development of TurfTV since its inception.

## **Mike McLaren**

GROUP FINANCE DIRECTOR AND

CHIEF OPERATING OFFICER OF ASL

AGED 48

Mike joined the Group in 1990 as Group Financial Controller, moved to become a subsidiary Finance Director and was appointed Group Finance Director in 1995. In addition to taking responsibility for Finance, Mike is also charged with a group wide business development role including driving forward our strategic acquisition programme. He was appointed Chief Operating Officer of ASL in January 2009. Mike is a member of the Institute of Chartered Accountants in England and Wales.

## **James Soulsby**

GROUP COMMERCIAL DIRECTOR

AGED 53

James joined Alphameric in June 2000 as Group Legal Counsel and was appointed to the Board in March 2002. Before joining Alphameric he was General Counsel of Hitachi Data Systems Europe for 10 years, responsible for the legal, regulatory and compliance affairs of Hitachi Data Systems in Europe and the Middle East. James is a solicitor qualified to practice in England and Wales.

## **Lorri Warrington**

COMPANY SECRETARY

Lorri was appointed Company Secretary in March 2006 and is responsible for the full range of company secretarial duties within the Group; she was previously Deputy Company Secretary. Lorri is a member of the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Management Accountants.

# Business and Financial Review

## OVERVIEW

The 2009 financial year saw the Group achieve a number of key objectives as it moved from a period of change following the launch of AMRAC (2007), the disposal of the Hospitality Division (2008) and implementation of the overhead reduction program across the entire Group that followed on from the Hospitality disposal.

In 2009:

- ASL returned to profitable trading during the period;
- AMRAC saw the conclusion of its protracted legal dispute;
- AMRAC delivered a solid financial performance and secured a five year extension to the majority of its media rights contracts; and
- Alphameric re-introduced a progressive dividend policy.

## TRADING

Revenue for the year to 30 November 2009 was £40.0 million (2008: £35.9 million) which generated an operating profit of £7.7 million (2008: £2.9 million before exceptional administrative expenses and share based payments).

The basic profit per share was 3.0 pence (2008: basic profit per share from continuing operations before exceptional administrative expenses 0.8 pence).

## TAXATION

A tax charge of £1.1 million was incurred which equates to approximately 14.3% of relevant profits, reduced from the prevailing 28% by the use of brought forward unrecognised losses and unrecognised capital allowances (2008: tax credit £0.1 million). Going forward it is anticipated that the tax rate will rise to approximately equal the prevailing rate in 2010 and onwards.

## ACCOUNTING POLICIES

The Group's interest in its joint venture AMRAC is consolidated in accordance with IAS 31 'Interests in Joint Ventures' such that 50% of its revenues, costs and balance sheet headings are included within the Group's consolidated financial information.

## BALANCE SHEET

The Group's consolidated balance sheet remains robust with net assets at 30 November 2009 of £30.2 million including £20.8 million in cash (30 November 2008: net assets £25.4 million including cash balances net of debt of £17.8 million).

In December 2008, the Group repaid all of its outstanding bank debt.

In January 2009, a term loan from Alphameric to AMRAC of £3 million (plus interest) was repaid in full by AMRAC.

AMRAC's customer supply contracts typically run annually from 1 January with a number of its larger customers paying in advance for the service. Consequently, the Group consolidated cash balances are usually higher in the earlier months of the financial year.

In December 2009, AMRAC entered into a series of contracts which extended the majority of its media rights contracts until 2018; certain of these contracts required in-advance payments to be made by AMRAC which have reduced its cash balances.

## LIQUID RESOURCES AND

### BANK FACILITIES

Both the Group and AMRAC bank with a number of UK licensed banks, the principal one being HSBC. Excess cash is deposited with some or all of these organisations, usually for relatively short-term periods, on a basis that looks to maximise the available interest returns to the Group.

# Business and Financial Review

## DIVIDEND

At the Company's annual general meeting in 2009, shareholders approved a capital reorganisation scheme which eliminated the deficit on the Company's profit and loss account at the effective date, being 15 May 2009. Subsequently, the realisation by the Company of an element of its merger relief reserve and the resulting transfer to retained reserves placed the Company in a position to re-introduce the payment of dividends. An interim dividend for the year to 30 November 2009 of 0.75 pence per share was paid on 30 September 2009.

Going forward, subject to the Group's cash requirements, financial conditions and the availability of sufficient distributable reserves, and in the absence of alternative mechanisms, it is now your Board's intention that the Company pursues a progressive dividend policy that returns a significant proportion of net profits to shareholders each year.

The Directors are recommending a final dividend for the year to 30 November 2009 of 0.95 pence per share (2008: nil). This would bring the total dividends for the 2009 financial year to 1.7 pence per share (2008: nil).

## STRATEGY

The Group considers it important to operate in markets that have sufficient inherent capacity and potential to allow it to grow and prosper by meeting the needs of its customer base.

The Group has targeted the following additional objectives:

- To be the first choice provider of information systems and content for bookmakers;
- To maintain an appropriate level of investment in research and development to ensure that its solutions appeal to customers and offer them competitive advantage;
- To deliver positive shareholder returns through both income and capital growth; and
- To remain mindful of its environmental and social responsibilities.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Market and Business Risks

The Group's and AMRAC's customers rely upon the financial health and wellbeing of consumers, principally within the UK and the Republic of Ireland. The current economic climate and increasing state tax burdens combine to make this a challenging operating environment and hence a risk to the Group.

The market that we serve has seen sustained consolidation amongst the participants over a number of years and, as our customers become larger, they exert greater margin pressure upon all of their suppliers.

The Group is dependent upon a relatively small number of large customers for a significant proportion of its revenues. The failure of any of the Group's large customers would have a significant financial impact upon the Group.

Certain of the above risks are significantly mitigated by the long term nature and in advance payment terms required by AMRAC's supply agreements and, to a lesser extent, the equivalent within the Group.

### Other Risks

The Group and AMRAC both carry significant cash balances and bank with a number of UK licensed banks, the principal one being HSBC. Excess cash is deposited with one or some of these organisations, usually for relatively short term periods, on a basis that looks to maximise the available interest returns to the Group. The Group is exposed to the inherent risk of each of these banks' ability to remain as a going concern.

Mike McLaren  
9 February 2010

## Five Year Review

	Year to November 2009 £'000	Year to November 2008 £'000	Year to November 2007 £'000	Year to November 2006 £'000	Year to November 2005 £'000
Revenue	39,986	35,915	30,104	47,521	50,345
Operating profit /(loss) before exceptional administrative expenses	7,713	2,905	(4,113)	3,829	4,528
Exceptional administrative expenses	-	(5,314)	(427)	(783)	-
Share based payments	-	(180)	(180)	(342)	(184)
Operating profit	7,713	(2,589)	(4,720)	2,704	4,344
Interest	192	405	(386)	(29)	22
Profit/(loss) before tax	7,905	(2,184)	(5,106)	2,675	4,366
Taxation	(1,130)	57	1,197	857	(324)
Profit/(loss) after tax	6,775	(2,127)	(3,909)	3,532	4,042
(Loss)/profit from discontinued activities	-	(24,962)	(250)	(1,909)	2,534
Profit/(loss) for the year	6,775	(27,089)	(4,159)	1,623	6,576
EPS - before exceptionals	3.0	0.8	(2.6)	3.5	3.5
EPS after exceptionals	3.0	(1.0)	(2.9)	2.8	3.4
EPS basic	3.0	(12.4)	(3.1)	1.3	5.5
Operating cashflow before exceptional administrative expenses	6,766	12,975	(1,579)	(1,482)	6,941
Operating cashflow	6,766	3,661	(3,562)	(4,827)	7,188

## Balance Sheet

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Property, plant and equipment	4,118	3,883	6,348	5,878	5,174
Goodwill and other intangibles	5,941	5,823	33,573	32,943	32,752
Other net assets less liabilities (excl cash)	(520)	(3,487)	5,885	813	(6,168)
Cash and cash equivalents	20,763	19,202	(3,062)	7,167	8,600
Net assets	30,302	25,421	42,744	46,801	40,358

# Directors' Report

## DIRECTORS' REPORT

The Directors present their report and audited financial statements of the Company and the Group for the year ended 30 November 2009.

## PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Alphameric is a leading provider of end to end technology solutions to the gaming market in the United Kingdom and Ireland comprising Electronic Point of Sale ("EPOS") systems, display systems and a range of other value-added business-focussed solutions.

Alphameric is a 50% shareholder in Amalgamated Racing Limited ("AMRAC"), the joint venture company between Alphameric and Racecourse Media Services Limited ("RMS") (which is in turn owned by a number of the UK's foremost racecourses and Racecourse Investments Limited), which holds exclusive licences from 31 racecourses to broadcast the pictures and data from these courses to licensed betting offices within the UK and the Republic of Ireland on its television channel, TurfTV.

The Group made an operating profit of £7.7 million (2008: £2.9 million, operating profit before exceptional administrative expenses and share based payments). The profit for the year attributable to equity holders was £6.8 million (2008: loss £27.1 million). Principal risks and uncertainties are as detailed in the Business and Financial Review on page 6.

## DIVIDENDS

The Directors propose a final dividend of 0.95 pence per ordinary share amounting to £2.1 million (2008: £nil). Subject to approval at the forthcoming annual general meeting, the final dividend will be paid on 31 March 2010 to shareholders on the register as at 12 March 2010. An interim dividend of 0.75p per ordinary share at a cost of £1.7 million was paid during the year (2008: £nil).

## RESEARCH AND DEVELOPMENT

The Group continues to undertake research and development projects aimed at the ongoing improvement of its product range. The Board believes that the Group's products currently achieve a balance between cost and sophistication which is appropriate for current market requirements, but will continue to review their status against similar products available from competitors.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of the Group's financial risk management objectives and policies are set out in note 19b to the financial statements.

## DIRECTORS AND THEIR INTERESTS

The current Directors of the Company are listed on page 4 and all served throughout the year. The interests of the Directors and those of their families in the issued share capital of the Company and options are detailed in the Directors' Remuneration Report on pages 13 to 19.

Alan Morcombe, Chief Executive of the Group since 1995 and Chief Executive of TurfTV since 2007 is to stand down on 28 February 2010.

## AUTHORITIES TO ALLOT/PURCHASE SHARES

An ordinary resolution will be put to shareholders at the annual general meeting to renew the Directors' authority to allot shares and rights to subscribe for shares in the Company up to an aggregate nominal amount of £1,878,458 representing approximately 33% of the issued ordinary share capital of the Company. The authority contained in the resolution will expire at the conclusion of the next annual general meeting or, if earlier, on the date which is 15 months after the date of the annual general meeting.

In addition, the Association of British Insurers now considers as routine a resolution to authorise the allotment of a further one-third of share capital for use in connection with a rights issue. Accordingly, resolution 6.2 in the notice of annual general meeting proposes an additional allotment authority in respect of an aggregate nominal amount of £1,878,458, representing a further 33% of the issued ordinary share capital of the Company, in order to take advantage of the flexibility it offers.

# Directors' Report

## AUTHORITIES TO ALLOT/PURCHASE SHARES (continued)

A special resolution will also be proposed to disapply the statutory pre-emption provisions of section 561(1) of the Companies Act 2006 in respect of any rights issue and, for cash issues, up to an aggregate nominal amount of £281,768 being approximately 5% of the issued ordinary share capital of the Company.

The authority contained in the resolution will expire at the conclusion of the next annual general meeting or, if earlier, on the date which is 15 months after the date of the annual general meeting.

Whilst the Directors have no current intention of exercising these authorities, they consider it would be beneficial for them to continue to have authority to do so within the terms of the resolution, so that they remain able to respond flexibly and in the best interests of the Company.

The Directors will also be seeking to renew the Company's authority to purchase its own shares. The current authority to purchase such shares expires at the annual general meeting and the Directors propose that it should be renewed in the terms of resolution 8 in respect of up to 33,789,718 shares (representing approximately 14.99% of the issued ordinary share capital of the Company) for a further year to expire at the conclusion of the next annual general meeting. Whilst the Directors have no current intention of exercising this authority, they consider it would be beneficial for them to continue to have authority to do so within the terms of the resolution, so that they remain able to respond flexibly and in the best interests of the Company to changes in market conditions.

## SUBSTANTIAL SHAREHOLDINGS

As at 8 February 2010, the Directors have been notified of the following substantial interests in the ordinary share capital of the Company:

	Number of 2.5p ordinary shares	% of total ordinary shares
Mayfair Capital Investments Limited	67,600,569	29.99
GAM International Management Limited	20,470,700	9.08
Aviva Investors Global Services Limited	12,902,317	5.72
Herald Investment Management Limited	12,716,700	5.64
Legal & General Investment Management Limited	9,085,830	4.03
Leo Fund Managers Limited	8,057,648	3.57
Hermes Investment Management Limited	6,920,960	3.07

## CORPORATE SOCIAL RESPONSIBILITY

### ENVIRONMENTAL POLICY

As a supplier of innovative technology solutions comprising largely of software, the Group's operational activities have minimal environmental impact. We believe that our products and services help to automate and enhance our customers' business processes. However, the Group recognises that its activities may have an influence on the environment and has adopted the following environmental policy:

- to meet all existing and new statutory requirements;
- to minimise waste and conserve energy;
- to recycle as much waste produced by the Group as is practicable;
- to ensure minimal environmental impact of operational activities; and
- to provide safe and healthy working conditions for staff.

### ELECTRONIC SHAREHOLDER COMMUNICATIONS

The Company makes appropriate use of electronic communications between shareholders and the Company. The Board wishes to encourage all shareholders in the Company to register for electronic communications by registering their email address at the share portal: <http://www.capitashareportal.com>. The Board believes that this will help the environment, reduce costs and improve communications between the Company and its shareholders.

# Directors' Report

## DISABLED EMPLOYEES

Full and fair consideration is given to disabled persons applying for employment where, having regard to their particular aptitudes and abilities, the requirements of the job can be adequately fulfilled by a handicapped or disabled person. In the event that an existing employee becomes disabled, it is the Group's policy, wherever practical, to continue to provide employment under normal terms and conditions and to provide additional training if appropriate.

## EMPLOYEE INVOLVEMENT

The Group's employment policies have been formed to ensure the Group attracts and retains the required calibre of management and staff by creating an environment which rewards achievement, enthusiasm and team spirit and offers superior opportunities for personal development. Effective communication and consultation is key to this and procedures and policies have been developed to ensure the appropriate level of employee involvement and communication.

## CHARITABLE AND POLITICAL DONATIONS

The Company has a policy that it does not make political donations to, or incur political expenditure on behalf of, political parties or political organisations. However, the Companies Act 2006 contains restrictions on companies making 'political donations' to 'political parties or other political organisations' or incurring 'political expenditure' and it defines these terms very widely. The effect is that some activities of the Company that form part of the normal relationship between the Company and trade and other bodies concerned with policy review, law reform and other business matters affecting the Company may be restricted by the provisions of the Companies Act 2006. Such activities, which are in shareholders' interests for the Company to conduct, are not designed to support, or implement support, for a particular political party or political organisation. The Company believes that the authority proposed under resolution 9 in the notice of annual general meeting is necessary to ensure that it does not commit any technical or inadvertent breach of the restrictions that could arise from the uncertainty generated by the wide definitions contained within the Companies Act 2006 when carrying out activities in the furtherance of its legitimate business interests.

