2009

Bond International Software plc

Annual Report & Accounts 2009

Contents

2009

Bond International Software

One vision, one world, one step at a time.

A new decade is ahead. We are ready for the challenge. We are accelerating new solutions to support new business models and cultures. We are redefining the Bond experience for our customers by providing outstanding value and choice.

As our business transforms, Bond's values will increasingly connect with our customers' business goals. They are what differentiate our software and services in an increasingly competitive market and ensure that we continue to win business.

Our values can be summarised as: the experience and knowledge we have gained over more than thirty years; the pioneering spirit which is reflected in continuous research and development; and the empathy of our global support team which is combined with commercial experience and cross-cultural understanding of business methodologies.

It is this business ethos that builds lasting partnerships with organisations of all sizes worldwide because our focus is pinpointed on our customers' needs and business imperatives. In a new era when customer loyalty is uncertain and the way we work is changing, it is reassuring to know that Bond's genuine business substance will uphold future growth.

2010. Where do we stand today?

Irrespective of fluctuating world economies people have to work and businesses need human resources.

Our clients know that for them to remain competitive in the capture and supply of talent to business, industry, services and government they need to implement new digital strategies that match the right candidates to the right jobs faster and more cost-effectively. Bond's software and systems will always help them to achieve their goals.

By integrating mobile applications, facilitating virtual work environments, building reliable and scalable systems, and delivering long term cost savings to enhance productivity, we are confident that we will remain the provider of choice and move our business forward at steady pace. Stability and experience at the helm has guided the development of Bond International Software to a position of universal respect; now we bring the dynamism and impetus of a new generation within the executive team who understand the potential of exciting technologies. This is a powerful and differentiating combination, and one which will keep Bond ahead of the competition in the years ahead.

Bond continues to strive for a world leading position in the deployment of recruitment and human capital management software solutions. The group also provides HR and payroll solutions to public and private industries, and outsourced services to the government and media sectors.

Our dedicated people around the world understand the need to deliver a peerless range of products and services to our clients. Their efforts have ensured that the group has continued to win significant business contracts throughout 2009. Furthermore, the insight and dedication of our technical development team means that we remain at the forefront of our industry, continuously demonstrating a clear understanding of business needs, and the innovative and practical solutions that are needed to thrive, now and into the future.

2020. Where are we going tomorrow?

Our strategy for the next ten years is clear.

With precision and intent, Bond International Software will develop new recruitment and human capital management products and services that will facilitate and build sustainable global expansion into new sectors and markets. We will continue to grow our capabilities organically and globally and, when appropriate, we will acquire companies to fast track this process, enhance the brand and expand our geographic footprint.

There are opportunities and challenges ahead in equal measure, but we are optimistic and confident that we have the right policies in place to meet them. Our track record clearly demonstrates the flexibility, resilience and awareness of shifting trends that is required. Thirty years is a great achievement but Bond is not complacent. Although we have successfully steered the group through times of vibrant growth and economic downturn we still have ambitious plans.

The next decade will see us leverage our strengths to pursue an holistic and dynamic product integration strategy that will maximise the benefits that cloud computing can bring to our customers. We will also extend the technological advancements, which have delivered immense productivity and profitability gains for our clients in the staffing sector, into the executive search and corporate arenas.

We will be anticipating twists and turns within the economy and tightening our belts, but we will not be diverted from our objectives. Watching and waiting are not our watchwords.

Business overview

Bond International Software leads the world in specialist staffing software to transform performance in a competitive new world where the workplace and the workforce are changing fast.

We know that future economic growth and prosperity will be driven by those companies that capture, manage and retain the best people.

The ability to respond globally to our customers' needs is crucial to the group's future success.

Our customers in the recruitment, talent acquisition and executive search arenas are defining strategies that will find ever better ways to engage with candidates so they can meet this need and place the right people, in the right jobs, to deliver the right results. To underpin their business evolution our solutions will need to be quick, sharp, and focused as shifting demographics, rising skills shortages, emerging technologies and social networks, which remove geographical boundaries will further encourage candidate sophistication and bring continuous change.

Understanding these commercial challenges and tailoring our products accordingly ensures that Bond continues to win revenue generating multi-site contracts with the world's leading recruitment and HCM firms, worldwide. Wherever our customers are heading and however fast they want to get there, our aim is to improve efficiency, raise productivity and reduce their costs long-term.

Bond employs nearly 500 people across its global network of sales and support offices in the UK, USA, Canada, Australia, Hong Kong and Japan as well as development teams in India and the Ukraine. By continuously improving the functionality and technology of our products and services we can meet the needs of our clients in all staffing and industry segments - whether they are global, multi-national or local companies – and help them achieve greater business success.

Investing in our own technological capabilities

As organisations factor investment in technology into their strategic planning for the next ten years, deciding which systems will help to positively transform their individual businesses and which ones can be safely put aside will be crucial.

Bond is managing this process with one eye on the past and the other firmly in the clouds as the impact of 'cloud computing' delivers the massive benefits of secure servers and software for clients without the attendant costs.

Advanced analytics will empower decision making as Bond's software will help organisations to look into the future and predict what could and will happen.

To support the future growth of the group as a whole we are working on an extensive development programme that will bring older technologies and applications into the mainstream framework of Bond's pioneering software and support that is now the mainstay of Adapt. This is a fundamental task and will future-proof the business ensuring that we remain at the forefront of our industry. Not only will Talent and Vantage, our talent acquisition and executive search solutions, now benefit from these technical benefits and far-reaching rich functionality, but our existing customers will enjoy the tangible rewards that this will bring.

Our office infrastructure has been enhanced to support this programme and we have concentrated on ensuring that all processes are repeatable and optimisable throughout the group's international office base. These first class standards have resulted in Bond passing its first ISO 9001-2008 audit with flying colours.

Bond is leading the world with cloud computing transformation, currently the most sought-after technology for many industries. Cloud computing is Internet-based computing where shared software, resources, and information are accessed on demand by a web browser and other web-enabled devices such as cell phones. Plugging into the 'cloud' promises to eliminate the need for costly on-site servers, complex installed software, backup worries and disruptive and expensive upgrades. The staffing industry will find cloud computing especially useful due to the nature of the work involved. Whether meeting clients, managing branches, or interviewing potential candidates away from the office, both time and money can be saved with no loss of productivity or data.

Bond is also maximising the functionality of its systems to interface with the mobile technology revolution. By the end of 2010, 1.2 billion people will have handsets that are capable of rich, mobile commerce. This creates an environment for the convergence of mobility and the Web and a means to stay connected at all times.

Our software and services

Building a just-in-time human capital supply chain is a big commitment, but one with the potential for big returns. Bond International Software is the first software group worldwide to offer a tightly integrated software environment for multi-national corporations and their global staffing partners that covers the human capital supply chain effectively.

Recruitment Software

Bond Adapt

Our best-in-class brand Adapt maintains its position as the software of choice for nine out of ten of the top recruitment organisations. The company's continuous investment into the human/computer interface with multi-lingual capability, means that customers can face the future with complete confidence, whatever the size of their organisation and wherever they may be located. Bond's systems result in better data collection and transfer, and better analytics. This improves processes and reduces cost per hire resulting in leaner and stronger businesses.

Significant global contracts have seen Bond Adapt transform their businesses through streamlined processes and cost reduction. Full desk-top hosting solutions provide a one-stop service as outsourcing via the 'cloud' provides the latest technologies to staffing firms. In-built compliance ensures that firms meet the latest regulations without worry. Mobile applications and leveraging the multi-lingual and multi-character set capabilities of Adapt will revolutionise the world of recruitment.

Bond Talent

Designed specifically for corporate organisations of all sizes, Bond Talent provides an online web portal-based recruitment application and applicant tracking system. This will enable companies to streamline processes, save on costs and time per hire and create effective talent pools whilst maintaining a personal approach to recruitment. The Bond Talent solution is quick and easy to implement, is user friendly and offers global and multi-lingual functionality. Talent is fully scalable for SME up to enterprise sized organisations – who manage their recruitment either in-house or on an RPO (Recruitment Process Outsourcing) basis. It offers organisations a truly flexible software solution that is tailored to their individual business requirements.

Bond eEmpACT

The ideal solution for small to medium sized staffing firms in the US, eEmpACT continues to provide an affordable package. 'On Demand', the 100% web-based staffing software solution that uses cloud computing technologies, has surged ahead to meet demand from commercial high-volume staffing firms with a wide spread of regional offices. This has enabled customers to expand their businesses and improve client communications.

Bond Vantage

A new force in executive search, Bond Vantage brings together the inherent power of Bond's technology with outstanding capabilities that will revolutionise business practices. Vantage will meet executive search firms' strategic and commercial requirements by empowering the critical personal touch that relies on precision and integrity to deliver results.

HR & Payroll Software

Bond TeamSpirit

As the HR professional's role becomes more strategic in driving the goals and forward motion of a company they have become heavily reliant on technology to support organisational efficiency and, increasingly, 24/7 connectivity.

TeamSpirit's HR and payroll software solutions streamline processes and generate bottom line savings for businesses with a people management solution which is flexible and fully configurable. Highly knowledgeable and expert teams provide help, support and training for a range of clients large and small.

Bond HR and Bond Pay

All clients currently using the Payrite, Professional and Workforce software solutions continue to be fully supported whilst the company develops the integration between talent management, HR and payroll.

In time, Bond's industry leading technological prowess will enable organisations to recruit, manage and reward their people across a single Bond platform populated by modular elements. Employees and managers will benefit from Bond enabled strategic systems and analytical tools, helping them to work smarter and focus on the new shape of HCM to come.

Outsourcing

Bond Payroll Services

Outsourcing of payroll and HR services offers organisations of all sizes access to Bond's teams of qualified professionals who streamline organisational productivity by eliminating complex and time consuming tasks. This allows companies to focus on their core activities and represents a reliable, risk free and cost-effective solution that safeguards every business' most important asset – its people. Bond Payroll Services' systems have benefited from the company's investment in R&D which fully supports the functionality and capabilities of the software. This has led to a new partnership which sees Bond delivering international payroll solutions in tandem with Adapt, the global recruitment software.

Multi-national organisations can fully embrace the challenges of the global marketplace secure in the knowledge that Bond has the flexible payroll services that they, and their staff, can depend upon.

Bond People Services

The outsourcing division of Bond has just introduced Bond People Services. This is a fully managed HR service that complements the managed payroll service for clients. Aimed at SME businesses, it will provide valuable HR expertise and full legal and procedural compliance without the overhead of employing full time members of staff, or implementing expensive systems.

Strictly Education

The provision of excellent outsourced services is the cornerstone of Bond's policy for the next decade and Strictly Education will continue to provide excellent payroll and administrative support to schools allowing them to carry on with what they are good at, education. Now a truly national business with offices in London, Milton Keynes and Barnsley in the UK, Strictly Education is looking forward to good growth again as the educational sector is at a pivotal point of change which will provide opportunities throughout the next decade.

Public sector spending cuts will put Local Authorities, our main competitors, under pressure to deliver a good service and Strictly Education can provide a much better alternative more cost-effectively. Strategic alliances with other private organisations will provide introductions to contracts that secure more business in this large and diverse sector. Longer term, the changes in the way schools operate will impact the market. Schools are combining to create academies – and Bond is already positioning Strictly Education firmly within the academy market – this is an important catalyst for future growth.

Strictly Education will also remain acquisitive, seeking businesses that are already providing outstanding services to a local area, amalgamating them within the portfolio and allowing the current owners an exit opportunity.

Web Services

Abacus eMedia

Abacus is probably the leading supplier of digital service development to the business-to-business media sector. It is also an established provider of web applications to Government.

Increased R&D expenditure was reflected in the launch of the new e-Vision events publishing software which integrates closely with Abacus' market leading CMS product, Webvision. Abacus also developed and received its first orders for the new public sector CMS, Webstructure.net.

Perhaps the most radical R&D investment has been based around Recruit, the e-recruitment product used by 30+ local authorities and redeveloped in 2009 as a .net application. Most importantly it is Abacus' first cloud computing offering and is in line with the new Government ICT Strategy published in January 2010, supporting the Government's Operational Efficiency Programme.

"Our operating margins have continued to be affected and have reduced to 11% in 2009 compared with 17% in 2008. This reflected the change in mix of licence and service revenues and the continuing trend of selling software on a rental basis rather than the traditional capital sale."

Martin Baldwin, **Chairman**

Chairman's Statement

Since the end of 2009 the economic difficulties faced by the staffing industry have begun to ease and we can see some small signs of a recovery in the first half of 2010.

Financial overview

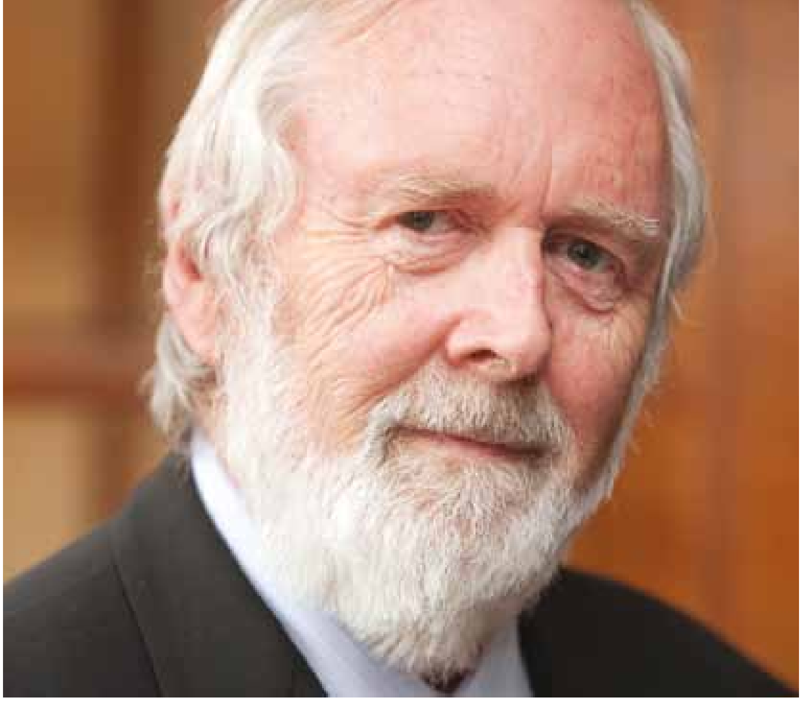
Despite being faced with some of the worst trading conditions we have ever experienced, the group has seen a small increase in revenues to £32,537,000 from £31,973,000 in 2008.

Our operating margins have continued to be affected and have reduced to 11% in 2009 compared with 17% in 2008. This reflected the change in mix of licence and service revenues and the continuing trend of selling software on a rental basis rather than the traditional capital sale. There were also a small number of extremely labour intensive projects in 2009 on which our margins were lower than we traditionally expect. As a result operating profit before amortisation of intangible assets was £3,511,000 compared with £5,416,000 last year.

Recurring revenue continued its upward trend as it grew by 10.6% in 2009 to £17,391,000 (2008: £15,726,000) and represented 53% of sales, up from 49% in 2008 and covered 66% of group administrative expenses, the same as last year. This continued move towards higher recurring revenue significantly increases the group's forward visibility.

Earnings per share fell to 0.52p (2008: 6.10p). In order to assist with understanding the underlying performance of the group we have reported adjusted earnings per share excluding the effects of the amortisation of intangible assets arising on acquisitions and the charge for share based payments. On this basis the adjusted profit after tax was £1,251,000 (2008: £3,112,000) and the adjusted earnings per share were 3.79p (2008: 9.44p).

The group generated £2,577,000 from its operating activities (2008: £2,763,000) although bank overdraft net of cash and cash equivalents increased by £2,169,000 following total capital expenditure of £4,222,000, the majority of which was invested in research and development, and the payment of a dividend of £528,000. I am delighted to announce that in April 2010 the group concluded an agreement to renew the bank overdraft and revolving loan facility for £6million for a further three years.



I am pleased to say that the board is recommending the payment of a dividend of 0.8p. The payment is subject to shareholder approval at the Annual General Meeting and will be made on 4 August 2010 to shareholders on the register at 9 July 2010.

Employees

Our employees have done a great job in difficult circumstances over the last year and I take this opportunity to thank them for their contribution. I am confident that their hard work will continue as we press on with our long term strategy which I believe will put us in a strong position to benefit when the economic situation starts to recover and our principal markets improve.

Prospects

Since the end of 2009 the economic difficulties faced by the staffing industry have begun to ease and we can see some small signs of a recovery in the first half of 2010. We remain busy as a result of entering the year with a strong order book, however we will continue to monitor our cost base accordingly.

Martin Baldwin
Chairman
5 May 2010

"Our future is inextricably linked to our products and we have continued to invest in developing and enhancing our portfolio so that we are in the best possible position when there is an improvement in market conditions."
Steve Russell, **Group Chief Executive**

Group Chief Executive's Report

In today's complex and competitive environment companies need a strategic workforce plan as well as supporting processes and integrated technologies.

Overview

2009 has proved to be a testing year for the company. After a bright start, the second half of the year saw a downturn in trading conditions and in particular the last quarter, which has traditionally been our most profitable, proved to be the worst affected. The staffing industry has been in turmoil, with many of our customers experiencing the most difficult trading conditions they have ever faced.

However, our decision to diversify into other areas of Human Capital Management has allowed us to continue trading profitably and our overall revenues have held up well. Margins, however, have been significantly affected and as a result, we have seen a fall in operating profit, before amortisation, to £3,511,000 (2008: £5,416,000).

The group's operations are organised into four divisions covering recruitment software, HR & payroll software, outsourcing and web services.

Recruitment software

Recruitment software, which comprises Adapt Recruitment, Talent and eEmpACT, accounted for 56% of group revenues in 2009 which is the same proportion as 2008.

Recruitment software revenue by type

	2009 £000	2008 £000
Software sales & services	9,712	9,391
Software support	6,112	6,273
Software rental income	2,323	2,271
	18,147	17,935
Hardware and other sales	23	131
Total revenues	**18,170**	**18,066**

Revenue and operating profit* by location of operating company

	Revenues		Operating profit*	
	2009 £000	2008 £000	2009 £000	2008 £000
United Kingdom	9,904	10,879	2,035	3,176
USA	7,370	6,024	444	1,033
Asia Pacific	896	1,163	(215)	87
	18,170	**18,066**	**2,264**	**4,296**

* before amortisation of intangible assets and share of profit from joint venture

Whilst revenues have remained broadly the same as last year our operating margins have reduced significantly. There are a number of contributing factors, the principal ones being the impact of the recession on our customer base, the changing mix of licence and service revenues and the continuing transition from traditional capital sale to the rental model.

In 2009 our UK Adapt operation gained 112 new clients, of which only 6 were on the basis of a traditional licence sale, the balance being on rental. The picture was very similar in the US where every new client we took in the first 10 months of the year was a rental rather than a licence sale.

The sale of software and services to existing clients has been especially affected by the current market conditions with total revenues down by some 58% on the previous year. Whilst new business sales have fared much better increasing revenues by 30%, the nature of the deals we have signed means that there is a significantly higher proportion of lower margin service revenue than in previous years.

We have also seen a small drop in recurring revenues from software support as customers downsize. The rate of this decline has started to ease towards the end of 2009 and we may finally have seen the bottom of the market for our staffing customers and the start of their recovery.

Geographically the US has grown revenues from £6,024,000 in 2008 to £7,370,000 in 2009 but operating margins have reduced from 17% to 6%, as a result of the transition to the rental model and the mix of licence and services.