Charitable donations made during the year totalled £1,949 (2008: nil). No contributions were made for political purposes.

## CREDITOR PAYMENT POLICY

The Group's and Company's policy concerning the payment of creditors is to pay in accordance with the contractual and other legal obligations as advised to and agreed with the creditors prior to any transactions taking place.

The Company's average creditor payment period at 30 November 2009 was 57 days (2008: 58 days).

## THIRD PARTY INDEMNITY PROVISION

The Company has agreed to indemnify its Directors against third party claims which may be brought against them and has put in place an officers' insurance policy.

## GOING CONCERN

The Group's consolidated balance sheet remains robust with net assets at 30 November 2009 of £30.3 million including £20.8 million in cash (30 November 2008: net assets of £25.4 million including cash balances net of debt of £17.8 million).

In December 2008, the Group repaid all of its outstanding bank debt.

In January 2009, a term loan from Alphameric of £3.0 million (plus interest) was repaid in full by AMRAC.

AMRAC's customer supply contracts typically run annually from 1 January with a number of its larger customers paying in advance for the service. Consequently, Group consolidated cash balances are usually higher in the earlier months of the financial year.

In forming their views, the Directors have prepared cash flow forecasts for an 18 month period following the balance sheet date. After a review of these forecasts, consideration of the Group's cash resources and other appropriate enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

# Directors' Report

## INFORMATION REGARDING SHARE CAPITAL, RIGHTS ATTACHING TO SHARES AND OTHER MATTERS

Details of the structure of the Company's capital are given in note 23 to the accounts. The rights and obligations attaching to the Company's shares are set out in the Company's articles of association. The articles of association can only be amended by a special resolution of the shareholders at a general meeting.

Subject to the restrictions below, shareholders may attend any general meeting of the Company and, on a show of hands, every shareholder present in person or by proxy has one vote on each resolution and, on a poll, every shareholder present in person or by proxy has one vote for every share of which he is the holder. A resolution put to the vote of a general meeting is decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll is demanded by the chairman of the meeting, or by at least five shareholders present in person or by proxy and entitled to vote, or by any shareholders present in person or by proxy representing at least 10% of the total voting rights of all shareholders. Subject to applicable company law and the articles of association, the shareholders can declare dividends by ordinary resolution of the shareholders at general meeting but the amount of a dividend cannot exceed the amount recommended by the Board.

No shareholder is, unless the Board decides otherwise, entitled to attend or vote either in person or by proxy at a general meeting if he or any other person with an interest in shares held by him has been sent a notice under section 793 of the Companies Act 2006 and has failed to supply the Company with the information requested within 14 days following the date of service of that notice. In addition, where the shares held by the relevant shareholder represent at least 0.25% in nominal value of the Company's shares, any dividends will be withheld and no transfer of the shares will be registered except in certain limited circumstances. These restrictions end seven days after receipt by the Company of a notice of registration of an excepted transfer of the shares or all information required by the section 793 notice, whichever is the earlier.

The Board may impose restrictions on the register of a transfer of a certificated share which is not fully paid, provided that the restrictions do not prevent dealings in the Company's shares from taking place on an open and proper basis. The Board may refuse to register the transfer of a certificated share unless the instrument of transfer is in respect of only one class of shares, is in favour of not more than four joint transferees, is duly stamped and is delivered for registration to the Company's registered office (or such other place as the Board may decide) accompanied by the certificate for the shares to be transferred. The Board may refuse to register the transfer of an uncertificated share in any circumstances permitted by the London Stock Exchange plc, the Uncertificated Securities Regulations 2001 and the rules and practices of the operator of the CREST system. The Board may also decide to suspend the registration of transfers for up to 30 days each year, by closing the register of shareholders. However, the Board cannot suspend the transfer of uncertificated shares without the consent of the operator of the CREST system.

The shareholders can appoint a director by ordinary resolution, either to fill a vacancy or as an addition to the Board, and can also remove a director by ordinary resolution. The Board can also appoint a director, either to fill a vacancy or as an addition to the Board, but, unless reappointed during such annual general meeting, such director can only hold office until the dissolution of the annual general meeting following his appointment. A director must vacate his office in certain circumstances, including if he becomes bankrupt or does not attend any board meetings for a period of 6 months. A director must also retire from office at the third annual general meeting after that at which he was last elected.

Subject to company law, to the provisions of the articles of association and to directions given by the Company in general meeting, the Directors may exercise all the powers of the Company. The directors may only allot shares in the Company if authorised to do so by the Company in general meeting. In addition, the Company may only purchase its own shares if authorised to do so by the Company in general meeting. Resolutions to enable the directors to allot shares and to enable them to exercise the power of the Company to purchase its own shares are being proposed at the annual general meeting and are described on page 9.

It is proposed in resolution 11 to adopt new articles of association ("New Articles") in order to update the Company's current articles of association ("Current Articles") primarily to take account of the changes in English company law brought about by the coming into force since the Company's last annual general meeting of the Companies (Shareholders' Rights) Regulations 2009 and the remaining provisions of the Companies Act 2006.

# Directors' Report

## INFORMATION REGARDING SHARE CAPITAL, RIGHTS ATTACHING TO SHARES AND OTHER MATTERS (continued)

The principal differences between the Current Articles and the New Articles are summarised at the end of the notice of annual general meeting. Other changes which are of a minor, technical or clarifying nature and also some minor changes which merely reflect the changes made by the Companies Act 2006 or the Shareholders' Rights Regulations have not been mentioned specifically. A copy of the New Articles showing all the changes to the Current Articles is available for inspection, as noted on page 66 of the notice of annual general meeting.

It is proposed in resolution 10 in the notice of annual general meeting that shareholders should approve the continued ability of the Company to hold general meetings other than the annual general meeting on 14 clear days' notice. This resolution is required under section 307A of the Companies Act 2006. Under that section, a traded company which wishes to be able to call general meetings (other than an annual general meeting) on 14 clear days' notice must obtain shareholders' approval. Resolution 10 seeks such approval.

The resolution is valid up to the next annual general meeting and so will need to be renewed annually. The Company will also need to meet the requirements for voting by electronic means under section 307A of the Companies Act 2006 to be able to call a general meeting on 14 days' notice.

In accordance with the National Association of Pension Funds' guidance, the shorter notice period will not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

## SIGNIFICANT AGREEMENTS

Alphameric Gaming Limited ("AGL") entered into a shareholders' agreement on 1 December 2006 with RMS in relation to AMRAC. The share capital of AMRAC is divided 50:50 between RMS and AGL. The agreement contains provisions in respect of the management of AMRAC that are usual for a 50:50 joint venture. The agreement can be terminated in various circumstances. A change of control of either of AMRAC's shareholders, or their parent companies, is a default event under the agreement which, if triggered by the non-defaulting shareholder, results in certain buyout provisions being activated which may result in one of the shareholder's shares in the joint venture being acquired by the other shareholder.

## DISCLOSURE OF INFORMATION TO THE AUDITORS

Each of the Directors confirms that, so far as he is aware, there is no relevant audit information of which the auditors are unaware. Each director has taken all reasonable steps to ascertain any relevant audit information and to ensure that the auditors are aware of such information.

## AUDITORS

Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006, a resolution will be proposed at the forthcoming annual general meeting.

By Order of the Board

L A Warrington  
Secretary  
9 February 2010

# Directors' Remuneration Report

## INTRODUCTION

This report has been prepared in accordance with Schedule 8 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations"). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles and complied with the provisions of the Combined Code 2008 (the "Code") on Corporate Governance relating to directors' remuneration. As required by the Regulations, an advisory resolution to approve the report will be proposed at the annual general meeting of the Company at which the financial statements will be received and adopted.

The auditors are required to report on the 'auditable' part of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006. The report is therefore divided into separate sections for audited and unaudited information.

## Part 2 of the Regulations - Unaudited Information

### REMUNERATION COMMITTEE

Throughout the year the Committee was chaired by Alan McWalter and Peter Bertram was the other member of the committee. The Committee met three times in the year with all members, appointed at that time, in attendance. The responsibility for the establishment of a remuneration policy and its cost is a matter for the full Board, on the advice of the Remuneration Committee. The recommendations of the Remuneration Committee have been approved without amendment by the Board for submission to shareholders.

The Remuneration Committee is responsible for developing policy on remuneration for the executive directors and for determining specific remuneration packages for each of the executive directors.

The Remuneration Committee members have no personal financial interest other than as shareholders in matters to be decided, no potential conflicts of interests arising from cross directorships and no day-to-day involvement in running the business.

The Remuneration Committee received independent advice on executive compensation from PricewaterhouseCoopers LLP ("PwC"). No other services were provided to the Company by PwC during the year.

The Remuneration Committee is formally constituted with written terms of reference with the full remit of the Committee role described. A copy of the terms of reference is available to shareholders on request from the Company Secretary.

### REMUNERATION POLICY 2009 & 2010

The policy is designed to attract and retain individuals of the appropriate calibre, to encourage and reward high performance. The main factors taken into account by the Remuneration Committee in setting individual entitlements under the policy are based on the role and responsibilities involved in that individual's position and the corporate attributes of the business. The Company's comparator group is used solely to provide a point of reference for the median level of compensation for these roles and is a secondary factor.

The Remuneration Committee believes emphasis on performance should encourage executives to focus on delivering the business strategy and, by providing meaningful incentives to executives, ensure that the appropriate balance between fixed and performance related pay is maintained.

# Directors' Remuneration Report

## COMPARATOR GROUP 2009 & 2010

The constituents of the Company's comparator group for 2009 and which it is currently intended to use for 2010 are:-

---

Alterian plc	Gresham Computing plc	RM plc
Dialight plc	Intec Telecom Systems plc	SDL plc
GB Group plc	Kewill plc	Trafficmaster plc

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The basis of selection of the comparator group was:-

- companies in the same market sector as the Company; and
- companies with a range of market capitalisations such that the Company sits at the median of the group.

## ANNUAL REVIEW OF REMUNERATION POLICY

The Remuneration Committee reviews on an annual basis whether the policy remains appropriate for the relevant financial year. Factors taken into account by the Remuneration Committee include:-

- market conditions affecting the Company;
- the need for the policy to support the Company strategy;
- the desire to ensure that the policy is balanced and in line with the Company's risk profile and does not encourage short term risk taking at the expense of sustainable long-term value;
- the recruitment market in the Company's sector;
- changing market practice; and
- changing views of institutional shareholders and their representative bodies.

At the 2009 annual general meeting the shareholder authority for the "The Alphameric plc Executive Long-Term Incentive Plan" (the "LTIP") expired.

The Remuneration Committee therefore started in 2009 to enter into a constructive dialogue with shareholders about replacement arrangements for 2009 and subsequent years in context of the remuneration policy as a whole in line with best practice. The changeable business environment and the need to ensure that any new arrangements support the strategy of the Company has meant that this process is still ongoing. The Remuneration Committee intends to continue to maintain an open and timely dialogue with shareholders during the process of finalising replacement arrangements.

## ELEMENTS OF EXECUTIVE DIRECTORS' REMUNERATION 2009

### Basic Salary 2009 & 2010 – Policy median

The following table sets out the salaries paid to the executive directors during 2009:

---

Name	£ current	£ previous	% increase (annualised over 3 years)
A W Morcombe	£268,550	£262,000	2.5%
M G McLaren <sup>Δ</sup>	£215,000	£190,000	13.1%
J A Soulsby	£189,625	£185,000	2.5%

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<sup>Δ</sup> M McLaren salary includes an additional sum of £20,250 per annum for undertaking the role of Chief Operating Officer of ASL. This sum is pensionable and is included for the calculation of the 2009 Bonus.

# Directors' Remuneration Report

## ELEMENTS OF EXECUTIVE DIRECTORS' REMUNERATION 2009 (continued)

The Remuneration Committee reviewed the Executive Directors' salaries in January 2009 and increases were awarded. The Remuneration Committee felt these increases were justified taking into account the following:-

- the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity, in particular the median salary levels of the companies in the comparator group;
- the performance of the individual executive director;
- the individual executive director's experience and responsibilities; and
- pay and conditions throughout the Company. The average rise in salaries throughout the Company in 2008 was 2.5%.

### **Annual Performance Related Bonus - Policy 2009 & 2010 median to upper quartile**

The Company's bonus plan has a maximum potential bonus of 100% of salary for the Executive Directors. It is currently based on a Group EPS target. A varying percentage rate of bonus is payable between the ranges of a 90% to 120% achievement of the target EPS which would result in a bonus of between 25% to 100% of basic salary. The Company has awarded a bonus for the 2009 financial year at the level of 50% of salary to the Executive Directors based on achieving the EPS target set by the Remuneration Committee.

It is the opinion of the Remuneration Committee that the EPS performance conditions set for 2009 were set at a level so that their satisfaction demonstrated the achievement of a level of financial performance which was demanding and stretching in the context of the prospects for the Company and the prevailing economic environment.

The Remuneration Committee believes that EPS is an accurate reflection of the financial performance of the Company. In addition EPS is a measure which can be disclosed and is transparent.

Where EPS is the performance condition the Committee will use the principles behind the audited figures disclosed in the Company's financial statements, and may take advice from independent advisors as to whether any adjustments are required to ensure consistency in accordance with the terms of the performance condition.

### **2010**

The maximum bonus potential will remain at 100% of salary. Following a review of the bonus conditions it is the Remuneration Committee's current intention to use an EPS performance condition for the 2010 annual bonus plan.

It should be noted that the Remuneration Committee retains the discretion to reduce or reclaim payments of bonus if performance levels on which bonus has been paid are later found to have been significantly mis-stated.

Bonus payments are not pensionable.

### **Share Incentives 2009**

No LTIP awards or other equity based awards were made during the year. As mentioned earlier in the Report the Remuneration Committee is in the process of reviewing the incentive elements of the remuneration policy.

# Directors' Remuneration Report

## PENSION

### Defined Contribution Plan

The Company pays the equivalent of 10% of the Executive Director's basic salary into a personal pension plan, subject to the executive contributing 5% of basic salary (median level of pension contributions in the comparator group are approximately 10%).

There are no defined benefit schemes in operation in the Group.

### Benefits in Kind

Benefits in kind comprise a company car (or car allowance), private medical cover, income protection insurance and death-in-service benefits.

## OTHER REMUNERATION MATTERS

### All Employee Share Arrangements

The Company has in place a HMRC approved Share Incentive Plan. The Plan has been closed to new contributions from April 2009. The Plan provided employees with the opportunity of purchasing £1,500 of shares a year out of pre-tax salary and provided additional matching shares on a 1:5 ratio (i.e. for every five shares purchased the Company awarded 1 matching share). These matching shares will normally be released three years after they have been awarded provided that the associated shares purchased by the employee have been retained and provided the employee is still employed by a Group Company at this time.