Our operating margins have also been affected by losses experienced in Asia Pacific with a temporary slowdown in Australia together with the increased operating costs as a result of opening our new office in Japan.

HR and payroll software

Whilst revenues have remained relatively stable, the operating margins have improved from 17% to 24%. One of the strengths of this division is its recurring revenues which are up by 23% from £3,021,000 in 2008 to £3,738,000 in 2009 with the inclusion of TeamSpirit revenues for the full year. The revenues derived from support now cover 95% of the fixed operating costs of this division. We are currently looking to expand this operation by maximising the opportunities presented by cross selling.

Outsourcing

This division comprises two distinct operations, Strictly Education which provides outsourced HR, payroll and other services to schools in the state sector, and Bond Payroll Services which provides payroll bureau services to a variety of organisations in state and private sectors. Strictly Education now has contracts with some 750 schools and currently pays 33,000 staff per month through its payroll bureau.

The company generated revenues of £3,253,000 in 2009 compared with £3,231,000 in 2008.

The group has capitalised on the knowledge and experience in this business by establishing a joint venture in December 2008, Strictly Education Solutions. The joint venture, which provides outsourced services to over 70 schools in London, contributed a profit of £87,000 in 2009.

2009 has seen continued growth for Bond Payroll Services. Significant new clients include a 2,700 employee international retailer and a 3,000 employee major UK charity. Other growth areas have been in the Human Capital Management arena, delivering managed HR services and international payroll solutions, increasing Bond's global offerings. This has not only helped us to gain new business but retain important multi-national clients.

Bond Payroll Services made an operating profit of £283,000 in 2009 (2008: £160,000).

Web services

Abacus is a leading supplier of digital service development to the business-to-business media and 2009 was another strong year. Although overall revenue fell 1% from the record numbers of 2008, this was largely as a result of the move to software rental, which will result in an increasing percentage of recurring revenue in the future.

Operating profit before amortisation fell by only 7%, despite increased investment in R&D, which was reflected in the launch of the new e-Vision events software, which integrates closely with our market leading product, Webvision. Abacus also developed and received its first orders for the new version of our e-recruitment product, Recruit, and the new public sector content management system, Webstructure.

Major projects in 2009 included the delivery of 11 magazine sites for EMAP including Construction News, Drapers Record and Retail Week, and 12 important sites for Centaur Media, including Marketing Week, Design Week and The Lawyer.

With strong products and an experienced team Abacus remains well placed to help its media clients manage the inevitable move from print to online revenues.

"The group has continued to invest in its flagship product, Adapt, as well as configuring new applications using Adapt technology to achieve, where possible, a consistent technical platform across the group."

Steve Russell, **Group Chief Executive**

Product strategy

Our future is inextricably linked to our products and we have continued to invest in developing and enhancing our portfolio so that we are in the best possible position when there is an improvement in market conditions. In 2009 we spent a total of £4,993,000 representing 15.3% of revenues compared with £4,633,000 in 2008 which was 14.5% of revenues.

The group has continued to invest in its flagship product, Adapt, as well as configuring new applications using Adapt technology to achieve, where possible, a consistent technical platform across the group. The group has spent significant sums in developing eEmpACT On Demand, a product designed to appeal to temporary staffing firms in the US, Bond Talent which provides a recruitment software solution for non-staffing companies, and eVision events software.

People

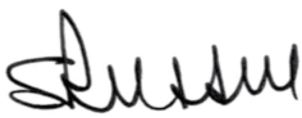
The group employs over 400 people directly as well as outsourced development teams in India and the Ukraine. I take this opportunity to thank them for all their hard work in 2009 and their continuing loyalty and support in 2010.

Outlook

There is some cause for optimism with staffing revenues improving in the second half of 2009 and weekly unemployment claims in the US starting to fall. As a result, industry analysts are forecasting growth in staffing revenues in 2010 and a majority of staffing firms surveyed are expecting to increase their own headcount during the current year. In the UK the picture will become clearer after the forthcoming election when the current uncertainty is resolved and confidence starts to return to the markets.

Whilst the future looks better, there is no doubt that in the short term winning new business remains a challenge. We still have the same major prospects but for reasons outside our control, there is no immediate likelihood of them signing in the first half of the year.

The other segments of the business have not suffered to the same extent as staffing. Whilst new clients have been difficult to find in the HR and Payroll business our existing base is holding up well. We continue to grow the outsourcing business both in the education sector, commercial and public sectors. Abacus is well placed to benefit from the continued pressure on publishing companies to move from print to online based revenues.



Steve Russell
Group Chief Executive
5 May 2010

Directors & Advisers

Executive Directors

Steve Russell
Group Chief Executive

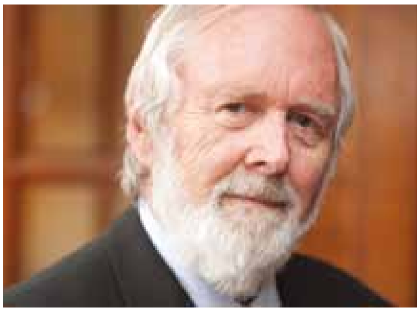
Steve's extensive career in software development spans over 30 years, during which he has held a number of senior management positions, including group managing director of Scan Data International Plc. Steve formed the company, which then acquired a controlling interest in Bond Associates Ltd in 1988. On the acquisition of Bond Associates Inc, he became the group's chief executive, and following a successful flotation on AIM, the chief executive of Bond International Software plc.

Bruce Morrison ACA
Group Finance Director

Bruce joined Bond in July 2003. He qualified as a Chartered Accountant with KPMG in London where he became an audit manager before leaving to act as finance director of Wembley Stadium Limited, which was the major operating company within the Wembley plc group. Subsequently he joined Radio First plc, a start up company, as finance director.

Tim Richards
Managing Director, European Operation

Tim joined Bond in April 1990, having successfully held a number of roles in the software sector, primarily relating to sales and sales management. During his time with Bond, Tim has been responsible for the recruitment and management of the Adapt sales and marketing operations, together with the acquisition of several multi-million pound contracts – increasingly on a global scale.



Non-executive Directors

Martin Baldwin BSc, C Eng, FBCS
Non-executive Chairman

Martin started his career in software in 1961 and became chief executive of Scan Data International Plc. During this time he was responsible for several successful acquisitions and ultimately for that company's flotation in 1980. He has held a number of executive and non-executive directorships, including Datapro Computers Group Ltd, Sage Data Inc, English and Caledonian Investments, Channel Business Systems Plc and MICAbuild Ltd. He has held his non-executive position at Bond since prior to the company's flotation in 1997.

Richard Hall TD, MA, FCA
Non-executive Director and Company Secretary

A graduate engineer, Richard qualified as a Chartered Accountant in 1966 and carried out the duties of finance director and company secretary for a number of international companies including INMOS International Plc. He was latterly finance director of Information Technology Plc and National Telecommunications Plc, both of which companies he took to the market. Since 1989, Richard has run his own consultancy with a number of non-executive directorships offering corporate, commercial and financial advice to major clients. He joined the board of Bond in 1997 as part-time finance director and subsequently became non-executive on the appointment of a full time finance director in 1998.

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Directors' Report

The directors present their report and the audited financial statements of the company and the group for the year ended 31 December 2009.

Principal activities and business review

The principal activities of the group during the year were the provision of software, hardware and related support services, principally to the recruitment industry.

A fair review of the business, the future developments and research and development activity is provided in the Chairman's Statement on pages 8 to 9 and the Chief Executive's Report on pages 10 to 13. The directors consider that the financial key performance indicators are turnover, operating profit before amortisation of intangible assets, earnings per share and net cash. These are reviewed in the Chairman's Statement and Chief Executive's Report on pages 8 to 13. Non financial key performance indicators are not considered material to managing the financial performance of the group.

There are a number of risks and uncertainties which could have an impact on the group's long term performance and cause actual results to differ materially from expected and historical results. The directors seek to identify material risks and put in place policies and procedures to mitigate any exposure.

(i) Competitor risk
The market for staffing software is extremely fragmented with a large number of small suppliers operating in all our geographical markets. Very few of these suppliers have the necessary financial, technical and marketing resource to be able to sustain their competitive position. However the competition may intensify through consolidation or new entrants to the market and in order to mitigate this risk and maintain our competitive position we work to build strong customer relationships and maintain and develop our products ahead of the competition.

(ii) Economic risk
The staffing industry has a reputation for being vulnerable to the ups and downs of the economy. The directors have taken a number of steps to mitigate any perceived risk such as increasing the proportion of contracted recurring income, geographical expansion and diversification into other vertical markets through acquisition and product development.

(iii) Foreign currency
Although the group has a significant proportion of its revenue and profit earned outside the UK, subsidiaries generally trade in their own currency. As a result the group is not subject to any significant foreign exchange transactional exposure. The group's main exposure therefore arises from the translation of overseas profits into sterling. To date the group has not sought to remit profits to the UK preferring to reinvest them in the countries where those profits have been earned. In the light of this the group does not hold any sophisticated hedging instruments such as derivatives.

(iv) Interest rate risk
The group has a limited exposure to interest rate volatility. Details of outstanding debt and their interest rate profile are set out in note 2. Where market conditions make this desirable the group will seek to fix interest rates on a proportion of its debt.

In addition to the above, note 2 gives detail on the company's financial risk management including price risk, credit risk, liquidity risk and cash flow risk.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 8 to 9 and the Chief Executive's Report on pages 10 to 13. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Chairman's Statement on page 8 to 9. In addition, notes 2(a) to 2(e) to the financial statements include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

As highlighted in note 2(c) to the financial statements, the group meets its day-to-day working capital requirements through an overdraft facility that was renewed in April 2010 and is due for renewal in April 2013. The current economic conditions create uncertainty particularly over the level of demand for the group's products and services.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facility. The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Results and dividends

The group made a profit for the year of £171,000 after tax (2008: £2,011,000), the details of which are shown in the income statement on page 24.