### Executive Directors' Contracts

Alan Morcombe, Mike McLaren and James Soulsby each have a 12 month rolling contract dated 17 February 2003. The contracts will continue unless terminated by a maximum of 12 months' written notice. This arrangement is in line with best corporate practice for listed companies. In the event of the termination of an Executive's contract, salary and benefits will be payable during the notice period (there will, however, be no automatic entitlement to bonus payments or share incentive grants during the period of notice other than where normal good leaver provisions apply). The Remuneration Committee will ensure that there are no unjustified payments for failure on an Executive Director's termination of employment.

During the year Alan Morcombe served as a director of Amalgamated Racing Limited, a company in which the Company has a 50% indirect interest. No remuneration was received by Alan Morcombe from Amalgamated Racing Limited in relation to this directorship.

### Non-Executive Directors: Policy 2009 & 2010 Median level fees

The remuneration of the non-executive directors is determined by the Board based upon recommendations from the Chairman and Chief Executive (or, in the case of the Chairman, based on recommendations from the Chairman of the Remuneration Committee following independent advice) and is within the limits set by the Company's articles of association. Having reviewed the policy it was decided that both the Executive and Non Executive Directors remuneration should be set at the median level.

Name	Current fee
P M Bertram	£80,000
A J McWalter	£40,000

The Non-Executive Directors fees were not increased during the year.

# Directors' Remuneration Report

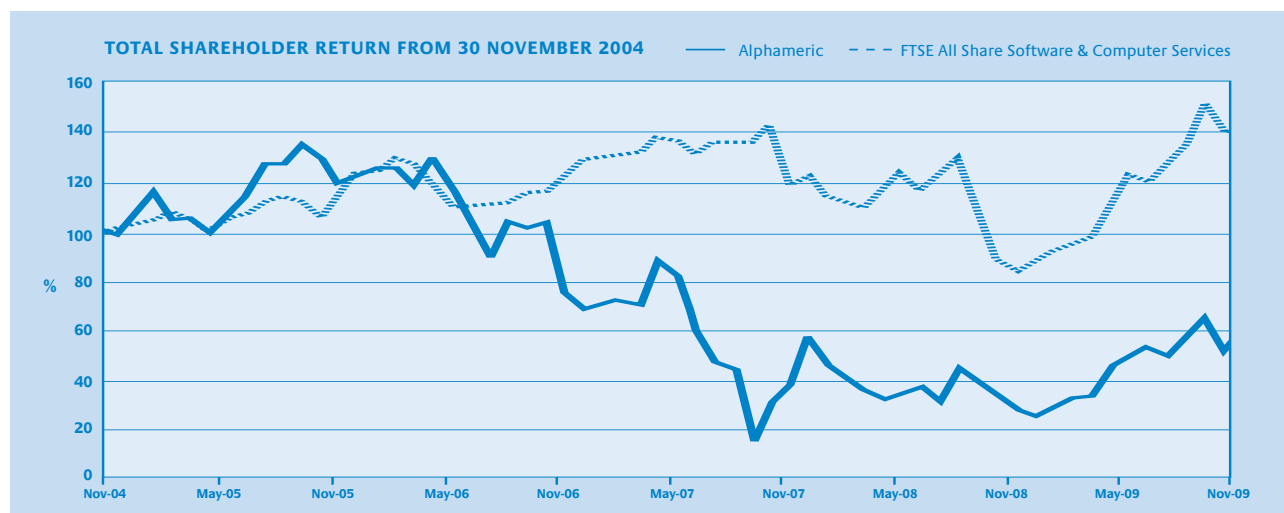
## Non-Executive Directors: Policy 2009 & 2010 Median level fees (continued)

Non-Executive Directors do not participate in any bonus plan or share incentive programme operated by the Company and are not entitled to pension contributions or other benefits provided by the Company. The Non-Executive Directors do not have service contracts, but their appointments are for fixed-terms of three years, subject to the terms of the Company's articles of association, the Companies Act 2006 and shareholder approval.

Details of the terms of appointment of the Non-Executive Directors are set out below:-

Name	Company Notice Period	Letter of Appointment Date	Expiry Date
P M Bertram	3 months	21 March 2007	25 April 2010
A J McWalter	3 months	8 January 2009	31 March 2012

## TOTAL SHAREHOLDER RETURN PERFORMANCE GRAPH



The Remuneration Committee consider the FTSE All Share Software & Computer Services Sector Index a relevant Index for TSR comparison as the Index members represent the broad range of UK quoted computer service companies comparable to the Company's general area of business and business cycle.

# Directors' Remuneration Report

## AUDITED INFORMATION

### Directors' interests in shares

The beneficial interests of the Directors and their families in the ordinary shares of the Company, other than in respect of options to acquire ordinary shares (which are detailed below) and shares held within the share incentive plan (which are detailed on page 19) are as follows:

Name	1 Dec 2008	30 Nov 2009	9 Feb 2010
P M Bertram	-	-	-
M G McLaren	231,912	231,912	231,912
A J McWalter	-	-	-
A W Morcombe	2,306,791	2,306,791	2,306,791
J A Soulsby	-	-	-

Directors' Remuneration	Salary/Fees £'000	Benefits £'000	Annual	Pension £'000	Total 2009 £'000	Total 2008 £'000
			Performance- Related Bonus £'000			
<b>Executive Directors</b>						
AW Morcombe	268	20	134	27	449	386
M G McLaren	213	15	108	21	357	282
J A Soulsby	189	15	95	19	318	274
<b>Non-Executive Directors</b>						
P M Bertram	80	-	-	-	80	76
A J McWalter	40	-	-	-	40	37
<b>Total</b>	<b>790</b>	<b>50</b>	<b>337</b>	<b>67</b>	<b>1,244</b>	<b>1,055</b>

## DIRECTORS' INTERESTS IN THE COMPANY'S SHARE PLANS

### 1999 Senior Executive Share Option Scheme

	Number of Options at 1 Dec 2008	Number of Options at 30 Nov 2009	Exercise Period		Exercise Price pence
			From	To	
<b>Executive Directors</b>					
A W Morcombe	909,606	909,606	18/2/2003	17/2/2010	273
	389,830	389,830	21/2/2003	20/2/2010	300
	228,520	228,520	25/3/2005	24/3/2012	78
	350,847	350,847	25/3/2006	24/3/2013	36
M G McLaren	909,606	909,606	18/2/2003	17/2/2010	273
	389,830	389,830	21/2/2003	20/2/2010	300
	189,345	189,345	25/3/2005	24/3/2012	78
	296,920	296,920	25/3/2006	24/3/2013	36
J A Soulsby	163,230	163,230	25/3/2005	24/3/2012	78
	259,886	259,886	25/3/2006	24/3/2013	36

Options granted under this scheme are exercisable between 3 and 10 years from the date of grant of the option, subject to the satisfaction of the following performance conditions over three years:

- average growth in earnings per share must exceed growth in RPI by at least 4% p.a. and
- for 50% of the shares under option, no additional share price target;
- for 35% of the shares under option, the share price must have increased by 200% from the date of grant;
- for 15% of the shares under option, the share price must have increased by 300% from the date of grant.

No options granted to Executive Directors were exercised or lapsed during the year.

# Directors' Remuneration Report

## LONG-TERM INCENTIVE PLAN

Executive Directors	Number of shares conditionally awarded at 1 Dec 08	Number of shares conditionally awarded during the year	Face value of shares conditionally awarded	Share price at grant date	Exercise period From	To
A W Morcombe	589,340		£224,500	£0.381	06.12.09	05.12.16
M G McLaren	468,585		£178,500	£0.381	06.12.09	05.12.16
J A Soulsby	456,772		£174,000	£0.381	06.12.09	05.12.16

The performance conditions for the LTIP's awarded are that the Company's EPS growth over the three year performance period must be equal to or greater than RPI+3% per annum before any of the award is capable of release. On the satisfaction of this condition the release of the award is dependent on the Company's total shareholder return performance against the comparator group. 30% of the award will be released for median comparative performance with 100% being released for upper quartile performance.

The 2006 LTIP awards (detailed above) lapsed on the 5 December 2009 because the performance conditions were not satisfied on the third anniversary of the date of grant.

## INLAND REVENUE APPROVED SHARE INCENTIVE PLAN

Each of the Executive Directors has purchased and been conditionally awarded the following shares in the Share Incentive plan.

Executive Directors	Number of partnership shares purchased at 1 Dec 08	Number of matching shares conditionally awarded at 1 Dec 08	Dividend shares acquired at 1 Dec 08	Number of partnership shares purchased during the year	Matching shares conditionally awarded during the year	Dividend shares acquired during the year	Dates of release of matching/dividend shares
A W Morcombe	16,479	3,299	250	2,889	578	496	30.07.07 – 30.11.11 01.12.11 – 30.03.12
M G McLaren	14,419	2,887	250	0	0	370	30.07.07 – 30.11.11 01.12.11 – 30.03.12
J A Soulsby	16,479	3,299	250	2,889	578	496	30.07.07 – 30.11.11 01.12.11 – 30.03.12

Partnership shares were purchased and matching shares awarded on a monthly basis (the range over the year was between £0.16 and £0.19).

The market price of the Company's shares on 30 November 2009 was £0.345 per share and the high and low share prices during the year were £0.37 and £0.14 respectively.

On behalf of the Board  
Alan McWalter  
Chairman of the Remuneration Committee

# Corporate Governance

## STATEMENT OF COMPLIANCE

The Board is committed to high standards of corporate governance and has sought to comply with both the Main Principles and Supporting Principles set out in section 1 of the Combined Code on Corporate Governance (the “Combined Code”) with due regard to the size and needs of the Company and with reference to best practice. As defined in the Combined Code, the Company would be classed as a “smaller company” as it is outside the FTSE 350. Details of the key procedures and practices adopted by the Board are set out below.

The Board considers that the Company complies, and has complied throughout the financial year, with the provisions set out in section 1 of the Combined Code.

The following paragraphs describe the corporate governance policies and procedures of the Company and how it applies the Main Principles set out in section 1 of the Combined Code.

A copy of the Combined Code is available on the Financial Reporting Council's website at [www.frc.org.uk](http://www.frc.org.uk).

## THE BOARD

The Board currently comprises two Non-Executive and three Executive Directors. The Non-Executive Directors are Peter Bertram (Chairman) and Alan McWalter (Senior Independent Director), both of whom are considered by the Board to be independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement. The Board considered, in accordance with Provision A.2.2 of the Combined Code, that on his appointment as Chairman, Peter Bertram met the independence criteria as set out in Provision A.3.1 of the Combined Code. Peter Bertram's letter of appointment as Chairman expires on 25 April 2010. Following a review of the composition of the Board and given Peter's depth of knowledge and wide experience both within and external to the Company, the Board has requested Peter to serve an additional three year term as Chairman. Details of the Directors can be found on page 4.

Under the provisions of the Company's articles of association and in accordance with the requirement in the Combined Code all Directors are required to offer themselves for re-election at least once every three years. In addition, under the Company's articles of association, any Director appointed during the year will stand for election at the next annual general meeting, ensuring that each Board member faces re-election at regular intervals. No Directors are due for election or re-election at the annual general meeting to be held on 26 March 2010.

The Board held twenty board meetings, either physically or by conference call, during the year with eleven scheduled meetings and nine ad-hoc meetings. The Non-Executive Directors also meet independently of management.

Individual Director attendance at Board meetings during the period is shown below:

	Ad-hoc meetings	Scheduled Board meetings
Peter Bertram	8/9	11/11
Alan McWalter	8/9	11/11
Alan Morcombe	9/9	11/11
Mike McLaren	9/9	11/11
James Soulsby	8/9	11/11

The Board receives briefing papers prior to meetings as is required to properly fulfil its duties. The Board also receives financial and operational reports on a monthly basis. The Board is responsible for policy and strategy of the Group and has a schedule of matters which is specifically reserved for its decision. These include determining overall Group commercial strategy, review of the performance of the Group, responsibility for monitoring exposure to key business risks, approving annual budgets, determining acquisition and investment policy and approval of major capital expenditure and development projects. Operational decisions are delegated to the Executive Directors.

The Directors are entitled to take independent professional advice at the expense of the Company and all have access to the advice and services of the Company Secretary.

The Board has decided to appoint an additional independent Non-Executive Director to further strengthen the Board. The Nomination Committee has appointed an external advisor to facilitate the search.

# Corporate Governance

## BOARD PERFORMANCE EVALUATION

The annual board appraisal has been commenced but due to the level of corporate activity has not yet been completed. The appraisal is due to be completed by the end of March 2010. The Board conducts a rigorous evaluation of its performance and that of its Committees and Directors. It includes the completion of detailed assessment questionnaires by all the Directors. The questionnaires are then submitted to the Company Secretary who prepares a summary of the conclusions for the Chairman. The outcome of the evaluation is then considered by the Board as a whole.

## BOARD COMMITTEES

The Board has established Audit, Nomination and Remuneration Committees. All are formally constituted with written terms of reference. The terms of reference are available on request from the Company Secretary.

### **Audit Committee**

The current members of the Committee are Alan McWalter (Committee Chairman) and Peter Bertram. The Committee met four times in the year and is responsible for reviewing matters relating to financial reporting, accounting policies, compliance with accounting standards, ensuring the independence and objectivity of the external auditors, keeping under review the Group's internal controls and risk management systems, reviewing the Group's "whistleblowing" procedures, the appointment of external auditors and approval of their fees and other such functions as the Board may request. The external auditors attend by invitation and have access to the Committee for independent discussion.

The Audit Committee is satisfied that the independence of the auditors has been maintained. A full breakdown of the audit and non-audit fees is set out in note 4 to the financial statements. The Committee endorses the use of the auditors for tax compliance work and some specific tax advisory work. Any further services with a value of over £50,000 require Board approval.

### **Nomination Committee**

The current members of the Committee are Peter Bertram (Committee Chairman) and Alan McWalter. Alan Morcombe served on the Committee during the previous financial year. The Committee met twice during the year. It is responsible for reviewing the structure, size and composition of the Board, consideration of succession planning and for making recommendations to the Board regarding proposed appointments of Executive and Non-Executive Directors. The appointment of the Chairman is a matter for the whole Board.

### **Remuneration Committee**

The formation and work of the Remuneration Committee is discussed within the Directors' Remuneration Report beginning on page 13.

### **Amalgamated Racing Limited**

The Board composition of Amalgamated Racing Limited is balanced with equal representation from both joint venture parties. During the year Alphameric's interests on the Board were represented by Alan Morcombe who acted as the Executive Chairman of Amalgamated Racing Limited and Peter Bertram who acts as a Non-Executive Director. As previously noted, Alan Morcombe will stand down on 28 February 2010 and Mike McLaren will replace him as one of the two Alphameric representatives on the Amalgamated Racing Limited Board.

## RELATIONS WITH SHAREHOLDERS

The Company communicates with its shareholders through the Annual Report, Interim Report and Interim Management Statements and maintains an ongoing dialogue with its principal shareholders. It holds briefings with institutional fund managers and analysts primarily following the announcement of Interim and Preliminary results. The Board welcomes all shareholders at the annual general meeting where they are able to put appropriate questions to the Board. This assists in ensuring that the members of the Board, in particular the Non-Executive Directors, develop a balanced understanding of the views of major investors of the Company.

The Chairman and Senior Independent Director are available to meet with major shareholders if requested. The Chairman is the primary point of contact for corporate governance and related matters and he ensures that the views of shareholders are communicated to the Board as a whole.

The Group uses the website [www.alphameric.com](http://www.alphameric.com) to communicate with its shareholders and provides the full text of Annual Reports, Interim Reports, Interim Management Statements, regulatory announcements and notices of meetings on the website.

# Corporate Governance

## INTERNAL CONTROL

The Board has overall responsibility for ensuring that the Group maintains a sound system of internal control to provide it with reasonable assurance that all information used within the business and for external publication is adequate, including financial, operational and compliance control and risk management.

The Board is responsible for ensuring that assets are safeguarded and therefore that the shareholders' investment is protected.

It should be recognised that any system of control can provide only reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate those risks that may affect the Group achieving its business objectives.

The Turnbull Report provides further guidance as to how the Combined Code principles on internal control should be applied in practice. A formal ongoing process has been established to identify, evaluate and manage significant risks faced by the Group.

The Directors have reviewed the internal control system during the year (and will continue to make annual reviews) to ensure that it remains effective and they have strengthened and augmented controls where appropriate. The internal control system of the Group and of AMRAC has also been separately reviewed by Grant Thornton as part of the year end audit. A key control procedure is the day-to-day involvement of the Executive Directors in all aspects of the business and their attendance at regular management and operational meetings. Other key procedures that have been established and which are designed to provide effective internal control for the Group are as follows:

- The Group seeks to recruit high calibre personnel to ensure that appropriate standards of control operate within the Group. The Group has an appropriate organisational structure with clear lines of responsibility. Operating and financial responsibility for subsidiary companies is delegated to local boards. The Alphameric Executive Directors sit on all operating subsidiary boards;
- The Group's management is required to assess key risks and related control and monitoring procedures applicable to the business. The Board monitors this process;
- All of the Group's operating units prepare annual business and financial plans. These are reviewed by the Board, which approves the overall Group business plan for each year. Each plan includes monthly phased profit and loss accounts, balance sheets and cashflow forecasts. Revisions to forecasts are made each quarter. Management information, with trading commentaries and comparison of actual results to budgets and reforecasts, is prepared monthly together with analysis of any variance;
- Control procedures operate throughout the Group to ensure the integrity of the financial and other records. The Board is required to approve significant investment decisions including all acquisitions. There is an established procedure for the authorisation of capital expenditure and proposals for significant software development programmes are considered by the Board, which also receives regular progress reports;
- Research and development across the Group is controlled and monitored to ensure that only appropriate development is undertaken and that projects are properly managed;
- All major contracts are reviewed by the Group's Legal Department and regular progress reports on the implementation and roll-outs of significant contracts are received by the Executive Directors;
- Group Policies and Procedures are fully documented and updated on a regular basis;
- Group Health and Safety Policies are fully documented and updated on a regular basis; and
- Ongoing review and monitoring of the security of Group websites and other interfaces is carried out.

## INTERNAL AUDIT

The Board and Audit Committee has considered the need for an internal audit function and has concluded that the size of the Group does not warrant a separate internal audit function. The Board and the Audit Committee will continue to review this decision going forward.

By Order of the Board

L A Warrington  
Secretary  
9 February 2010

# Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. 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. Insofar as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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.

To the best of my knowledge

- the financial statements, prepared in accordance with the applicable set of accounting standards, 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 management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

M G McLaren  
9 February 2010

# Independent Auditors' Report to the Members of Alphameric plc

We have audited the financial statements of Alphameric Plc for the year ended 30 November 2009 which comprise the consolidated income statement, the consolidated and parent Company balance sheets, the consolidated and parent Company cash flow statements, the consolidated and parent Company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditors' 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 AUDITORS

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

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKP](http://www.frc.org.uk/apb/scope/UKP).

## OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 November 2009 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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 and the part of the Directors' Remuneration Report to be audited 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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules, we are required to review:

- the Directors' statement, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Joanne Kearns  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Manchester  
9 February 2010

# Consolidated Income Statement

Year ended 30 November 2009

	Note	2009 £'000	2008 £'000
<b>Revenue</b>		39,986	35,915
Operating costs		(32,273)	(33,010)
<b>Operating profit before exceptional administrative expenses and share based payment charge</b>		7,713	2,905
Exceptional administrative expenses	3	-	(5,314)
Share based payment charge		-	(180)
<b>Operating profit/(loss)</b>	4	7,713	(2,589)
Finance income	7	216	748
Finance costs	7	(24)	(343)
<b>Profit/(loss) on ordinary activities before taxation</b>		7,905	(2,184)
Income tax (charge)/credit	9	(1,130)	57
<b>Profit/(loss) for the financial year from continuing operations</b>		6,775	(2,127)
Loss for the financial year from discontinued operations	8	-	(24,962)
<b>Profit/(loss) for the financial year attributable to equity holders of the parent</b>		6,775	(27,089)
		<b>2009 pence</b>	<b>2008 pence</b>
<b>Basic and diluted earnings/(loss) per share</b>	11		
Basic and diluted earnings per share for the year from continuing operations before exceptional administrative expenses and share based payment charge		3.0	0.8
Exceptional administrative expenses and share based payment charge per share		-	(1.8)
Basic and diluted earnings/(loss) per share - from continuing operations		3.0	(1.0)
Basic and diluted loss per share - discontinued operations		-	(11.4)
<b>Total basic and diluted earnings/(loss) per share</b>		3.0	(12.4)

There were no recognised gains or losses other than the result for the financial year.

# Consolidated Balance Sheet

Year ended 30 November 2009

	Note	2009 £'000	2008 £'000
<b>Non current assets</b>			
Intangible assets	12	5,941	5,823
Property, plant and equipment	13(a)	4,118	3,883
Deferred tax asset	20	1,787	2,536
		11,846	12,242
<b>Current assets</b>			
Inventories	15	2,532	2,040
Trade and other receivables	16	7,994	12,180
Cash and cash equivalents		20,763	19,202
		31,289	33,422
Total assets		43,135	45,664
<b>Current liabilities</b>			
Trade and other payables	17	(10,987)	(16,265)
Current tax liabilities		(381)	-
Financial liabilities	18	-	(1,393)
Provisions for liabilities	21	(1,007)	(1,161)
		(12,375)	(18,819)
<b>Net current assets</b>		18,914	14,603
<b>Non current liabilities</b>			
Provisions for liabilities	21	(458)	(1,424)
Total liabilities		(12,833)	(20,243)
<b>Net assets</b>		30,302	25,421
<b>Equity attributable to equity holders of the parent</b>			
Called up share capital	23	5,635	5,635
Share premium account		-	48,841
Other reserves		-	905
Merger relief reserve		1,320	8,856
Special reserve		8,822	-
Retained earnings/(losses)		14,525	(38,816)
<b>Total equity</b>		30,302	25,421

Approved by the Board of Directors on 9 February 2010 and were signed on its behalf by:

M G McLaren  
Director

# Company Balance Sheet

Year ended 30 November 2009

	Note	2009 £'000	2008 £'000
<b>Non current assets</b>			
Property, plant and equipment	13(b)	1,208	1,272
Investments	14(a)	2,867	2,867
Deferred tax asset	20	51	-
		4,126	4,139
<b>Current assets</b>			
Trade and other receivables	16	10,602	4,422
Corporation tax receivable		486	-
Cash and cash equivalents		11,294	22,148
		22,382	26,570
<b>Total assets</b>		<b>26,508</b>	<b>30,709</b>
<b>Current liabilities</b>			
Trade and other payables	17	(1,125)	(1,246)
Financial liabilities	18	-	(840)
Provisions for liabilities	21	(301)	(804)
		(1,426)	(2,890)
<b>Net current assets</b>		<b>20,956</b>	<b>23,680</b>
<b>Non current liabilities</b>			
Deferred tax liability	20	-	(37)
Provisions for liabilities	21	(458)	(924)
		(458)	(961)
<b>Total liabilities</b>		<b>(1,884)</b>	<b>(3,851)</b>
<b>Net assets</b>		<b>24,624</b>	<b>26,858</b>
<b>Equity</b>			
Called up share capital	23	5,635	5,635
Share premium account		-	48,841
Other reserves		-	905
Merger relief reserve		5,599	13,135
Special reserve		8,822	-
Retained earnings/(losses)		4,568	(41,658)
<b>Total equity</b>		<b>24,624</b>	<b>26,858</b>

Approved by the Board of Directors on 9 February 2010 and were signed on its behalf by:

M G McLaren  
Director

Company number 00957155

# Consolidated Cashflow Statement

Year ended 30 November 2009

	Note	2009 £'000	2008 £'000
<b>Cashflows from operating activities</b>			
Cash generated from operations before exceptional administrative expenses	24	6,766	12,975
Exceptional administrative expenses		-	(8,971)
<b>Cash generated from operations</b>		6,766	4,004
Interest paid		(24)	(343)
Net cash generated from operating activities		6,742	3,661
<b>Cash flows from investing activities</b>			
Interest received		216	803
Purchase of property, plant and equipment		(955)	(1,612)
Purchase of intangible assets		(235)	-
Proceeds on disposal of discontinued operations		-	17,300
Costs incurred on disposal of discontinued operations		(1,120)	(2,987)
Net cash (used in)/generated from investing activities		(2,094)	13,504
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(1,393)	(4,568)
Net proceeds from issue of ordinary share capital		-	9,667
Dividends paid to the Company's shareholders		(1,694)	-
Net cash (used in)/generated from financing activities		(3,087)	5,099
<b>Increase in cash and cash equivalents for the year</b>		1,561	22,264
<b>Cash and cash equivalents at beginning of year</b>		19,202	(3,062)
<b>Cash and cash equivalents at end of year</b>		20,763	19,202

# Company Cashflow Statement

Year ended 30 November 2009

	Note	2009 £'000	2008 £'000
<b>Cashflows from operating activities</b>			
<b>Cash (used in)/generated from operations</b>	24	(7,379)	10,034
Interest paid		-	(168)
Net cash (used in)/generated from operating activities		(7,379)	9,866
<b>Cash flows from investing activities</b>			
Interest received		179	1,789
Costs incurred on prior years' disposal of the Company's subsidiaries		(1,120)	-
Net cash (used in)/generated from investing activities		(941)	1,789
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(840)	(1,962)
Net proceeds from issue of ordinary share capital		-	9,667
Dividends paid to the Company's shareholders		(1,694)	-
Net cash (used in)/generated from financing activities		(2,534)	7,705
<b>(Decrease)/increase in cash and cash equivalents for the year</b>		(10,854)	19,360
<b>Cash and cash equivalents at beginning of year</b>		22,148	2,788
<b>Cash and cash equivalents at end of year</b>		11,294	22,148

# Consolidated Statement of changes in Equity

Year ended 30 November 2009

	Share capital £'000	Share premium account £'000	Other reserves £'000	Merger relief reserve £'000	Special reserve £'000	Retained (losses)/ earnings £'000	Total £'000
<b>At 1 December 2007</b>	3,315	41,494	806	8,856		(11,727)	42,744
Loss and total recognised income and expense for the year	-	-	-	-	-	(27,089)	(27,089)
Shares issued	2,320	-	-	-	-	-	2,320
Premium arising on shares issued (net of issue cost)	-	7,347	-	-	-	-	7,347
Share based payment charge	-	-	180	-	-	-	180
Impact of deferred tax on share based payment charge	-	-	(81)	-	-	-	(81)
<b>At 30 November 2008</b>	5,635	48,841	905	8,856	-	(38,816)	25,421
Profit and total recognised income and expense for the year	-	-	-	-	-	6,775	6,775
Cancellation of share premium	-	(48,841)	-	-	6,608	42,033	(200)
Cancellation of merger relief reserve arising from the disposal of the retail business	-	-	-	(1,309)	1,309	-	-
Cancellation of merger relief reserve arising from the liquidation of certain Group companies	-	-	-	(6,227)	-	6,227	-
Reverse of share based payment charges	-	-	(905)	-	905	-	-
Dividends paid (note 22)	-	-	-	-	-	(1,694)	(1,694)
<b>At 30 November 2009</b>	<b>5,635</b>	<b>-</b>	<b>-</b>	<b>1,320</b>	<b>8,822</b>	<b>14,525</b>	<b>30,302</b>

# Company Statement of changes in Equity

Year ended 30 November 2009

	Share capital £'000	Share premium account £'000	Other reserves £'000	Merger relief reserve £'000	Special reserve £'000	Retained (losses)/ earnings £'000	Total £'000
<b>At 1 December 2007</b>	3,315	41,494	806	13,135	-	(1,318)	57,432
Loss and total recognised income and expense for the year	-	-	-	-	-	(40,340)	(40,340)
Shares issued	2,320	-	-	-	-	-	2,320
Premium arising on shares issued (net of issue cost)	-	7,347	-	-	-	-	7,347
Share based payment charge	-	-	180	-	-	-	180
Impact of deferred tax on share based payment charge	-	-	(81)	-	-	-	(81)
<b>At 30 November 2008</b>	5,635	48,841	905	13,135	-	(41,658)	26,858
Loss and total recognised income and expense for the year	-	-	-	-	-	(340)	(340)
Cancellation of share premium	-	(48,841)	-	-	6,608	42,033	(200)
Cancellation of merger relief reserve arising from the disposal of the retail business	-	-	-	(1,309)	1,309	-	-
Cancellation of merger relief reserve arising from the liquidation of certain Group companies	-	-	-	(6,227)	-	6,227	-
Reverse of share based payment charges	-	-	(905)	-	905	-	-
Dividends paid (note 22)	-	-	-	-	-	(1,694)	(1,694)
<b>At 30 November 2009</b>	<b>5,635</b>	<b>-</b>	<b>-</b>	<b>5,599</b>	<b>8,822</b>	<b>4,568</b>	<b>24,624</b>

# Notes to the Accounts

## 1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently in dealing with items that are considered material to the Group's and the Company's financial statements.

### **BASIS OF PREPARATION**

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The financial statements have been prepared using the going concern assumption. Discussion regarding the directors' assessment of the suitability of this assumption is contained in the directors' report.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based upon management's knowledge and experience of the amounts, events or actions. Actual results may differ from such estimates.

### **Critical judgments in applying accounting policies**

The following are the critical judgments, apart from those involving estimations, that the Directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- (i) The timing and quantum of revenue recognition. The Group applies the stage of completion method in accounting for any fixed price contracts which requires the Group to estimate services performed as a proportion of the total services to be performed to completion of the contract.
- (ii) The Group disposed of its Hospitality business during the year ended 30 November 2008. The trading results of the Hospitality business and the loss on disposal are included within a single line on the income statement, entitled 'Loss on discontinued operations'. The Group has had to apply judgment in its determination of the categorisation of certain costs between continuing operations and discontinued operations.

### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- (i) Future cash flows and discount rates applied in the 'value in use' goodwill impairment test incorporate the inherent uncertainties involved in predicting future cash flows, operating performance, costs of capital and other variables. The carrying value of goodwill at 30 November 2009 was £5,670,000 (2008: £5,670,000).
- (ii) During 2008, the Group created a leasehold property and other provision of £2,585,000, of which £1,465,000 is outstanding at 30 November 2009. This is largely in respect of vacant leasehold property costs. The provision involves an estimate of the likely period that a leasehold property will remain vacant.

### **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The following accounting standards and IFRIC pronouncements are not yet effective and have not been early adopted by the Group:

- IAS 1 Presentation of Financial Statements (Revised 2007)
- IAS23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- IAS27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- IAS32 (amended) Financial instruments: Presentation and IAS 1 Presentation of financial statements 2009 (effective 1 January 2009)

# Notes to the Accounts

- IAS39 (amended) Financial Instrument and Measurement - eligible hedged items (effective 1 July 2009)
- IFRS 3 Business Combinations (Revised 2008)
- IFRS 8 Operating Segments
- IFRS 9 Financial Instruments
- IFRIC 17 Distribution of non-cash assets to owners (effective 1 July 2009)
- IFRIC 18 Transfers of assets from customers (effective 1 July 2009)
- Amendment to IFRS 2 Share based Payment - Vesting Conditions and Cancellations (effective 1 January 2009)
- Amendment to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures About Financial Instruments
- Improvements and amendments to IFRSs

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for:

- changes to the accounting for business combinations subsequent to 1 July 2009 upon adoption of IFRS 3 Business Combinations (revised);
- additional segment disclosures when IFRS 8 Operating Segments comes into effect for periods commencing on or after 1 January 2009; and
- the revised IAS 1 Presentation of Financial Statements, which becomes effective for periods commencing on or after 1 January 2009 revises the presentation of non-owner changes in equity and introduces a statement of comprehensive income. The adoption of these amendments to IAS 1 will not have an impact on the net results and net assets of the Group but in certain circumstances the Group will be required to prepare an additional comparative balance sheet and associated notes.

## **BUSINESS COMBINATIONS COMPLETED PRIOR TO THE DATE OF TRANSITION TO IFRS**

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to the date of transition to IFRS. Accordingly the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-transition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax is adjusted for the impact of any consequential adjustments taking advantage of the transitional provisions.

## **BASIS OF CONSOLIDATION**

The consolidated income statement and balance sheet include the financial information of the Company and its subsidiary undertakings made up to 30 November 2009. Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets of the acquired subsidiary at the date of acquisition.

Entities whose economic activities are jointly controlled by the Group and other venturers independent of the Group are accounted for using the proportionate consolidation method.

## **EXCEPTIONAL ITEMS**

Exceptional items are material items which individually, or if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence because of their relevance to understanding the Group's financial performance. A description of the nature of the exceptional items can be found in note 3.

## **INVESTMENTS**

The Company's investment in its subsidiary undertakings is recorded at cost less any provision for impairment.

# Notes to the Accounts

## REVENUE RECOGNITION

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group derives revenues from hardware sales, software licenses, maintenance services and subscription revenues.

Installation and hardware sales – revenue in respect of installation and hardware sales is recognised on installation.

Software licences – the Group recognises the revenue allocable to software licenses when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

In applying these conditions, the Group recognises revenue:

- on the issue of the licence in the case of perpetual licence fees on the grounds that the Group has no more duties to perform;
- over the licence period in respect of annual licence fees;
- from the commissioning of the site in equal monthly amounts, where an annual site licence is required for each location at which software is installed.

Multiple element contracts - certain of the Group's contracts include the provision of a combined software development and hardware solution, often provided to multiple sites. Revenue in respect of the software development element of a system solution is recognised by reference to the stage of completion of contract activity at the balance sheet date. The stage of completion of the contract at the balance sheet date is assessed by reference to the level of costs incurred to date compared to anticipated total costs on the software development element of the contract. Revenue in respect of the hardware element is recognised in accordance with the policy described above.

For any sales of a new product (whether it be hardware or software) to a new or existing customer where it is material in scale, revenue is only recognised on formal acceptance (in writing) by the customer.

Maintenance services and equipment rental – revenue in respect of maintenance services and equipment rental is recognised on a straight line basis over the term of the contract. Revenue not recognised in the income statement under this policy is classified as deferred income in the balance sheet.

Subscription revenues – revenue in respect of subscriptions for the TurfTV service provided by AMRAC is recognised on a straight line basis over the term of the subscription.

## PENSION

The Group operates a number of defined contribution pension schemes and also makes contributions to personal pension plans on behalf of certain employees. Contributions are charged to the income statement as they become payable.

## PROPERTY, PLANT AND EQUIPMENT

The Group has elected on adoption of IFRS to use the fair value of certain of its plant and equipment as its deemed cost. Property, plant and equipment is stated at cost including any incidental costs of acquisition, less depreciation and any provision for impairment. Depreciation is provided on a straight line basis so as to write off the cost of property, plant and equipment over its estimated useful economic life as follows:

Short leasehold buildings	Over the period of the lease
Information systems, office equipment, vehicles, etc.	1 – 10 years

Economic lives are reviewed annually. Material residual value estimates are updated as required, but at least annually.

## GOODWILL

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is allocated to each cash generating unit for the purpose of impairment testing. The allocation is made to these cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is carried at cost less accumulated impairment losses. Goodwill written off to reserves prior to the date of transition to IFRS remains in reserves. There is no re-instatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to the income statement on subsequent disposal.

# Notes to the Accounts

## **INTANGIBLE ASSETS** - Assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the group are not reliably measurable. Where the individual fair value of the complementary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives.

## **OTHER INTANGIBLE ASSETS AND RESEARCH AND DEVELOPMENT ACTIVITIES**

Other intangible assets include acquired and internally developed software used in production or administration. They are accounted for using the cost model whereby capitalised costs are amortised on a straight line basis over their estimated useful lives (three to five years), as these are considered finite. The amortisation charge is included within administrative expenses. Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred. Costs that are directly attributable to the development phase of new projects are recognised as intangible assets provided they meet the recognition requirements of IAS 38 Intangible Assets. Development costs not meeting those criteria are expensed as incurred.

## **IMPAIRMENT TESTING OF GOODWILL, OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

## **INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads where appropriate. Costs of ordinary interchangeable items are assigned using the first in first out basis.

## **LEASED ASSETS**

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

# Notes to the Accounts

## **TAXATION**

Current taxation is the taxation currently payable on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Temporary differences include those associated with shares in subsidiaries and joint ventures and are only not recognised if the Group controls the reversal of the difference and it is not expected for the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

## **FOREIGN CURRENCY TRANSLATION**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the income statement as they arise.

## **FINANCIAL ASSETS**

The Group's financial assets comprise primarily cash, bank deposits, trade and other receivables that arise from its operations.

### **Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

### **Cash and cash equivalents**

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

## **FINANCIAL LIABILITIES**

The Group's financial liabilities comprise bank overdrafts, bank loans and trade payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instruments.

### **Trade and other payables**

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

## **BORROWINGS**

Borrowings are initially measured at fair value net of transaction costs. Borrowings are subsequently recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

# Notes to the Accounts

## SHARE BASED PAYMENTS

The Group and the Company have elected to apply IFRS 2 only to relevant share based payment transactions granted after 7 November 2002 and not vested at 1 January 2005.

The Group issues equity-settled share based payments to certain employees. The fair value, determined at the date of grant, is recognised as an expense. The total amount to be expensed over the vesting period is determined with reference to the fair value of the options granted, excluding the impact of any non market vesting conditions. Non market vesting conditions are included in assumptions about the number of options expected to vest. At each balance sheet date, the Group revises its estimate of the number of options expected to vest. It recognises the impact of revisions to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised.

## DIVIDENDS

Dividend distributions payable to equity shareholders are included in “current financial liabilities” when the dividends are approved in general meeting prior to the balance sheet date.

## EQUITY

Equity comprises the following:

- “Share capital” represents the nominal value of equity shares.
- “Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- “Other reserves” represents equity-settled share based employee remuneration until such share options are exercised or lapse.
- “Merger relief reserve” represents the share premium arising on shares issued as part or full consideration for acquisitions.
- “Revaluation reserve” represents gains and losses due to the revaluation of certain financial assets and property, plant and equipment.
- “Special reserve” represents the balance arising from the cancellation of the share premium after having returned the retained losses to £nil and the cancellation of the merger reserves resulting from disposals made before the cancellation of the share premium account.
- “Retained earnings” represents retained earnings.

# Notes to the Accounts

## 2. SEGMENTAL INFORMATION

The Group generates revenues from two distinct areas of activity:

**Solutions:** the provision of Electronic Point of Sale (EPOS) systems, display systems, additional peripheral systems, management information systems (MIS) and services to bookmakers. Solutions also operates one licenced bookmaking shop; 'BET' which is principally used to test and demonstrate new products for bookmakers. The financial figures for BET are not individually material and are disclosed within the results of Solutions on a combined basis.

**AMRAC:** the provision of a bespoke closed user group television service to bookmakers in the United Kingdom and the Republic of Ireland by way of subscription. This service (TurfTV) is provided through our 50% owned joint venture, Amalgamated Racing Limited.

The following analysis of the Group's operations by segment excludes intra-group management charges. Segment information about these businesses is presented below.

Year ended 30 November 2009	Solutions £'000	AMRAC £'000	Total £'000
<b>Revenue</b>	<b>13,867</b>	<b>26,119</b>	<b>39,986</b>
<b>Operating profit</b>	<b>629</b>	<b>7,084</b>	<b>7,713</b>
Net finance income	183	9	192
Profit on ordinary activities before taxation	812	7,093	7,905
Income tax credit/(charge)	1,030	(2,160)	(1,130)
<b>Profit for the financial year attributable to the equity holders of the parent</b>	<b>1,842</b>	<b>4,933</b>	<b>6,775</b>
<b>Assets and liabilities</b>			
Segment assets	32,218	10,917	43,135
Segment liabilities	(4,996)	(7,837)	(12,833)
<b>Net assets</b>	<b>27,222</b>	<b>3,080</b>	<b>30,302</b>
<b>Other information</b>			
Capital expenditure	753	202	955
Depreciation	468	215	683
Amortisation of intangibles	79	38	117
Impairment of inventories	4	-	4

# Notes to the Accounts

## 2. SEGMENTAL INFORMATION (continued)

Year ended 30 November 2008	Solutions £'000	AMRAC £'000	Total £'000
<b>Revenue</b>	<b>15,279</b>	<b>20,636</b>	<b>35,915</b>
<b>Operating (loss)/profit before exceptional administrative expenses and share based payment charge</b>	<b>(486)</b>	<b>3,391</b>	<b>2,905</b>
Exceptional administrative expenses	(1,314)	(4,000)	(5,314)
Share based payment charge	(180)	-	(180)
<b>Operating loss</b>	<b>(1,980)</b>	<b>(609)</b>	<b>(2,589)</b>
Net finance income	307	98	405
Loss on ordinary activities before taxation	(1,673)	(511)	(2,184)
Income tax (charge)/credit	(22)	79	57
<b>Loss for the financial year from continuing operations</b>	<b>(1,695)</b>	<b>(432)</b>	<b>(2,127)</b>
<b>Loss for the financial year from discontinued operations</b>	-	-	<b>(24,962)</b>
<b>Loss for the financial year attributable to the equity holders of the parent</b>	-	-	<b>(27,089)</b>
<b>Assets and liabilities</b>			
Segment assets	38,237	7,427	45,664
Segment liabilities	(8,832)	(10,018)	(18,850)
Borrowings	(1,393)	-	(1,393)
<b>Total liabilities</b>	<b>(10,225)</b>	<b>(10,018)</b>	<b>(20,243)</b>
<b>Net assets/(liabilities)</b>	<b>28,012</b>	<b>(2,591)</b>	<b>25,421</b>
<b>Other information</b>			
Capital expenditure	624	988	1,612
Depreciation	1,229	344	1,573
Amortisation of intangibles	-	65	65
Impairment of inventories	220	-	220

# Notes to the Accounts

## 2. SEGMENTAL INFORMATION (continued)

### Geographical analysis – by destination

#### Revenue

	Continuing operations		Discontinued operations		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
United Kingdom	35,003	29,960	-	7,883	35,003	37,843
Continental Europe including Eire	4,813	5,920	-	-	4,813	5,920
Rest of the world	170	35	-	-	170	35
	39,986	35,915	-	7,883	39,986	43,798

The Group's entire revenue originates, and net assets are held, within the United Kingdom.

### Analysis of revenue - by type

	Continuing operations		Discontinued operations		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Sale of goods	2,666	4,398	-	3,751	2,666	8,149
Rendering of services	37,320	31,517	-	4,132	37,320	35,649
Revenue	39,986	35,915	-	7,883	39,986	43,798
Finance income	216	748	-	55	216	803
Lease income	-	329	-	-	-	329
Total revenue	40,202	36,992	-	7,938	40,202	44,930

## 3. EXCEPTIONAL ADMINISTRATIVE EXPENSES

There were no exceptional costs in the year to 30 November 2009.

In the year to 30 November 2008 exceptional costs totalled £5,314,000, of which £4,000,000 represented legal costs within AMRAC, with the balance arising within the Solutions business. The AMRAC exceptional costs relate to the legal costs of defending a claim brought against AMRAC, the Company and others in the High Court and the Court of Appeal against allegations that the nature of the exclusive arrangements under which AMRAC holds some of its media rights constituted 'collective exclusive licensing' in contravention of UK Competition law and the EC Treaty. The High Court and the Court of Appeal found in favour of AMRAC.

Exceptional costs within the Solutions business comprised principally of the write down of certain assets following a review of carrying values, and a provision against an onerous contract.

# Notes to the Accounts

## 4. OPERATING PROFIT/(LOSS)

	Continuing operations		Discontinued operations		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Revenue	39,986	35,915	-	7,883	39,986	43,798
Cost of sales	(19,893)	(20,182)	-	(2,601)	(19,893)	(22,783)
Gross profit	20,093	15,733	-	5,282	20,093	21,015
Administrative expenses	(12,380)	(12,828)	-	(6,934)	(12,380)	(19,762)
Exceptional administrative expenses	-	(5,314)	-	(3,657)	-	(8,971)
Share based payment charge	-	(180)	-	-	-	(180)
Total administrative expenses	(12,380)	(18,322)	-	(10,591)	(12,380)	(28,913)
<b>Operating profit/(loss)</b>	<b>7,713</b>	<b>(2,589)</b>	<b>-</b>	<b>(5,309)</b>	<b>7,713</b>	<b>(7,898)</b>

Operating profit/(loss) is stated after charging:

	Continuing operations		Discontinued operations		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Depreciation – owned assets	683	1,411	-	162	683	1,573
Amortisation of intangibles	117	65	-	-	117	65
Research and development costs	1,960	2,391	-	1,173	1,960	3,564
Exchange differences	63	31	-	-	63	31
Auditors' remuneration:						
Fees payable for the audit of the Company's accounts	25	25	-	-	25	25
Fees payable for other services:						
- the audit of the company's subsidiaries and joint ventures	55	55	-	-	55	55
- taxation compliance	20	27	-	-	20	27
- fees in connection with the disposal of the Hospitality business	-	-	-	165	-	165
- other services	50	43	-	-	50	43
Operating lease rentals:						
- hire of plant & machinery	267	473	-	37	267	510
- other assets, including land and buildings	809	1,166	-	427	809	-

# Notes to the Accounts

## 5. DIRECTORS' EMOLUMENTS

Detailed disclosure of the Directors' individual remuneration and share options, which forms part of these financial statements, is given in the Directors' Remuneration Report on pages 13 to 19.