The directors recommend a dividend of 0.8 pence per share which, if approved at the Annual General Meeting, will be paid on 4 August 2010 to shareholders on the register at 9 July 2010.

Directors

The names of the directors who held office during the year are shown on pages 14 and 15.

In accordance with the Articles of Association, S R Russell and B A Morrison retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. S R Russell has a service contract with the company which is subject to twelve months' notice by either party and B A Morrison has a service contract with the company which is subject to three months notice by either party.

Employment of disabled persons

It is the group's policy to offer equal opportunities to disabled persons in matters of recruitment, training, career development and promotion. Where people become disabled during the course of their employment, the group makes every effort to retain their services and to provide retraining where necessary.

Employee involvement and communication

Employees are encouraged to own shares in the company and approximately 64% of employees are shareholders and/or hold options under the company's share option schemes.

Information about the group's affairs is communicated to employees through regular management meetings, electronic notice boards and social events.

Suppliers

The group does not follow any formal code or standard on payment practice. The group recognises the importance of maintaining good business relationships with its suppliers and settles their invoices within agreed terms unless there are good reasons not to do so. The average number of days' credit taken on the outstanding balance at the year end is 23 (2008: 32).

Statement of directors' responsibilities

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

UK Company Law requires the directors to prepare Group and Company Financial Statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit and loss of the group for that period.

Directors' Report (continued)

Statement of directors' responsibilities (continued)

In preparing each of the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and estimates that are reasonable and prudent;
c. for the group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU; and for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bond International Software plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Charitable donations

During the year the group made charitable donations totaling £11,863 (2008: £14,386), comprising several small donations to local charities in the countries in which the group operates. The company made no political donations (2008: £nil).

Statement as to disclosure of information to the auditor

The directors who were in office at the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and establish that it has been communicated to the auditor.

Auditor

Baker Tilly UK Audit LLP has indicated its willingness to continue in office and a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting.

By order of the board

Richard Hall
Company Secretary
5 May 2010

Registered Office:
Courtlands, Parklands Avenue
Goring by Sea, West Sussex BN12 4NG

Corporate Governance Report

Compliance with the combined code

The company's shares were admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange in December 1997. AIM listed companies are not required to comply with the Combined Code (2008) of Corporate Governance. However the board supports the principles contained in the Combined Code and is committed to maintaining the highest standards of corporate governance. The board has sought to comply with the provisions of the Combined Code in so far as it considers them appropriate for a company of Bond's size and nature.

The report provides a description of the board, its role and its committees together with information on the group's system of internal controls.

Board

The board of directors has overall responsibility for the management of the group. Its aim is to provide leadership and control in order to ensure the growth and development of the group whilst representing the interests of all the group's stakeholders.

The board currently comprises the non-executive chairman, one further non-executive director and three executive directors. The board considers that, notwithstanding the fact that both non-executive directors have served on the board for more than nine years and have participated in the company's share option scheme, the non-executive directors are independent of the executives and free of any relationship which could materially affect the exercise of independent judgement.

The roles of Chairman and Chief Executive are held by separate directors and there is a clear division of responsibilities with the Chairman responsible for overseeing the running of the board and ensuring that no individual has unfettered powers of decision whilst the Chief Executive oversees the day to day business of the group.

Management supplies the board with timely and appropriate information. All directors are able to take training or seek professional advice in connection with their duties as a member of the board. All directors have access, at the company's expense, to the company's legal or other independent professional advisers.

The board meets on a monthly basis with additional special meetings if required. At their monthly meetings the board reviews the group's trading performance as well as considering the company's position with regard to significant risk and matters relevant to the board. The board also has a schedule of matters reserved for its decision including the review and approval of group strategy and long term plans, annual budgets, interim and annual financial statements, acquisitions and disposals, significant items of capital expenditure, banking arrangements and senior executive remuneration and appointments.

The board does not currently undertake a formal evaluation of its performance and effectiveness and in this respect does not comply with the code.

Election

In accordance with the company's Articles of Association newly appointed directors are required to resign and seek re-election at the first Annual General Meeting following their appointment. Furthermore the Articles require that one third of the board is required to seek re-election each year.

Audit Committee

The Audit Committee has been established in accordance with the recommendations of the Smith Guidance. Its principal responsibilities are to assist the board in reviewing and approving the company's financial statements including any significant financial judgements contained therein, monitoring the company's internal financial control and risk management systems and making recommendations to the board with regard to the appointment and remuneration of the external auditor. The board is also responsible for ensuring that the engagement of the external auditor on non-audit services does not impair their independence.

The Audit Committee, which comprises the two non-executive directors and is chaired by Martin Baldwin, meets at least three times a year. The external auditor normally attends meetings and the executive directors may attend if the Audit Committee deems it appropriate or necessary for them to do so. In practice the finance director usually attends meetings.

The Audit Committee reviews the services provided by the external auditor, Baker Tilly UK Audit LLP, at least on an annual basis. This review includes consideration of the confirmation of independence which Baker Tilly UK Audit LLP provides to the company on an annual basis and the services which related Baker Tilly entities provide to the group, in order to ensure that the independence of the auditor is not compromised.

Corporate Governance Report (continued)

Remuneration Committee

The Remuneration Committee comprises Martin Baldwin (non-executive chairman) and Richard Hall (non-executive director). It has formal terms of reference and its role is to review the performance of the executive directors and set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the shareholders.

The Remuneration Committee prepares an annual report on the company's remuneration policy which is contained with the company's Annual Report and Accounts. Further details of the directors' remuneration are set out in note 6 to the accounts.

Directors' attendance

Directors' attendance at board and committee meetings during the year ended 31 December 2009 is set out below:

	Martin Baldwin	Steve Russell	Richard Hall	Bruce Morrison	Tim Richards
Board	11/11	11/11	11/11	11/11	9/11
Audit	3/3	n/a	3/3	3/3	n/a
Remuneration	2/2	n/a	2/2	n/a	n/a

Internal control

The board is responsible for maintaining a system of internal controls to safeguard shareholders' investment and the company's assets. The systems have been established to provide reasonable assurance of effective and efficient operations, financial monitoring, the prevention and detection of errors and irregularities and compliance with laws and regulations. A system cannot however give absolute assurance against material misstatement or loss.

The key procedures the board has established to provide an effective system of internal control are as follows:

- There is an organisational structure with clearly defined roles and responsibilities for the board and other senior management personnel.
- There is a schedule of reserved matters for decision by the board.
- There is a formal process for identifying and regularly reviewing major business risks faced by the group.
- Each year the board approves the annual budget including an assessment of the key risks of the business. Performance against budget is continually monitored through regular reporting to the board of variances from budget and the preparation of updated financial forecasts.
- There is a system for authorisation and approval based on tiers of authority.

The board regularly reviews the effectiveness of the company's system of internal control including financial, operational and risk management. The company does not currently have an internal audit function. However the Audit Committee reviews this on an annual basis in the light of changes to the company's circumstances.

Going concern

After making enquiries, the directors have a reasonable expectation that the company and the group as a whole 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.

Investor relations

The company has an investor relations programme designed to maintain effective relationships with all our shareholders and analysts. In addition to its Interim and Annual Reports, the group provides access to up to date information via its website, www.bondinternationalsoftware.com including access to the Regulatory News Service, share price information and contact details for investor queries.

The directors provide regular briefings to institutional shareholders, private client brokers and analysts, primarily following the publication of interim and preliminary results but throughout the year as required, at which there is an opportunity to discuss issues and gain feedback. The board also receives feedback through the company's stockbroker and financial PR advisers.

All shareholders are invited to attend the company's Annual General Meeting to raise any questions regarding the strategy, management and financial performance of the group and the board is available to answer questions both during and after the AGM.

Remuneration Report

The Remuneration Committee

The company is not required by the Listing Rules or Companies Act to produce a remuneration report but has done so to maintain its commitment to the highest standards of corporate governance. The company's remuneration policy is the responsibility of the Remuneration Committee which comprises J M Baldwin (non-executive Chairman) and R G Hall (non-executive Director).

General policy

The company's policy is to provide remuneration packages for executive directors which aim to attract and retain high quality executives and which link their reward to the group's performance.

Remuneration package

There are four components to the remuneration package, namely base salary and benefits, bonus and commission, pension contributions and long-term incentive arrangements:

- The base salaries of the executive directors were set at levels considered to be appropriate when they entered into service agreements with companies in the group. The base salaries are reviewed by the Remuneration Committee annually and any increases are awarded having regard to performance and salary levels in comparable organisations. Benefits, which include a fully expensed car and private health insurance, are not pensionable.
- S R Russell and B A Morrison are entitled to a bonus based on the annual profits of the group before taxation. T Richards is entitled to a bonus on the profits of Bond International Software (UK) Limited.
- The group contributes to money purchase pension arrangements. Death in service benefit is also provided.
- The company has established approved, unapproved and Enterprise Management Incentive (EMI) share option schemes, in which the directors may participate.

In framing the remuneration policy, the company has given full consideration to the provisions contained in Code Provision B.1 and Schedule A of the Combined Code on Corporate Governance.

Details of the directors' emoluments are set out in note 6 to the accounts.

Service contracts and letters of engagement

S R Russell and T Richards have rolling annual service contracts. B A Morrison has a service contract which requires three months' notice by either party.

J M Baldwin has a letter of engagement relating to his appointment as non-executive Chairman. The agreement may be terminated by either party on one month's notice.

The company has entered into a consultancy agreement with Richard Hall Consultancy for the services of R G Hall as a non-executive director. The agreement may be terminated by either party on three months' notice.

Remuneration Report (continued)

Directors' fees

The executive directors are responsible for setting the fees of the non-executive directors, who do not receive any benefits or pension contributions.