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	1,148	1,071
Company contributions to money purchase pension schemes	67	71
Emoluments payable to the highest paid Director are as follows:		
Aggregate emoluments	415	360
Pension contributions	27	26

Retirement benefits are accruing to 3 directors (2008: 3) under money purchase pension schemes.

## 6. EMPLOYEE INFORMATION

The costs incurred in respect of employees were:

	Continuing operations		Discontinued operations		Total	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	7,446	8,760	-	2,488	7,446	11,248
Social security costs	763	935	-	258	763	1,193
Pension costs	235	216	-	40	235	256
	<b>8,444</b>	<b>9,911</b>	<b>-</b>	<b>2,786</b>	<b>8,444</b>	<b>12,697</b>

The average monthly number of employees during the year was made up as follows:

	Continuing operations		Discontinued operations		Total	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Operations	185	224	-	83	185	307
Sales and Marketing	9	9	-	15	9	24
Finance and Administration	24	28	-	3	24	31
	<b>218</b>	<b>261</b>	<b>-</b>	<b>101</b>	<b>218</b>	<b>362</b>

# Notes to the Accounts

## 6. EMPLOYEE INFORMATION (continued)

Options granted under the Company's share option scheme are as follows:

### 1999 Senior executive share option scheme

No. of options	Date of Grant	Exercise period	Exercise price (pence)
1,252,000	25.3.2003	2006 to 2013	46.7
1,262,462	25.3.2002	2005 to 2012	101.0
600,000	21.2.2000	2003 to 2010	390.0
1,985,000	18.2.2000	2003 to 2010	355.0

### 1997 Executive share option scheme

No. of options	Date of Grant	Exercise period	Exercise price (pence)
780,000	25.3.2003	2006 to 2013	46.7
256,161	25.3.2002	2005 to 2012	101.0

### Long Term Incentive Plan (LTIP)

At 1 December 2008, a total of 2,374,687 shares had been conditionally granted under this scheme. The attached performance criteria have not been met and all such shares lapsed during the year ended 30 November 2009.

## 7. FINANCE INCOME AND COSTS

	Continuing operations		Discontinued operations		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Finance income</b>						
Interest receivable on short term deposits and other receivables	216	748	-	55	216	803
<b>Finance costs</b>						
Interest payable on bank loans and overdraft	-	(285)	-	-	-	(285)
Interest on trade and other payables	(24)	(58)	-	-	(24)	(58)
	(24)	(343)	-	-	(24)	(343)

# Notes to the Accounts

## 8. RESULT OF DISCONTINUED OPERATIONS

In the year to 30 November 2008 the Hospitality operations represented a separate segment of business for Alphameric. As a result of the sale during that year, these operations were treated as discontinued operations. A single amount is shown on the face of the consolidated income statement comprising the post-tax result of discontinued operations and the post-tax loss on the disposal of the business.

The income and expenses of Hospitality were reported separately from the continuing operations of the Alphameric group. The table below provides further detail of the amount shown on the consolidated income statement. With the exception of certain amounts charged against provisions, (note 21) no further income or expense in respect of discontinued operations has been recognised in the income statement in the current year.

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>	-	7,883
Operating loss before exceptional administrative expenses	-	(1,652)
Exceptional administrative expenses	-	(3,657)
<b>Operating loss</b>	-	(5,309)
Net finance income	-	55
<b>Loss on ordinary activities from discontinued operations before taxation</b>	-	(5,254)
Income tax expense	-	(274)
<b>Loss for the year from discontinued operations</b>	-	(5,528)
Loss on disposal of discontinued operations	-	(19,434)
<b>Loss for the year from discontinued operations</b>	-	(24,962)

The exceptional administrative expenses shown above in the year to November 2008 of £3,657,000 comprised £1,100,000 in respect of a payment made under the terms of a deed of release for a property previously occupied by the Group's Retail division which was disposed of in 2004. It also included a provision of £2,085,000 for future lease payments in respect of vacant properties. None of this provision has been released during 2009 (note 21).

The disposal of the Hospitality business was concluded as an asset transfer with the relevant balances and assets being extracted from Alphameric Solutions Limited, the company which also included the trade and assets of the Solutions business. Consequently it has not been possible to extract meaningful separately identifiable cashflows relating exclusively to the Hospitality business.

# Notes to the Accounts

## 9. INCOME TAX EXPENSE

### Income tax recognised in profit or loss

The relationship between the expected tax charge/(credit) based on the effective tax rate of the Group at 28% (2008:28%) and the tax charge actually recognised in the income statement can be reconciled as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(loss) for the year before taxation from continuing operations	7,905	(2,184)
Loss for the year before taxation from discontinued operations		(24,688)
<hr/>		
Profit/(loss) for the year before taxation from continuing and discontinued operations	7,905	(26,872)
Tax rate	28%	28%
<hr/>		
Expected tax expense/(credit)	2,213	(7,524)
Adjustment for non-deductible items	238	5,850
Movement in deferred tax not provided	(1,321)	2,160
Effect of current year events on current tax prior year balances	-	(212)
Effect of current year events on deferred tax prior year balances	-	(117)
Impact of no IBA claw back on brought forward deferred tax	-	60
<hr/>		
<b>Actual tax expense</b>	<b>1,130</b>	<b>217</b>
<hr/>		
Comprising		
Current tax expense	381	-
Current tax – adjustments in respect of previous periods	-	(212)
Deferred tax expense	749	571
Deferred tax – adjustments in respect of prior periods	-	(142)
<hr/>		
<b>Total expense</b>	<b>1,130</b>	<b>217</b>
<hr/>		
Included within		
Continuing operations	1,130	(57)
Discontinued operations	-	274
<hr/>		
	1,130	217
<hr/>		

The adjustments made to current tax in respect of previous periods relate to revisions of estimates previously made and adjustments to provisions previously considered necessary but are now considered surplus to requirements.

### Income tax recognised directly in equity

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Excess tax deductions related to share based payments	-	81
<hr/>		
	-	81
<hr/>		

# Notes to the Accounts

## 10. INCOME STATEMENT

The Company has not presented its own income statement as permitted by Section 408 of the Companies Act 2006. The Company's loss for the financial year was £340,000 (2008: loss of £40,340,000).

## 11. EARNINGS/(LOSS) PER SHARE

<b>Earnings/(loss) per share</b>	<b>2009 pence</b>	<b>2008 pence</b>
Basic and diluted earnings per share for the year from continuing operations before exceptional administrative expenses and share based payment charge	3.0	0.8
Exceptional administrative expenses and share based payment charge per share	-	(1.8)
Basic and diluted earnings/(loss) per share - from continuing operations	3.0	(1.0)
Basic and diluted loss per share - discontinued operations	-	(11.4)
<b>Total basic and diluted earnings/(loss) per share</b>	<b>3.0</b>	<b>(12.4)</b>

<b>Calculation of earnings/(loss)</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Earnings/(loss) for the year from continuing operations before exceptional administrative expenses and share based payment charge	6,775	1,829
Exceptional administrative expenses and share based payment charge	-	(3,956)
Earnings/(loss) for the year from continuing operations	6,775	(2,127)
Loss for the year from discontinued operations	-	(24,962)
<b>Earnings/(loss) used in the calculation of total basic and diluted earnings/(loss) per share</b>	<b>6,775</b>	<b>(27,089)</b>

<b>Weighted average number of shares</b>	<b>2009 million</b>	<b>2008 million</b>
Weighted average number of shares for the purposes of the basic and diluted earnings/(loss) per share (all measures)	225.4	218.7

Earnings/(loss) per share before exceptional administrative expenses and share based payment charge has been presented in addition to the earnings/(loss) per share, as in the opinion of the Directors, this provides shareholders with a more meaningful representation of the earnings derived from the Group's on-going businesses.

# Notes to the Accounts

## 12. INTANGIBLE ASSETS

	Purchased software and development costs £'000	Goodwill £'000	Total £'000
<b>Cost</b>			
At 1 December 2007	617	33,010	33,627
Disposals	(400)	(27,340)	(27,740)
At 30 November 2008	217	5,670	5,887
Additions	235	-	235
At 30 November 2009	452	5,670	6,122
<b>Amortisation</b>			
At 1 December 2007	54	-	54
Charge for the year	65	-	65
Disposals	(55)	-	(55)
At 30 November 2008	64	-	64
Charge for the year	117	-	117
At 30 November 2009	181	-	181
<b>Net book value</b>			
<b>At 30 November 2009</b>	<b>271</b>	<b>5,670</b>	<b>5,941</b>
At 30 November 2008	153	5,670	5,823

The intangible assets held as purchased software and development costs include the Group's share of AMRAC's intangible assets which mainly comprise purchased software solutions for the provision of virtual gaming opportunities within the TurfTV service, and software purchased by the Group to provide additional services to its customers.

The carrying amounts of goodwill by segment are analysed below:

	Solutions £'000	AMRAC £'000	Total £'000
Goodwill	5,603	67	5,670

Apart from the goodwill detailed above there were no other intangible assets with indefinite useful lives.

Recoverable amounts have been determined based on value in use. Forecasts of future cash flows are based on best estimates of future revenues over a period of 2 years and operating expenses using historical trends, market conditions and forecasts. A growth rate of 2.25. % (2008: 2.25% ) is used to project cash flows beyond the period covered by management approved budgets and forecasts. The Group considers that 2.25% is an appropriate but conservative growth rate based upon current rates of inflation, the Group's targeted growth rates and the rate of growth management believes to be achievable from the market. The 2.25% growth rate does not exceed the average long-term growth rate for the relevant market. Gross margins have been historically broadly stable, and are expected to continue at the same rate over the forecast period. These assumptions are subject to review by management on an annual basis. The cash flow forecasts are adjusted by an appropriate discount rate based on the weighted average cost of capital adjusted for the inherent uncertainties and short to medium term illiquidity of the underlying assets. A discount rate of 8.0% (2008: 4.5%) has been applied to future cash flows.

# Notes to the Accounts

## 13. PROPERTY, PLANT AND EQUIPMENT

<b>(a) Group</b>	<b>Short leasehold buildings £'000</b>	<b>Information systems, office equipment, vehicles etc £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 December 2007	2,221	19,835	22,056
Additions	3	1,609	1,612
Disposal - discontinued operations	-	(6,487)	(6,487)
Disposals - other	(29)	(7,120)	(7,149)
At 30 November 2008	2,195	7,837	10,032
Additions	-	955	955
Disposals	-	(43)	(43)
At 30 November 2009	2,195	8,749	10,944
<b>Depreciation</b>			
At 1 December 2007	830	14,878	15,708
Charge for the year	84	1,489	1,573
Disposals - discontinued operations	-	(4,801)	(4,801)
Disposals - other	(18)	(6,313)	(6,331)
At 30 November 2008	896	5,253	6,149
Charge for the year	54	629	683
Disposals	-	(6)	(6)
At 30 November 2009	950	5,876	6,826
<b>Net Book Value at 30 November 2009</b>	<b>1,245</b>	<b>2,873</b>	<b>4,118</b>
At 30 November 2008	1,299	2,584	3,883

<b>(b) Company</b>	<b>Short leasehold buildings £'000</b>	<b>Information systems, office equipment, vehicles etc £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 30 November 2007, 2008 and 2009	2,035	527	2,562
<b>Depreciation</b>			
At 1 December 2007	718	493	1,211
Charge for the year	54	25	79
At 30 November 2008	772	518	1,290
Charge for the year	55	9	64
At 30 November 2009	827	527	1,354
<b>Net book value at 30 November 2009</b>	<b>1208</b>	<b>-</b>	<b>1,208</b>
At 30 November 2008	1,263	9	1,272

# Notes to the Accounts

## 14. INVESTMENTS

	<b>Cost £'000</b>	<b>Provision £'000</b>	<b>Net book value £'000</b>
<b>(a) Company – Shares in subsidiary undertakings</b>			
At 1 December 2007	5,185	(285)	4,900
Disposals of investments	(1,655)	285	(1,370)
Write down of investments	-	(663)	(663)
<b>At 30 November 2008 &amp; 30 November 2009</b>	<b>3,530</b>	<b>(663)</b>	<b>2,867</b>

During the year, the Group underwent a restructuring exercise which involved the striking off of certain dormant subsidiary companies.

The Group comprises the following principal subsidiary undertaking in which the issued ordinary share capital is 100% owned. The subsidiary undertaking is registered in, and operates in the United Kingdom.

<b>Name of subsidiary</b>	<b>Principal activity</b>
Alphameric Solutions Limited	Provision of data broadcast and multimedia solutions to business.

<b>(b) Group</b>	<b>Interest in joint ventures £'000</b>	<b>Total £'000</b>
<b>Cost and net book value</b>		
At 1 December 2007, 30 November 2008 and 2009	1	1

The Group has an investment in 50% of the ordinary share capital of the following joint venture. The joint venture is registered in, and operates in the United Kingdom and has an accounting period end date of 30 November.

<b>Name of joint venture undertaking</b>	<b>Principal activity</b>
Amalgamated Racing Limited	Provision of broadcast services to the bookmaking industry.

Amalgamated Racing Limited ('AMRAC') is the only jointly controlled entity within the Group. Its financial statements have been incorporated into the Group's consolidated financial statements using proportionate consolidation. The aggregate amounts relating to AMRAC that have been included in the consolidated financial statements are as follows:

	<b>2009 £'000</b>	<b>2008 £'000</b>
Non current assets	1,535	2,606
Current assets	9,382	4,821
Current liabilities	(7,837)	(10,018)
<b>Net assets/(liabilities)</b>	<b>3,080</b>	<b>(2,591)</b>
Income	26,119	20,636
Expenses	(19,026)	(21,068)
<b>Profit/(loss) before taxation</b>	<b>7,093</b>	<b>(432)</b>

The Group is not exposed to any contingent liabilities or ongoing commitments as a result of its interest in joint ventures.

# Notes to the Accounts

## 15. INVENTORIES

	Group	
	2009 £'000	2008 £'000
Raw materials and consumables	560	611
Finished goods and goods for resale	1,581	1,375
Work in progress	391	54
	<b>2,532</b>	<b>2,040</b>

The amount of inventories charged to cost of sales during the year was £1,052,000 (2008: £2,303,000).

The amount of the write down of inventories recognised within cost of sales in the year was £4,000 (2008: £220,000).

## 16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Gross trade receivables	4,451	4,598	-	-
Allowance for doubtful trade receivables	(238)	(380)	-	-
Trade receivables	4,213	4,218	-	-
Amounts owed by group undertakings	-	-	10,398	3,630
Prepayments and accrued income	3,781	7,962	204	792
	<b>7,994</b>	<b>12,180</b>	<b>10,602</b>	<b>4,422</b>

No interest is charged on any trade receivables that are overdue. A provision has been determined by reference to past default experience and knowledge of the individual circumstances of customers. Credit risk is managed on a regular basis in order to minimise the exposure by reviewing adherence to settlement terms.

### Group

The ageing of trade receivables at 30 November was as follows:

	2009 Gross £'000	2008 Gross £'000	2009 Allowance £'000	2008 Allowance £'000
Not past due	2,511	2,308	(12)	-
Past due 0 - 30 days	432	692	(13)	-
Past due 31 - 60 days	788	414	(27)	(4)
Past due 61 - 90 days	159	388	(22)	(55)
Past due 91 - 120 days	561	796	(164)	(321)
	<b>4,451</b>	<b>4,598</b>	<b>(238)</b>	<b>(380)</b>

# Notes to the Accounts

## 16. TRADE AND OTHER RECEIVABLES (continued)

The movement in the allowance for doubtful trade receivables is as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	380	455
Additional provisions	224	272
Amounts used	(366)	(347)
Closing balance	<b>238</b>	<b>380</b>

## 17. TRADE AND OTHER PAYABLES

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade payables	4,210	3,651	161	636
Other taxation and social security	179	419	41	69
Accruals	2,003	3,796	487	412
Deferred income	4,160	4,265	-	-
Other payables	435	4,134	436	129
	<b>10,987</b>	<b>16,265</b>	<b>1,125</b>	<b>1,246</b>

## 18. FINANCIAL LIABILITIES – CURRENT BORROWINGS

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans	-	1,393	-	840

The Group and Company loan balances were repaid in full in January 2009 and, at 30 November 2008, all amounts were classed as repayable within one year. The bank loans were subject to a floating interest rate of 1% over the HSBC base rate.

# Notes to the Accounts

## 19. FINANCIAL INSTRUMENTS

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 expense are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 1 of these financial statements.

### (a) Categories of financial instruments

#### Financial assets

Group	Loans and receivables £'000	Non financial assets £'000	Balance sheet total £'000
<b>30 November 2009</b>			
Trade receivables	4,213	-	4,213
Prepayments and accrued income	-	3,781	3,781
Cash and cash equivalents	20,763	-	20,763
Other non financial assets	-	14,378	14,378
	<b>24,976</b>	<b>18,159</b>	<b>43,135</b>

	Loans and receivables £'000	Non financial assets £'000	Balance sheet total £'000
<b>30 November 2008</b>			
Trade receivables	4,218	-	4,218
Prepayments and accrued income	543	7,419	7,962
Cash and cash equivalents	19,202	-	19,202
Other non financial assets	-	14,282	14,282
	<b>23,963</b>	<b>21,701</b>	<b>45,664</b>

Company	Loans and receivables £'000	Non financial assets £'000	Balance sheet total £'000
<b>30 November 2009</b>			
Other receivables	10,398	-	10,398
Corporation tax receivable	-	486	486
Prepayments and accrued income	-	204	204
Cash and cash equivalents	11,294	-	11,294
Other non financial assets	-	4,126	4,126
	<b>21,692</b>	<b>4,816</b>	<b>26,508</b>

	Loans and receivables £'000	Non financial assets £'000	Balance sheet total £'000
<b>30 November 2008</b>			
Other receivables	3,630	-	3,630
Prepayments and accrued income	-	792	792
Cash and cash equivalents	22,148	-	22,148
Other non financial assets	-	4,139	4,139
	<b>25,778</b>	<b>4,931</b>	<b>30,709</b>

# Notes to the Accounts

## 19. FINANCIAL INSTRUMENTS (continued)

### Financial liabilities

30 November 2009	Group			Company		
	At amortised cost	Liabilities not within scope of IAS 39	Balance sheet total	At amortised cost	Liabilities not within scope of IAS 39	Balance sheet total
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	4,210	-	4,210	161	-	161
Other payables	614	-	614	477	-	477
Accruals	2,003	-	2,003	487	-	487
Deferred income	-	4,160	4,160	-	-	-
Corporation tax payable	-	381	381	-	-	-
Provisions for liabilities	-	1,465	1,465	-	759	759
	<b>6,827</b>	<b>6,006</b>	<b>12,833</b>	<b>1,125</b>	<b>759</b>	<b>1,884</b>

30 November 2008	Group			Company		
	At amortised cost	Liabilities not within scope of IAS 39	Balance sheet total	At amortised cost	Liabilities not within scope of IAS 39	Balance sheet total
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	3,651	-	3,651	636	-	636
Other payables	4,553	-	4,553	198	-	198
Accruals	3,796	-	3,796	412	-	412
Deferred income	-	4,265	4,265	-	-	-
Provisions for liabilities	-	2,585	2,585	-	1,728	1,728
Bank loans	1,393	-	1,393	-	840	840
Other financial liabilities	-	-	-	-	37	37
	<b>13,393</b>	<b>6,850</b>	<b>20,243</b>	<b>1,246</b>	<b>2,605</b>	<b>3,851</b>

### (b) Financial risk management objectives

The Group's activities involve analysis, acceptance and management of some degree of risk or combination of risks. The most important types of financial statement risk are credit risk and liquidity risk.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and limits continually by means of reliable up-to-date systems. The Group modifies and enhances its risk management policies and systems to reflect changes in markets and products.

### (c) Foreign currency risk

Whilst the Group's trading activities are predominantly Sterling based, certain activities are Euro based. Given the level of Euro based activities the impact of changes in foreign exchange rates has been limited and no hedging has been deemed necessary. For the same reason, no sensitivity analysis has been included in this note. The carrying amounts of the Group's foreign currency denominated assets and monetary liabilities are as follows:

	Assets		Liabilities	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Euros	178	80	24	60

# Notes to the Accounts

## 19. FINANCIAL INSTRUMENTS (continued)

### (d) Finance and interest rate risk

The Group finances its operations through its cash balances.

No interest rate hedging agreement is currently in place given the current level of borrowings. The Board does not consider fluctuations in interest rates to pose a significant risk to the Group.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

If interest rates on the financial assets and liabilities had been 50 bps higher and all other variables were held constant, the Group's profit for the year to 30 November 2009 would have increased by £121,000 (2008: reduced by £59,000). If interest rates had been 50 bps lower and all other variables were held constant, the Company's profit for the year to 30 November 2009 would have reduced by £121,000 (2008: increased by £59,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings and deposits. There are no further impacts on the Group's equity other than the profit impact detailed above.

	2009 %	2008 %
Bank loans and overdraft	nil	6.5
Trade and other payables (AMRAC)	2	6.0

### (e) Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Group has dedicated standards, policies and procedures to control and monitor all such risks.

Although the Group is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through reviews of counterparties.

Customer debtor balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts.

### (f) Liquidity risk management

The Group has managed its cash in a manner designed to ensure maximum benefit is gained, whilst ensuring security of investment sources. The Group's policy on investment of surplus funds limits the placing of deposits to institutions with strong credit ratings.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

The following table details the Group's remaining contractual maturity of its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay the liability. The table includes both interest and principal cash flows.

	0-12 months	Group 13-24 months	Total	0-12 months	Company 13-24 months	Total
30 November 2009	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	4,210	-	4,210	161	-	161
Accruals and other payables	2,617	-	2,617	964	-	964
	<b>6,827</b>	-	<b>6,827</b>	<b>1,125</b>	-	<b>1,125</b>

# Notes to the Accounts

## 19. FINANCIAL INSTRUMENTS (continued)

<b>30 November 2008</b>	<b>0-12 months £'000</b>	<b>Group 13-24 months £'000</b>	<b>Total £'000</b>	<b>0-12 months £'000</b>	<b>Company 13-24 months £'000</b>	<b>Total £'000</b>
Trade payables	3,651	-	3,651	636	-	636
Accruals and other payables	8,349	-	8,349	610	-	610
Bank loans	1,393	-	1,393	840	-	840
	<b>13,393</b>	<b>-</b>	<b>13,393</b>	<b>2,086</b>	<b>-</b>	<b>2,086</b>

### (g) Fair values

There is no material difference between the fair value of the Group's or Company's financial assets and liabilities and their book value.

## 20. DEFERRED TAX ASSETS AND LIABILITIES

### Group

Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows :

	<b>2009 Asset £'000</b>	<b>2008 Asset £'000</b>
Property, plant and equipment	1,537	1,503
Share based payments	52	52
Provisions	198	30
Unused tax losses	-	951
<b>Total</b>	<b>1,787</b>	<b>2,536</b>

The Group has £4.4 million (2008: £4.9 million) of non trading deficits which are available to set off against future non trading profits in the holding companies and £5.4 million (2008: £9.5 million) of trading losses available to set off against profits of the same trade. Of the trading losses, £Nil (2008: £3.4 million) have been recognised in the deferred tax asset above. The balance of the losses and deficits have not been recognised as it cannot be anticipated with any certainty that the losses will be capable of being utilised.

# Notes to the Accounts

## 20. DEFERRED TAX ASSETS AND LIABILITIES (continued)

### Company

Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:

	2009		2008	
	Asset £'000	Liability £'000	Asset £'000	Liability £'000
Property, plant and equipment	-	89	-	92
Share based payments	52	-	52	-
Provisions	88	-	3	-
	140	89	55	92
Offset	(89)	(89)	(55)	(55)
<b>Total</b>	<b>51</b>	<b>-</b>	<b>-</b>	<b>37</b>

The Company has non trading deficits of £3.1 million (2008: £3.6 million) available to offset against future non-trading profits and £0.2 million (2008: £0.9 million) of trading losses available to be offset against profits of the same trade. None of these deficits or losses have been recognised in the deferred tax asset above as it cannot be anticipated with any certainty that the non-trading deficits will be capable of being utilised.

The following are the movements on the major deferred taxation assets during the current and prior year:

Group	Property, plant and equipment £'000	Share based payments £'000	Provisions £'000	Unused tax losses £'000	Total £'000
At 1 December 2007	1,793	133	228	892	3,046
(Charged)/credited to income	(290)	-	(198)	59	(429)
Charged to equity	-	(81)	-	-	(81)
At 30 November 2008	1,503	52	30	951	2,536
Credited/(charged) to income	34	-	168	(951)	(749)
<b>At 30 November 2009</b>	<b>1,537</b>	<b>52</b>	<b>198</b>	<b>-</b>	<b>1,787</b>

Company	Property, plant and equipment £'000	Share based payments £'000	Provisions £'000	Unused tax losses £'000	Total £'000
At 1 December 2007	(13)	133	4	9	133
Charged to income	(79)	-	(1)	(9)	(89)
Charged to equity	-	(81)	-	-	(81)
At 30 November 2008	(92)	52	3	-	(37)
Credited to income	3	-	85	-	88
<b>At 30 November 2009</b>	<b>(89)</b>	<b>52</b>	<b>88</b>	<b>-</b>	<b>51</b>

# Notes to the Accounts

## 21. PROVISIONS FOR LIABILITIES

	Group Leasehold property and other £'000	Company Leasehold property and other £'000
At 1 December 2007	-	-
Charged to the income statement: - additional provisions	2,585	1,728
At 30 November 2008	2,585	1,728
Utilised during the year	(1,120)	(969)
At 30 November 2009	1,465	759
Split:		
Current	1,007	301
Non-current	458	458
Total	1,465	759

**Leasehold property and other** - provision is made for the future rental costs of vacant leasehold properties and leasehold dilapidation costs. Provisions utilised during the year were released to cover costs associated with the vacant properties.

## 22. DIVIDENDS

	2009 £'000	2008 £'000
<b>Ordinary dividends paid</b>		
Interim dividend paid for the year ended 30 November 2009 of 0.75 pence (2008: Nil pence) per ordinary share	1,694	-

## 23. CALLED UP SHARE CAPITAL

	2009 £'000	2008 £'000
<b>Authorised:</b>		
320,000,000 ordinary shares of 2.5p each	8,000	8,000

	Number of shares '000	Nominal value £'000
<b>Allotted, called up and fully paid:</b>		
At 1 December 2007	132,597	3,315
Issued during the year ended 30 November 2008	92,818	2,320
<b>At 30 November 2008 and 30 November 2009</b>	225,415	5,635

On 27 December 2007, the Company issued 92,817,967 ordinary shares of 2.5p each by way of a rights issue.

All shares rank pari passu.

# Notes to the Accounts

## 24. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES BEFORE EXCEPTIONAL ADMINISTRATIVE EXPENSES AND SHARE BASED PAYMENTS

<b>Group</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
<b>Profit/(loss) before taxation from continuing operations</b>	7,905	(2,184)
<b>Loss before taxation from discontinued operations</b>	-	(5,254)
Finance income	(216)	(803)
Finance costs	24	343
Loss on disposal of property, plant and equipment	37	819
Share based payment charge	-	180
Exceptional administrative expenses	-	8,971
Depreciation on property, plant and equipment	683	1,572
Amortisation of intangible assets	117	65
(Increase)/decrease in inventories	(492)	1,059
Decrease/(increase) in receivables	4,186	(842)
(Decrease)/increase in payables	(5,478)	6,964
Increase in provisions for liabilities	-	2,085
<b>Net cash generated from operating activities before exceptional administrative expenses</b>	<b>6,766</b>	<b>12,975</b>

<b>Company</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
<b>Loss before taxation from continuing operations</b>	(914)	(40,451)
Finance income	(179)	(1,789)
Finance costs	-	168
Share based payment charge	-	180
Depreciation on property, plant and equipment	64	79
Impairment of investments in subsidiary undertakings	-	2,033
(Increase)/decrease in receivables	(6,180)	47,905
Decrease in payables	(170)	(31)
Increase in provisions for liabilities	-	1,940
<b>Net cash (used in)/generated from operating activities before exceptional administrative expenses</b>	<b>(7,379)</b>	<b>10,034</b>

# Notes to the Accounts

## 25. FINANCIAL COMMITMENTS

At 30 November 2009, the Group had minimum lease payments under non-cancellable operating leases as follows: –

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Within one year	52	868	-	539
Between one and five years	117	1,574	-	1,032
In over five years	7,260	3,059	7,260	3,059
	7,429	5,501	7,260	4,630

The Group and Company lease various buildings and warehouses under non-cancellable operating agreements. The leases have various terms, escalation clauses and renewal rights. The Group and Company also leases plant and machines under non-cancellable operating leases. Lease payments recognised as an expense during the year are disclosed in note 4.

The Group received sublease income in the year of £nil. (2008: £329,000).

## 26. SHARE BASED PAYMENTS

The Group operates two share option schemes and a long term incentive plan (LTIP). Further details of the share option schemes and the LTIP are set out in the Directors' Remuneration Report on pages 18 and 19.