Share options

It is the group's policy to issue share options at appropriate intervals to motivate and retain employees and to align their interests with those of shareholders. The company presently operates four share option schemes:

- An EMI scheme
- An HM Revenue & Customs approved scheme
- An unapproved scheme
- The 2008 Company Share Option Plan

By virtue of its size the company is no longer able to grant share options under the EMI scheme, and the HM Revenue & Customs approved scheme and unapproved scheme are closed to new grants. Under the 2008 Company Share Option Plan the Remuneration Committee may grant to directors and employees options to subscribe for shares in the company, at an exercise price not less than the market price at the time of the grant.

Non-executive directors are entitled to participate in the 2008 Company Share Option Plan.

Martin Baldwin

Chairman of the Remuneration Committee

5 May 2010

Independent Auditor's Report

Independent auditor's report to the members of Bond International Software plc

We have audited the group and parent company financial statements ("the financial statements") on pages 24 to 75. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on pages 17 and 18, 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/UKNP.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared 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 matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Jonathan Ericson
(Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor, Chartered Accountants
12 Gleneagles Court, Brighton Road, Crawley, West Sussex RH10 6AD
5 May 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 £000	2008 £000
Revenue	3	32,537	31,973
Cost of sales		(2,649)	(2,573)
Gross profit		29,888	29,400
Post-acquisition reorganisation costs		(134)	(313)
Administrative expenses		(26,243)	(23,671)
Total administrative expenses		(26,377)	(23,984)
Operating profit before share of profit of joint ventures and amortisation of intangible assets	3 & 4	3,511	5,416
Share of post tax profits of joint ventures		87	–
Amortisation of intangible assets		(3,286)	(2,576)
Operating profit		**312**	**2,840**
Finance income	7	16	81
Finance costs	7	(111)	(88)
Profit on ordinary activities before tax		**217**	**2,833**
Income tax expense	8	(46)	(822)
Profit for the year attributable to the owners of the parent		**171**	**2,011**
Earnings per share (pence)	9		
Basic		0.52p	6.10p
Diluted		0.52p	6.04p

The operating profit for the year arises from the group's continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	2009 £000	2008 £000
Profit for the year		171	2,011
Other comprehensive income net of tax			
Currency translation differences on foreign currency net investments		(411)	191
Other comprehensive income net of tax		(411)	191
Total comprehensive income for the year attributable to the owners of the parent		**(240)**	**2,202**

There are no taxation effects in respect of the foreign currency translation differences made.

Consolidated Balance Sheet

At 31 December 2009

Registered Number: 2142222

	Note	2009 £000	2008 £000
ASSETS			
Non-current assets			
Goodwill	12	14,003	13,998
Other intangible assets	13	16,919	16,786
Property, plant and equipment	14	3,073	3,075
Investments in joint ventures accounted for using equity method	16	177	–
Deferred tax assets	22	943	1,157
		35,115	35,016
Current assets			
Inventories	17	59	61
Trade and other receivables	18	10,132	11,565
Cash and cash equivalents	19	1,392	2,024
		11,583	13,650
Total assets		**46,698**	**48,666**
EQUITY			
Share capital	20	331	330
Share premium account		17,906	17,879
Equity option reserve		757	640
Currency translation reserve		(461)	(50)
Retained earnings		12,380	12,709
Total equity attributable to the owners of the parent		**30,913**	**31,508**
LIABILITIES			
Non-current liabilities			
Borrowings	21	141	2,635
Deferred tax liabilities	22	2,991	3,365
		3,132	6,000
Current liabilities			
Trade and other payables	23	8,364	10,262
Current income tax liabilities		79	715
Borrowings	21	4,210	181
		12,653	11,158
Total liabilities		**15,785**	**17,158**
Total liabilities and equity		**46,698**	**48,666**

The financial statements were approved and authorised for issue by the board of directors on 5 May 2010.

Stephen Russell

Bruce Morrison

Directors

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 £000	2008 £000
Cash flows from operating activities			
Cash generated from operations	25	3,307	3,163
Interest paid		(111)	(88)
Income tax paid		(619)	(312)
Net cash generated from operating activities		2,577	2,763
Cash flows from investing activities			
Acquisition of trade and assets		(26)	(1,010)
Interest received		16	81
Purchase of property, plant and equipment		(549)	(621)
Purchase of intangible assets		(3,673)	(2,788)
Proceeds from sale of property, plant and equipment		4	51
Net cash flow used in investing activities		(4,228)	(4,287)
Cash flows from financing activities			
Issue of ordinary share capital		28	259
Increase in bank loans		98	–
Repayment of bank loans		(109)	(104)
Increase in other loans		–	67
Repayment of other loans		(32)	(14)
New finance leases		71	54
Repayment of finance leases		(46)	(84)
Equity dividend paid	10	(528)	(528)
Net cash outflow from financing activities		(518)	(350)
Decrease in cash, cash equivalents and bank overdrafts for the year		**(2,169)**	**(1,874)**
Cash, cash equivalents and bank overdrafts at the beginning of the year		(402)	1,257
Effect of foreign exchange rate changes		(31)	215
Cash, cash equivalents and bank overdrafts at the end of the year		**(2,602)**	**(402)**
Shown as:			
Cash and cash equivalents		1,392	2,024
Bank overdraft		(3,994)	(2,426)
Cash, cash equivalents and bank overdrafts at the end of the year		**(2,602)**	**(402)**

For the purposes of the cash flow statement, cash includes deposits at call with financial institutions less bank overdrafts forming part of the working capital management.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2009

	Attributable to owners of the parent					
	Share capital £000	**Share premium** £000	**Equity option reserve** £000	**Currency translation reserve** £000	**Retained earnings** £000	**Total** £000
At 1 January 2008	328	17,622	441	(241)	11,176	29,326
Comprehensive income:						
Profit for the financial year	–	–	–	–	2,011	2,011
Other comprehensive income net of tax:						
Currency translation differences	–	–	–	191	–	191
Total comprehensive income for the year	–	–	–	191	2,011	2,202
Transactions with owners:						
Dividend paid	–	–	–	–	(528)	(528)
Issue of ordinary shares	2	257	–	–	–	259
Share based payment expense	–	–	249	–	–	249
Share options lapsed or exercised	–	–	(50)	–	50	–
Total transactions with owners	2	257	199	–	(478)	(20)
At 31 December 2008	**330**	**17,879**	**640**	**(50)**	**12,709**	**31,508**
Comprehensive income:						
Profit for the financial year	–	–	–	–	171	171
Other comprehensive income net of tax:						
Currency translation differences	–	–	–	(411)	–	(411)
Total comprehensive income for the year	–	–	–	(411)	171	(240)
Transactions with owners:						
Dividend paid	–	–	–	–	(528)	(528)
Issue of ordinary shares	1	27	–	–	–	28
Share based payment expense	–	–	145	–	–	145
Share options lapsed or exercised	–	–	(28)	–	28	–
Total transactions with owners	1	27	117	–	(500)	(355)
At 31 December 2009	**331**	**17,906**	**757**	**(461)**	**12,380**	**30,913**

The share premium account is used to record the amounts received in excess of the nominal value of shares issued.

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The equity option reserve is used to record the reserve set aside for share based payment expense.

The retained earnings reserve and currency translation reserve represent the cumulative net gains and losses arising in the consolidated income statement and consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

1. Accounting policies

General information

Bond International Software plc is incorporated in England and domiciled in the United Kingdom. Its registered office is Courtlands, Parklands Avenue, Goring, West Sussex BN12 4NG and its principal activities are the provision of software solutions to companies operating in the recruitment industry, the provision of HR and payroll software, the provision of outsourced services and web services. The consolidated financial statements have been prepared under the historical cost convention and in pounds sterling.

Basis of preparation

The group has prepared its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies are set out below.

IFRS has only been applied to the consolidated financial statements. The company has elected to keep and prepare its parent company financial statements in accordance with UK GAAP. The financial statements of the company are presented on pages 70 to 75.

Standards and interpretations effective in 2009

The following changes in financial reporting and accounting standards have come into effect in 2009:

- IFRS8, Operating Segments, has replaced IAS14, Segmental Reporting. The new standard requires a management approach, under which segmental information is presented on the same basis as that used for internal reporting purposes. Further details are provided under the accounting policy for "Segmental Reporting" set out below.

- Amendment to IFRS7 – Improving disclosures about Financial Instruments, was issued in March 2009 and was effective from 1 January 2009. This amendment requires enhanced disclosures about fair value measurements and liquidity risk but given the relatively few and unsophisticated financial instruments used by the group, this has not had a material impact on the disclosures set out in the financial statements and had no impact on reported profits or earnings per share.

- IAS1 (Revised), Presentation of Financial Statements, was effective from 1 January 2009. The revised standard prohibits the presentation of income and expense comprising "non-owner changes in equity" in the Consolidated Statement of Changes in Shareholders' Equity and requires non-owner changes in equity to be presented separately from owner changes in equity in the Consolidated Statement of Comprehensive Income (previously the Income Statement).

  As a result all owner changes in equity are now presented in the Consolidated Statement of Changes in Shareholders' Equity, whereas all non-owner changes in equity are presented in the Consolidated Statement of Comprehensive Income.

  Other than the re-designation of the Consolidated Income Statement described above, the revised standard had no material impact on the financial statements.

- Amendment to IFRS2, Share based payment, in respect of vesting conditions was effective from 1 January 2009 and stipulates that only service and performance conditions are classified as vesting conditions. Other features of a share based payment are not vesting conditions and consequently a failure to achieve the latter will not give rise to a reversal of amounts previously charged to profit but will instead be treated as a cancellation and will result in either an acceleration of the expected charge or a continuation of the charge over the remaining vesting period, depending upon whether the condition is under the control of the entity or the counterparty. As there have been no such instances to date, the new standard will have no impact on the financial statements.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

Standards and interpretations not applied

At the date of approval of these financial statements, the following Standards and Interpretations (International Financial Standards Reporting Interpretation Committee – IFRIC), which have not been applied in these financial statements, were in issue but not yet effective:

Revised IFRSs:

- **IFRS 3 (revised) – Business Combinations**
  The main changes to IFRS 3 included changes to the scope of the standard, accounting for acquisition costs, accounting for contingent consideration and accounting for business combinations achieved in stages. IFRS 3 now permits the option of measuring non-controlling interests either at their proportionate interest in the net identifiable assets or at fair value.

- **IAS 27 (revised) – Consolidated and separate financial statements**
  IAS 27 now makes reference to the term "non-controlling interest" which replaces the term "minority interest". The amendment provides guidance relating to the accounting for non-controlling interests in loss making subsidiaries, the acquisition of non-controlling interests and the accounting for subsidiaries when control by the entity is lost.

- **IAS 31 – Investments in joint ventures – arising from IFRS 3**
  The IASB has concluded that proportionate consolidation is not an appropriate method of accounting for jointly controlled entities as it leads to the recognition of assets and liabilities not in accordance with the definitions in the Framework.

- **IFRS 9 – Financial Instruments**
  The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset and subsequently be measured at amortised cost or fair value.

- **IAS 24 – Related party transactions**
  IAS 24 provides a revised definition of a related party. The definition now includes joint ventures under joint common control.

- **IFRS 2 – Share based payments**
  IFRS 2 provides guidance on the treatment of employee options which are cancelled by the employer and requires that any unamortised cost be accelerated to the profit and loss in the period of cancellation.

- **IFRS 8 – Operating segments**
  IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker.

Improvement to IFRSs:

- **IAS 1 – Presentation of Financial statements**
  IAS 1 has extended the disclosure requirements in respect of puttable financial instruments.

- **IAS 7 – Statement of cash flows**
  Proposed amendments to the classification of expenditures on unrecognised assets.

- **IAS 17 – Leases**
  Discussion of lessee and lessor accounting for optional lease terms, contingent rentals and the scope of a new standard on lease accounting.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

- **IAS 18 – Revenue**
  Additional guidance for determining whether an entity is acting as a 'principal' or 'agent' in determining revenue.

- **IAS 36 – Impairment of assets**
  Amendments for establishing the unit of accounting for impairment testing of goodwill.

- **IAS 38 – Intangible assets**
  Additional guidance for measuring the fair value of intangibles acquired as part of a business combination.

- **IAS 39 – Financial instruments**
  Recognition and measurement on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be reassessed and, if necessary, separately accounted for in financial statements.

IFRIC amendments:

- **IFRIC 16 – Hedges of a Net Investment in a Foreign Operation**
  The interpretation provides guidance on identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation.

- **IFRIC 17 – Distributions of Non-cash Assets to Owners**
  The interpretation clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.

- **IFRIC 18 – Transfers of assets from customers**
  The Interpretation provides guidance to entities that receive items of property, plant and equipment or cash to be used to construct or acquire items of property, plant and equipment in order to provide access to a supply of goods or services, or to connect the customer to a network, or both.

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 when the relevant standards and interpretations come into effect.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of Bond International Software plc and of its subsidiaries. Subsidiaries are all entities over which the group has the power to govern financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which the group takes control of a subsidiary.

The group adopts the purchase method in accounting for the acquisition of subsidiaries. On acquisition the cost is measured at the fair value of the assets given, plus equity instruments issued and liabilities incurred or assumed at the date of exchange, plus any costs directly attributable to the acquisition. The assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the date of acquisition. Any excess of the fair value of the consideration over the fair value of the identifiable net assets acquired is recorded as goodwill. Any deficiency of the fair value of the consideration below the fair value of identifiable net assets acquired is credited to the Consolidated Income Statement in the period of the acquisition.

The results of subsidiary undertakings acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries and associates to bring the accounting policies used into line with those used by the group. Inter-company transactions and balances between group companies are eliminated.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

Basis of consolidation (continued)

Joint ventures and associates

A joint venture is an entity over which the group holds an interest on a long term basis and which is jointly controlled by the group and one or more other venturers under a contractual agreement. An associate is an undertaking, not being a subsidiary, over which the group has significant influence and can participate in the financial and operating policy of that entity. The group's share of the results of joint ventures and associates is included in the Consolidated Income Statement using the equity method of accounting. Investments in joint ventures and associates are carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the group's share of net assets of the associate less any impairment in value. The carrying values of investments in associates include acquired goodwill. If the group's share of losses in an associate exceeds its investment in the associate, the group does not recognise further losses unless it has incurred obligations to do so or made payments on behalf of the associate.

Critical accounting estimates and judgements

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

Critical accounting estimates and judgements

The group makes estimates and assumptions concerning the future. Whilst the directors believe that the estimates and assumptions used in the preparation of the financial statements are reasonable, the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

i) Impairment of goodwill

The group tests annually whether the goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the use of estimates of future cash. Further information is set out in note 12.

ii) Computer software

The computation of the fair value of computer software acquired during the period is based on an estimate of the future cash flows arising from the ownership of those software products. Differences in the actual cash flows from those anticipated at the date of acquisition may give rise to impairment in the value of the software.

iii) Customer contracts and relationships

Similarly the computation of the fair value of customer contracts and relationships acquired is based on an estimate of future cash flows arising from those existing customers.

Revenue recognition

Revenue comprises the fair value of the 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 recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The amount is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results taking into account the type of customer, the type of transaction and the specifics of each arrangement.

i) Sale of software licences

The group sells licences to use its software products either on a perpetual royalty free basis or on a rental basis for a fixed period of time. Revenue arising from the sale of perpetual licences is recognised at the time of sale provided that all group's obligations associated with the sale of the licence have been fulfilled. Revenue from licences sold on a rental basis is recognised over the period for which the licences are rented.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

Revenue recognition (continued)

ii) Sales of services

The group sells consultancy, training, implementation and project management services to customers either separately to or in conjunction with the sale of licences. Revenue from the sale of services is recognised when those services have been provided.

iii) Annual contracts

The group enters into contracts to provide support services on an annual basis. Revenue from support agreements is recognised in equal instalments over the period of the agreements.

iv) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Foreign currencies

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in sterling which is the company's functional and presentational currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement.

The results and financial position of all the group entities (none of which has a currency of a hyperinflationary economy) that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of the borrowings and other equity instruments designated as hedges of such investments, are taken to shareholders' equity.

Segmental reporting

Financial information on operating segments that corresponds with information regularly reviewed by the Chief Operating Decision Maker (CODM) is disclosed in the accounts. Information on operating segments, which are components of the group that are engaged in providing related products, is presented. Geographical information presented is based on the location in which the subsidiary operates.

Operating profit before share of profit of joint ventures and amortisation of intangible assets

Operating profit before the share of results of joint ventures and amortisation of intangible assets, relates to the profit derived from the group's main trading activities.

Employee benefits

Pensions

Pension contributions are made for a number of directors and employees on a defined contribution basis. Contributions payable for the year are charged in the income statement. The group has no further payment obligations once the contributions have been paid.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

Employee benefits (continued)

Share based payments

The group operates a number of share option schemes which allow employees to acquire shares in the company. Where the company awards share options under these schemes, the fair value of options granted is calculated at the grant date using the Black Scholes Model and the resulting cost is charged to the Consolidated Income Statement over the vesting period during which the recipient becomes unconditionally entitled to exercise the option and credited to the equity option reserve. Further information is set out in note 27.

Borrowing costs

All borrowing costs are recognised in the Consolidated Income Statement in the period to which they relate.

Exceptional items

Items which are non-recurring and sufficiently material are presented separately within their relevant consolidated income statement category. The separate reporting helps provide a better understanding of the group's underlying business performance.

Dividends

Dividend payments are recognised as liabilities once they are no longer at the discretion of the company.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost.

Depreciation is provided at the following annual rates in order to write off each asset on a straight line basis over its estimated useful life. The rates in use are:

Freehold buildings	–	2% – 4%
Short leasehold	–	10% – 20%
Plant & equipment	–	10% – 25%
Motor vehicles	–	20% – 25%

Freehold land is not depreciated.

Assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Gains and losses on disposal and repairs and maintenance expenditure are charged to the Consolidated Income Statement in the period to which they relate.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired business at the date of acquisition. Separately identified goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units, or groups of cash-generating units, that are expected to benefit from the business combination in which the goodwill arose. The group allocates goodwill to each business segment in each country in which it operates.

Goodwill arising on the acquisition of overseas subsidiaries prior to the adoption of IFRS is recorded in sterling as permitted under the transition arrangements for adopting IFRS.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

Intangible assets (continued)

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives at rates of 20% to 33%.

Costs associated with the production of identifiable and unique software products, including the payroll costs of the development teams, are recognised as intangible assets when they meet the following criteria:

i) an asset is created that can be separately identified
ii) the technical feasibility of the product can be demonstrated
iii) it is probable that the product will generate future economic benefit
iv) the costs of the product can be reliably measured
v) the group has the necessary resources available to complete the development of the product

Computer software development costs capitalised as assets are amortised over their expected useful lives of either 5 or 10 years with amortisation commencing once the computer software is fully implemented and brought into use.

Customer contracts and customer lists

Customer contracts and customer lists acquired with subsidiaries are recognised at their fair value at the date of acquisition and amortised over eight years.

Impairment of intangible assets and property, plant & equipment

Intangible assets that have an indefinite life and are not subject to amortisation are tested annually for impairment. Other intangible assets and property, plant & equipment that are subject to amortisation or depreciation 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 carrying amount exceeds its recoverable amount. Any impairment losses are charged to the Consolidated Income Statement in the period in which they are identified. Where an asset does not generate cash flows that are independent of other assets, the assets are allocated to cash-generating units and the group tests the recoverable amount of the cash-generating unit to which the asset belongs.

Taxation

Income tax expense represents the aggregate of the current tax and deferred tax charges. The current tax charge is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the Consolidated Income Statement as it excludes items of income or expense that are taxable or deductible in other years or are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted at, or substantively enacted by, the balance sheet date.