### 1999 Senior executive share option scheme

Grant date	25.3.2003
Share price at grant date (p)	46
Exercise price (p)	46.7
Number of employees	8
Shares under option (issued after 7 November 2002)	1,252,000
Vesting period (years)	3
Expected volatility (%)	54
Option life (years)	10
Expected life (years)	5
Risk free rate (%)	4.2
Expected dividends expressed as a dividend yield (%)	5.2
Possibility of ceasing employment before vesting (%)	0
Expectations of meeting performance criteria (%)	100
Fair value per option (p)	14
Model used to calculate fair value	Binomial

# Notes to the Accounts

## 26. SHARE BASED PAYMENTS (continued)

### 1997 Executive share option scheme

Grant date	25.3.2003
Share price at grant date (p)	46
Exercise price (p)	46.7
Number of employees	25
Shares under option (issued after 7 November 2002)	780,000
Vesting period (years)	3
Expected volatility (%)	54
Option life (years)	10
Expected life (years)	5
Risk free rate (%)	4.1
Expected dividends expressed as a dividend yield (%)	5.2
Possibility of ceasing employment before vesting (%)	0
Expectations of meeting performance criteria (%)	100
Fair value per option (p)	23
Model used to calculate fair value	Binomial

### Long term incentive plan (LTIP)

Grant date	6.12.2006
Share price at grant date (p)	49.5
Exercise price (p)	0
Number of employees	6
Shares under option	1,827,473
Vesting period (years)	3
Expected volatility (%)	43
Option life (years)	10
Expected life (years)	5
Risk free rate (%)	4.8
Expected dividends expressed as a dividend yield (%)	5.2
Possibility of ceasing employment before vesting (%)	0
Expectations of meeting performance criteria (%)	100
Fair value per option (p)	50
Model used to calculate fair value	Monte Carlo

The options granted under the LTIP lapsed during the year.

	2009		2008	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	'000	p	'000	p
Outstanding at 1 December	8,536	140	8000	140
Rights issue adjustment	-	-	1,968	-
Lapsed	(2,377)	-	(1,432)	-
Outstanding at 30 November	6,159	232	8,536	123
Exercisable at 30 November	6,159	232	6,159	123

The options outstanding at 30 November 2009 had a weighted average remaining contractual life of 3 years (2008: 4 years). The total charge for the year relating to employee share based payment plans was £nil (2008 £180,000), all of which related to equity settled share based payment transactions. After deferred tax, the total charge was £nil (2008 £101,000).

# Notes to the Accounts

## 27. PENSION SCHEMES

The Group has defined contribution pension schemes available to all employees, into which the Group makes a contribution. The pension cost was £235,000. (2008: £256,000), representing the actual contributions payable in respect of the year.

## 28. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries which are related parties of the Company are shown below.

At 30 November 2009, there were gross amounts owed by 100% subsidiary undertakings of £38,261,000. (2008: £31,493,000,) against which the Company had provided £27,863,000 (2008: £27,863,000), leaving a balance included in trade and other receivables of £10,398,000 (2008: £3,630,000).

The Company levied no management charges during the year (2008: £1,200,000) to subsidiary undertakings.

The Company charged no interest (2008: £1,686,000) on receivables due from subsidiary undertakings during the year ended 30 November 2009.

No dividends were paid by subsidiary undertakings to the Company (2008: Nil).

During the year ended 30 November 2009, Alphameric Solutions Limited ('ASL') invoiced Amalgamated Racing Limited ('AMRAC') £30,000 (2008: £659,000) for installation work carried out; £500,000 for management charges (2008: £500,000) and £282,000 (2008: £116,000) for accounting and administrative services.

During the year ended 30 November 2009, the Company recharged AMRAC £378,000 (2008: £609,000) for staff costs and £53,000 (2008: Nil) for marketing related expenses.

During the year ended 30 November 2009, interest of £45,000 (2008: £240,000) was charged by Alphameric Gaming Limited to AMRAC.

At 30 November 2009 the Group was owed £435,000 from AMRAC (2008: £4,341,000) which is included in trade receivables.

Details of the Group's key management personnel's remuneration was as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Salaries and short term employee benefits	1,148	1,071
Post employment benefits	67	71
Share based payments	-	180
<b>Total</b>	<b>1,215</b>	<b>1,322</b>

# Advisers

## **Registered Auditors**

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2GP

## **Solicitors**

Nabarro LLP  
Lacon House  
84 Theobald's Road  
London  
WC1X 8RW

## **Registrars and Transfer Office**

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
HD8 0LA

## **Principal Bankers**

HSBC plc  
22 Victoria Street  
London  
SW1H 0NJ

## **Stockbrokers & Financial Advisers**

Investec Investment Banking  
2 Gresham Street  
London  
EC2V 7QP

## **Financial Public Relations**

Weber Shandwick Financial  
Fox Court  
14 Gray's Inn Road  
London  
WC1X 8WS

## **Registered Office**

Alphameric Plc  
Bishopsgate House  
Broadford Park  
Shalford  
Guildford  
Surrey GU4 8ED  
Tel: 01483 293 971  
Fax: 01483 293 997  
[www.alphameric.com](http://www.alphameric.com)

# Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of Alphameric plc (the "Company") will be held on 26 March 2010 at 9.00am at the offices of Nabarro LLP, Lacon House, 84 Theobald's Road, London WC1X 8RW to transact the following business. Resolutions 1 to 6 (inclusive) and 9 will be proposed as ordinary resolutions. Resolutions 7, 8, 10 and 11 will be proposed as special resolutions:

1. To receive the accounts, the report of the Directors and the Auditors' report on the accounts and on the auditable part of the directors' remuneration report for the year ended 30 November 2009;
2. To receive and approve the directors' remuneration report for the year ended 30 November 2009;
3. To declare a final dividend for the year ended 30 November 2009 of 0.95 pence per share;
4. To re-appoint Grant Thornton UK LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company;
5. To authorise the directors to determine the auditors' remuneration;
6. That the directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "2006 Act") in substitution for all existing authorities:
  - 6.1 to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together "Relevant Securities") up to an aggregate nominal amount of one million eight hundred and seventy eight thousand four hundred and fifty eight pounds (£1,878,458); and
  - 6.2. to exercise all the powers of the Company to allot equity securities (within the meaning of section 560 of the 2006 Act) up to an additional aggregate nominal amount of one million eight hundred and seventy eight thousand four hundred and fifty eight pounds (£1,878,458) provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,provided that the authorities in paragraphs 6.1 and 6.2 shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or if earlier on the date which is 15 months after the date of the annual general meeting, except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities as the case may be to be allotted after such expiry and the directors may allot Relevant Securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired;
7. That the directors be and are empowered, in accordance with section 570 of the 2006 Act, to allot equity securities (as defined in section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by resolution number 6 or by way of a sale of treasury shares as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:
  - 7.1 the allotment of equity securities in connection with a rights issue or other pro rata offer (but, in the case of the authority conferred by paragraph 6.2, by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held (or deemed to be held) by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and
  - 7.2 the allotment (otherwise than pursuant to paragraph 7.1 above) of equity securities up to an aggregate nominal amount of two hundred and eighty one thousand seven hundred and sixty eight pounds (£281,768),

and shall expire upon the expiry of the general authority conferred by resolution 6 above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired;

# Notice of Annual General Meeting

8. That the Company be and is hereby generally and unconditionally authorised, in accordance with section 701 of the 2006 Act to make market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of 2.5 pence each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the directors may from time to time determine provided that:
- 8.1 the maximum number of Ordinary Shares authorised to be purchased is 33,789,718;
  - 8.2 the minimum price which may be paid for an Ordinary Share is 2.5 pence per share (exclusive of expenses payable by the Company);
  - 8.3 the maximum price which may be paid for an Ordinary Share (exclusive of expenses payable by the Company) cannot be more than the higher of:
    - 8.3.1 105 per cent of the average market value of an Ordinary Share for the five business days prior to the day on which the Ordinary Share is contracted to be purchased; and
    - 8.3.2 the value of an Ordinary Share calculated on the basis of the higher of:
      - (a) the last independent trade of; or
      - (b) the highest current independent bid for, any number of Ordinary Shares on the trading venue where the market purchase by the Company will be carried out; and
  - 8.4 the authority conferred shall expire at the conclusion of the next annual general meeting of the Company except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry;
9. That in accordance with sections 366 and 367 of the 2006 Act the Company and all companies which are subsidiaries of the Company at the date on which this resolution 9 is passed or during the period when this resolution 9 has effect are authorised to:
- 9.1 make political donations to political parties or independent election candidates, as defined in the 2006 Act, not exceeding £50,000 in total;
  - 9.2 make political donations to political organisations other than political parties, as defined in the 2006 Act, not exceeding £50,000 in total; and
  - 9.3 incur political expenditure, as defined in the 2006 Act, not exceeding £50,000 in total,
- during that period beginning with the date of the passing of this resolution and ending on the conclusion of the next annual general meeting of the Company provided that the authorised sums referred to in paragraphs 9.1, 9.2 and 9.3 above may be comprised of one or more amounts in different currencies which, for the purposes of calculating the said sums, shall be converted into pounds sterling at the exchange rate published in the London edition of the Financial Times on the date on which the relevant donation is made or expenditure incurred (or the first business day thereafter), or, if earlier, on the day on which the Company enters into any contract or undertaking in relating to the same;
10. That the Company is authorised to call any general meeting of the Company other than the annual general meeting by notice of at least 14 clear days during the period beginning on the date of the passing of this resolution and ending on the conclusion of the next annual general meeting of the Company;
11. That:
- 11.1 the articles of association of the Company be amended by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the 2006 Act, are to be treated as provisions of the Company's articles of association; and
  - 11.2 the articles of association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

Dated: 9 February 2010

REGISTERED OFFICE:  
Bishopsgate House  
Broadford Park  
Shalford  
Guildford  
Surrey GU4 8ED

BY ORDER OF THE BOARD

Lorri Warrington  
Secretary

# Notice of Annual General Meeting

## Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form. Appointing a proxy does not preclude you from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
3. An appointment of proxy is provided with this notice and instructions for use are shown on the form. In order to be valid, completed proxies must be received (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) by our registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 9.00 a.m. on 24 March 2010. Alternatively you may submit your appointment of proxy online at [www.capitashareportal.com](http://www.capitashareportal.com) by following the on-screen instructions.
4. To change your proxy instructions you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Capita Registrars on 0871 664 0300 (calls cost 10p a minute plus network extras. Lines are open 8.30am - 5.30pm Monday-Friday). The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
5. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person"). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member who has nominated him to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. Only those shareholders registered in the register of members of the Company as at 6.00pm on 24 March 2010 (or, if the meeting is adjourned, on the date which is two days before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting in respect of the number of shares registered in their respective names at that time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting or adjourned meeting.
11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
12. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.
13. As at 8 Feb 2010 (being the last business day before the publication of this Notice), the Company's issued share capital consisted of 225,415,063 ordinary shares carrying one vote each. Therefore the total voting rights in the Company are 225,415,063.
14. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to:
  - (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or
  - (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last annual general meeting, that the members propose to raise at the meeting.The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
15. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:
  - (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - (b) the answer has already been given on a website in the form of an answer to a question; or
  - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
16. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at [www.alphameric.com](http://www.alphameric.com).
17. The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) and at the place of the annual general meeting for 15 minutes prior to and during the meeting:
  - (a) copies of the executive directors' service contracts with the Company;
  - (b) copies of the letters of appointment for each of the non-executive directors;
  - (c) a copy of the new articles of association proposed to be adopted by resolution number 11, and a copy of the existing memorandum and articles of association marked to show the changes being proposed in resolution 11.

# Explanatory notes of principal changes to the Company's Articles of Association

## **1. THE COMPANY'S OBJECTS**

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 ("2006 Act") significantly reduces the constitutional significance of a company's memorandum. The 2006 Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the 2006 Act the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further, the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 11.1 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the new articles of association to be adopted by resolution 11 ("New Articles") also contain an express statement regarding the limited liability of shareholders.

## **2. AUTHORISED SHARE CAPITAL AND UNISSUED SHARES**

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

## **3. REDEEMABLE SHARES**

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The 2006 Act enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles now contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

## **4. UNCERTIFICATED SHARES**

The New Articles contain updated provisions regarding uncertificated shares reflecting the changes introduced by the Uncertificated Securities Regulations 2001 (as amended).

## **5. SUSPENSION OF REGISTRATION OF SHARE TRANSFERS**

The current articles of association of the Company ("Current Articles") permit the directors to suspend the registration of transfers. Under the 2006 Act share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

## **6. AUTHORITY TO PURCHASE OWN SHARES, CONSOLIDATE AND SUB-DIVIDE SHARES, AND REDUCE SHARE CAPITAL**

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the 2006 Act a company only requires shareholder authority to do any of these things and it is no longer necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

## **7. NOTICE OF GENERAL MEETINGS**

The Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") amend the 2006 Act to require the company to give 21 clear days' notice of general meetings unless the company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual general meetings must be held on 21 clear days' notice. The New Articles amend the provisions of the Current Articles to be consistent with the new requirements.

## **8. ADJOURNMENT FOR LACK OF QUORUM**

Under the 2006 Act as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

## **9. VOTING BY PROXIES ON A SHOW OF HANDS**

The Shareholders' Rights Regulations have amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles remove provisions in the Current Articles dealing with proxy voting on the basis that these are dealt with in the 2006 Act and contain a provision clarifying how the provision of the 2006 Act giving a proxy a second vote on a show of hands should apply to discretionary authorities.

# Explanatory notes of principal changes to the Company's Articles of Association

## **10. VOTING BY CORPORATE REPRESENTATIVES**

The Shareholders' Rights Regulations have also amended the 2006 Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

## **11. ELECTRONIC CONDUCT OF MEETINGS**

Amendments made to the 2006 Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The Current Articles have been amended to reflect more closely the relevant provisions.

## **12. PROVISION FOR EMPLOYEES ON CESSATION OF BUSINESS**

The 2006 Act provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

## **13. DIRECTORS' FEES**

The directors' fee cap in the New Articles has been increased from £150,000 to £300,000 to give the board some additional flexibility over the medium term in determining an appropriate remuneration structure for its non-executive directors.

## **14. MINUTES**

In accordance with the provisions of the 2006 Act, a new provision has been inserted to ensure that minutes are retained for at least 10 years and available for inspection.

## **15. ALTERNATE DIRECTORS**

The New Articles contain new wording allowing the Company not to give notice of meetings to an alternate director who is absent from the United Kingdom unless he leaves an address or an electronic address for the purpose of sending notices. A new provision also entitles an alternate director to be indemnified by the Company to the same extent as if he were a director.

## **16. INDEMNITY AGAINST CLAIMS IN RESPECT OF SHARES**

The New Articles contain a provision requiring a shareholder to indemnify the Company if the law of any jurisdiction imposes a liability on the Company to make payment in respect of shares held by or dividends or other monies paid to such shareholder (for example as a consequence of the non-payment of income or inheritance tax).

## **17. CHANGE OF NAME**

Under the Companies Act 1985, a company could only change its name by special resolution. Under the 2006 Act a company is able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enables the directors to pass a resolution to change the Company's name.

## **18. GENERAL**

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.



**Alphameric**

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