Deferred taxation is provided in full using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates that have been enacted at, or substantively enacted by, the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Leases

Where an asset is acquired under a finance lease, the asset is capitalised and the corresponding liability to the finance company is included in liabilities. Depreciation on assets held under finance leases is provided in accordance with the accounting policy for depreciating property, plant & equipment. Finance lease payments are treated as consisting of capital and interest elements and the interest is charged to the Consolidated Income Statement on a geometric basis over the period of the agreement.

Rentals payable under operating leases are charged to the Consolidated Income Statement on a straight line basis over the period of the lease.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

Inventories

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term, highly liquid funds with original maturities of three months or less and bank overdrafts. Bank overdrafts repayable on demand are shown within borrowings in current liabilities on the balance sheet. Bank overdrafts not repayable on demand are shown within non current borrowings.

Cash held in the Strictly Education Limited and Bond International Software (UK) Limited client accounts is not included within cash and cash equivalents because it is held on behalf of third parties and is netted off against the corresponding liability to those clients.

Financial instruments

Financial assets and liabilities are recognised in the Consolidated Balance Sheet when the group becomes party to the contractual provisions of the instrument.

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 provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets carrying value and the estimated value of future cash flows. The carrying value of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within 'administrative expenses'. When a trade receivable is deemed to be uncollectible it is written off against the allowance amount for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the share premium account.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received net of any directly attributable transaction costs and the related income tax effects is included as equity attributable to the company's equity holders.

Trade and other payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.

Notes to the Consolidated Financial Statements (continued)

2. Financial risk management

(a) Financial risk factors

The group's activities expose the group to a variety of financial risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The group manages these risks through an effective risk management programme that seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by the central finance department under policies approved by the board of directors. An assessment of the risks is provided to the board at monthly board meetings and is discussed to ensure that risk management complies with group policy and that any new risks are identified and appropriately managed.

(b) Market risk

i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. As group companies trade principally in their functional currency, foreign exchange risk arises principally on net investments in foreign operations. Sensitivities of movements in foreign currencies have been considered by the directors and reasonable movements in exchange rates are not considered to have a material impact on group profits or equity in the future although the unusual movements of the last two years have had a material impact.

ii) Interest rate risk

The group currently has limited exposure to interest rate risk.

The interest rate profile of the group's financial assets and liabilities at 31 December 2009 was:

	Non interest bearing financial assets £000	Floating rate financial assets £000	Total £000
At 31 December 2009			
Cash and cash equivalents	1,392	–	1,392
Trade receivables	6,660	–	6,660
Other receivables	341	–	341
Accrued income	2,145	–	2,145
	10,538	**–**	**10,538**

The interest rate profile of the group's financial assets at 31 December 2008 was:

	Non interest bearing financial assets £000	Floating rate financial assets £000	Total £000
At 31 December 2008			
Cash and cash equivalents	2,024	–	2,024
Trade receivables	8,747	–	8,747
Other receivables	716	–	716
Accrued income	1,382	–	1,382
	12,869	**–**	**12,869**

Notes to the Consolidated Financial Statements (continued)

2. Financial Risk management (continued)

(b) Market risk (continued)

The benchmarks for interest rates on floating rate financial assets are bank base rates for the currencies in which those assets are held. Sensitivities of movements in interest rates have been considered by the directors and reasonably possible movements in interest rates are not considered to have a material impact on future group profits or equity.

The table below shows the group's financial liabilities split by those bearing interest at fixed and floating rates and those that are non-interest bearing. The group has a bank overdraft at a floating rate linked to LIBOR. The average balance on this overdraft during 2009 was £3,200,000 and a movement of 1% in interest rates based on this average balance would increase or reduce profit before tax by £32,000. All other borrowings at 31 December 2009 and 31 December 2008 were fixed rate financial instruments with no risk attached to future movements in interest rates.

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
At 31 December 2009				
Trade payables	–	–	1,207	1,207
Other taxation and social security	–	–	840	840
Other payables	–	–	202	202
Accruals	–	–	504	504
Bank loans and overdrafts	3,994	240	–	4,234
Obligations under finance leases	–	78	–	78
Other loans	–	39	–	39
	3,994	**357**	**2,753**	**7,104**

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
At 31 December 2008				
Trade payables	–	–	1,348	1,348
Other taxation and social security	–	–	1,240	1,240
Other payables	–	–	3	3
Accruals	–	–	1,563	1,563
Bank loans and overdrafts	2,426	248	–	2,674
Obligations under finance leases	–	57	–	57
Other loans	–	85	–	85
	2,426	**390**	**4,154**	**6,970**

Notes to the Consolidated Financial Statements (continued)

2. Financial Risk management (continued)

(c) Liquidity risk

The group closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments on a regular basis to ensure that it has sufficient funds to meet the obligations of the group as they fall due.

The Board receives regular debt management forecasts which estimate the cash inflows and outflows over the next eighteen months, so that management can ensure that sufficient financing is in place as it is required.

Detailed analysis of the debt facilities taken out and available to the group are disclosed in note 21.

Maturity analysis

The table below analyses the group's financial liabilities on a contractual gross undiscounted cash flow basis into maturity groupings based on periods outstanding at the balance sheet date up to the contractual maturity date.

	Less than 6 months £000	**Between 6 months and 1 year** £000	**Between 1 to 5 years** £000	**Over 5 years** £000	**Total** £000
At 31 December 2009					
Trade payables	1,207	–	–	–	1,207
Other taxation and social security	840	–	–	–	840
Other payables	202	–	–	–	202
Accruals	504	–	–	–	504
Bank loans and overdrafts	4,070	72	92	–	4,234
Obligations under finance leases	16	25	37	–	78
Other loans	13	14	12	–	39
	6,852	**111**	**141**	**–**	**7,104**

	Less than 6 months £000	**Between 6 months and 1 year** £000	**Between 1 to 5 years** £000	**Over 5 years** £000	**Total** £000
At 31 December 2008					
Trade and other payables	1,348	–	–	–	1,348
Other taxation and social security	1,240	–	–	–	1,240
Other payables	3	–	–	–	3
Accruals	1,563	–	–	–	1,563
Bank loans and overdrafts	52	54	2,568	–	2,674
Obligations under finance leases	19	14	24	–	57
Other loans	29	13	43	–	85
	4,254	**81**	**2,635**	**–**	**6,970**

The group would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as disclosed above through effective cash management. In addition, the group maintains a committed bank facility of £6,000,000 (2008: £6,000,000) which can be accessed as considered necessary. The facility in place at 31 December 2009 expired on 12 February 2010 but has been replaced by a new facility which expires in 2013.

Notes to the Consolidated Financial Statements (continued)

2. Financial Risk management (continued)

(d) Credit risk

Credit risk predominantly arises from trade receivables and cash and cash equivalents.

Credit exposure is managed on an operating company basis. Although external credit ratings are not obtained for customers, group policy is to assess the credit quality of each customer internally before accepting any terms of trade. Deposits are also required from customers before licences and/or services are provided. Failure to settle invoices can result in the cancellation of software licences and/or the withdrawal of software support.

For deposits with banks and financial institutions, only independently rated parties with a minimum of an AA rating are accepted.

The group's maximum exposure to credit risk relating to its financial assets is equivalent to their carrying value disclosed below. All financial assets have a fair value which is equal to their carrying value.

	2009 £000	2008 £000
Cash and cash equivalents	1,392	2,024
Trade receivables	6,660	8,747
Other receivables	341	716
Accrued income	2,145	1,382
	10,538	**12,869**

(e) Capital management

The group's main objective when managing capital is to protect returns to shareholders by ensuring the group will continue to trade in the foreseeable future. The group also aims to maximise its capital structure of net debt and equity so as to minimise its cost of capital. The group manages its capital with regard to the risks inherent in the business and the sector, the economic conditions and the strategic objectives of the business. To maintain or adjust the capital structure, the group may adjust the dividend payable to shareholders or issue new shares to raise funds.

The group considers its capital to include share capital, share premium, currency translation reserve, equity option reserve and retained earnings. Net debt comprises borrowings less cash and cash equivalents.

The group does not have any externally imposed capital requirements.

Notes to the Consolidated Financial Statements (continued)

3. Segmental reporting

(a) Business segment

For management purposes, the group is currently organised into four operating divisions – Recruitment software, HR and payroll software, outsourcing and web services. These divisions are the basis on which the group reports its segment information. The operating segments presented in the following tables are presented on the same basis as that used for internal reporting purposes to the Board, who are the Chief Operating Decision Makers (CODM).

The group measures the performance of its operating segments based on revenue and profit from operations, before any exceptional items. Accounting policies used for segment reporting reflect those used for the group. Inter-segment sales are priced on an arms-length basis. Costs and overheads incurred centrally are assigned to an unallocated segment.

The principal activities used to identify the segments for reporting are as follows:

Recruitment software:	Supply of specialist recruitment software
HR and payroll software:	Supply of integrated HR and payroll solutions
Outsourcing:	Outsourced HR, payroll and other services to schools in the state sector, and payroll bureau services to a variety of organisations in the state and private sectors.
Web services:	Supplier of digital service development to business-to-business media

Unallocated items comprise mainly corporate and head office items.

Notes to the Consolidated Financial Statements (continued)

3. Segmental reporting (continued)

(a) Business segment (continued)

Segment information about these businesses is presented below.

	Recruitment software £000	HR and payroll software £000	Outsourcing £000	Web services £000	Unallocated £000	Total Group £000
Year ended 31 December 2009						
Revenue						
Sales to external customers	18,170	5,410	4,661	4,296	–	32,537
Result						
Operating profit before share of profit of joint ventures and amortisation of intangible assets	2,264	1,299	545	570	(1,167)	3,511
Share of profit of joint ventures	–	–	87	–	–	87
Amortisation of intangible assets	(1,965)	(1,115)	(145)	(61)	–	(3,286)
Operating profit	299	184	487	509	(1,167)	312
Finance income						16
Finance costs						(111)
Profit before tax						217
Income tax expense						(46)
Profit for the year						171
Assets and liabilities						
Segment assets	25,757	11,312	5,060	4,000	569	46,698
Segment liabilities	(7,116)	(3,039)	(1,147)	(1,253)	(3,230)	(15,785)
Total net assets/(liabilities)	18,641	8,273	3,913	2,747	(2,661)	30,913
Other segment information						
Amount of investment in joint ventures	–	–	177	–	–	177
Revenues from transactions with other operating segments	–	100	256	81	–	437
Capital expenditure						
Property, plant & equipment	315	16	125	24	69	549
Intangible assets	3,368	72	–	233	–	3,673
Depreciation	329	36	59	56	42	522
Amortisation of intangible assets						
Development costs	1,903	23	–	61	–	1,987
Customers	7	589	145	–	–	741
Software	55	503	–	–	–	558

Notes to the Consolidated Financial Statements (continued)

3. Segmental reporting (continued)

(a) Business segment (continued)

	Recruitment software £000	HR and payroll software £000	Outsourcing £000	Web services £000	Unallocated £000	Total Group £000
Year ended 31 December 2008						
Revenue						
Sales to external customers	18,066	5,276	4,357	4,274	–	31,973
Result						
Operating profit before share of profit of joint ventures and amortisation of intangible assets	4,296	915	696	614	(1,105)	5,416
Share of profit of joint ventures	–	–	–	–	–	–
Amortisation of intangible assets	(1,417)	(867)	(145)	(147)	–	(2,576)
Operating profit	2,879	48	551	467	(1,105)	2,840
Finance income						81
Finance costs						(88)
Profit before tax						2,833
Income tax expense						(822)
Profit for the year						2,011
Assets and liabilities						
Segment assets	24,342	14,409	5,291	4,249	375	48,666
Segment liabilities	(7,910)	(5,334)	(897)	(1,851)	(1,166)	(17,158)
Total net assets/(liabilities)	16,432	9,075	4,394	2,398	(791)	31,508
Other segment information						
Revenues from transactions with other operating segments	–	37	480	273	–	790
Capital expenditure						
Property, plant & equipment	485	33	37	66	–	621
Intangible assets	2,788	–	–	–	–	2,788
Depreciation	348	31	43	54	–	476
Amortisation of intangible assets						
Development costs	1,355	–	–	38	–	1,393
Customers	6	475	145	–	–	626
Software	56	392	–	109	–	557

Notes to the Consolidated Financial Statements (continued)

3. Segmental reporting (continued)

(b) Revenue by income type:

	2009 £000	2008 £000
Sales		
Software sales & services	15,093	15,940
Hardware and other sales	53	307
	15,146	16,247
Recurring revenue		
Software support	11,361	10,228
Software rental income	2,323	2,270
Software as a service	3,707	3,228
	17,391	15,726
Total revenue	**32,537**	**31,973**

(c) Geographical areas

Further segmental information is provided in respect of the geographical region in which the subsidiary operates:

	United Kingdom £000	North America £000	Asia Pacific £000	Total Group £000
Year ended 31 December 2009				
Revenue				
Sales to external customers	24,271	7,370	896	32,537
Result				
Operating profit before share of profit of joint ventures and amortisation of intangible assets	3,282	444	(215)	3,511
Share of profit of joint ventures	87	–	–	87
Amortisation of intangible assets	(2,538)	(748)	–	(3,286)
Operating profit /(loss)	831	(304)	(215)	312
Finance income				16
Finance costs				(111)
Profit before tax				217
Income tax expense				(46)
Profit for the year				171
Assets and liabilities				
Segment assets	38,166	7,436	1,096	46,698
Segment liabilities	(13,942)	(1,447)	(396)	(15,785)
Total net assets	24,224	5,989	700	30,913

Notes to the Consolidated Financial Statements (continued)

3. Segmental reporting (continued)

(c) Geographical areas (continued)

	United Kingdom £000	North America £000	Asia Pacific £000	Total Group £000
Year ended 31 December 2008				
Revenue				
Sales to external customers	24,786	6,024	1,163	31,973
Result				
Operating profit before share of profit of joint ventures and amortisation of intangible assets	4,296	1,033	87	5,416
Share of profit of joint ventures	–	–	–	–
Amortisation of intangible assets	(2,090)	(486)	–	(2,576)
Operating profit	2,206	547	87	2,840
Finance income				81
Finance costs				(88)
Profit before tax				2,833
Income tax expense				(822)
Profit for the year				2,011
Assets and liabilities				
Segment assets	39,111	8,518	1,037	48,666
Segment liabilities	(14,856)	(1,897)	(405)	(17,158)
Total net assets	24,255	6,621	632	31,508

Major customer information

The group had no customers who accounted for more than 10% of the group's external revenue during the year (2008 – nil).

Notes to the Consolidated Financial Statements (continued)

4. Analysis of expenses

	2009 £000	2008 £000
The operating profit stated after charging / (crediting):		
Depreciation of property, plant & equipment	522	476
Amortisation of internally generated development costs	1,987	1,393
Amortisation of other intangible assets	1,299	1,183
Loss on disposal of property, plant and equipment	–	31
Exchange losses/(gains)	199	(1,094)
Operating lease rentals		
– rent paid on land and buildings	1,093	542
– other (including motor vehicles)	305	245
Employee costs (see note 5)	19,092	17,668
Other expenses	7,815	8,689
Total of cost of sales, administrative and other operating costs	**32,312**	**29,133**

Auditor's remuneration

The total fees paid by the group in 2009 to Baker Tilly UK Audit LLP and its associates for work performed during the year in respect of audit, tax compliance and other services to the group and its subsidiary companies is shown below:

	2009 £000	2008 £000
Audit services:		
Statutory audit of parent and consolidated accounts	29	31
Other services:		
The auditing of the accounts of subsidiaries of the company pursuant to legislation	62	76
Other services supplied pursuant to such legislation	13	8
Tax services	33	25
	137	**140**

Notes to the Consolidated Financial Statements (continued)

5. Employees

	2009 £000	2008 £000
(a) The average number of employees (including directors) of the group during the year was:		
Development	144	128
Sales	88	76
Implementations	128	116
Support	65	72
Administration	61	64
	486	**456**

	2009 £000	2008 £000
(b) Staff costs:		
Wages and salaries	16,861	15,426
Employer's social security costs	1,672	1,581
Employer's pension costs	414	412
Share based payment expense	145	249
	19,092	**17,668**

Notes to the Consolidated Financial Statements (continued)

6. Key management compensation

The directors consider that key management comprises the directors of the company and their emoluments are set out below:

	Salary & bonus £000	Fees £000	Estimated benefits in kind £000	Total short term employment benefits £000	Post employment benefits £000	Share based payments £'000	2009 Total £000	2008 Total £000
J M Baldwin	35	–	–	35	–	–	35	55
R G Hall	–	38	–	38	–	–	38	48
B A Morrison	161	–	19	180	12	12	204	213
T Richards	203	–	24	227	8	–	235	303
S R Russell	331	–	46	377	71	–	448	537
	730	**38**	**89**	**857**	**91**	**12**	**960**	**1,156**

The social security cost in respect of the above was £98,000 (2008: £120,000)

Details of the highest paid director are included in the table above.

Post employment benefits comprise pension contributions made to money purchase schemes on behalf of directors.

Share based payments comprise the cost of share options calculated in accordance with IFRS2.

In addition the directors received dividends paid by the company of £109,000 (2008: £94,000).

The fees of R G Hall were paid to his consultancy business, Richard Hall Consultancy.

Three directors (2008: three) were accruing benefits under defined contribution pension arrangements during the year.

The following directors held options to subscribe for ordinary shares in the company:

	At 1 January 2009 Number	Exercised During year Number	At 31 December 2009 Number	Exercise price	Date from which Exercisable	Expiry Date
B A Morrison	75,000	–	75,000	49.5p	09.10.2006	08.10.2013
B A Morrison	55,150	–	55,150	114.0p	15.03.2009	14.03.2016
B A Morrison	19,850	–	19,850	114.0p	15.03.2009	14.03.2013

The mid market value of the company's ordinary shares was 63.5p at 31 December 2009 and the range during the year was 32.0p to 91.5p.

Notes to the Consolidated Financial Statements (continued)

7. Finance income and costs

	2009 £000	2008 £000
Finance income		
Bank interest receivable and similar income on cash and cash equivalents	14	30
Other interest receivable	2	51
Total finance income	**16**	**81**
Finance costs		
Interest on short term bank loans and overdrafts repayable within five years	89	41
Interest on other short term loans repayable within five years	–	6
Finance charges payable under finance leases	9	9
Other interest	13	32
Total finance costs	**111**	**88**

8. Income tax expense

	2009 £000	2008 £000
Current tax expense		
UK Corporation tax	258	843
Foreign tax	2	36
Adjustment in respect of prior years	(1)	(242)
Total current tax	259	637
Deferred tax expense		
Origination and reversal of temporary differences	(404)	257
Tax losses	191	(72)
	(213)	185
Total taxation reported in the consolidated financial statements	**46**	**822**

Notes to the Consolidated Financial Statements (continued)

8. Income tax expense (continued)

Reconciliation of effective tax rate

The tax charge for the year is lower (2008: higher) than the standard rate of corporation tax in the UK of 28% (2008: 28.5%). The differences are explained below:

	2009 £000	2008 £000
Profit on ordinary activities before taxation	217	2,833
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2008: 28.5%)	61	807
Effects of:		
– Expenses not deductible for corporation tax purposes	24	167
– Differences in overseas taxation rates	(79)	20
– Share options	41	70
– Over provision in prior years	(1)	(242)
Total taxation reported in the consolidated financial statements	**46**	**822**
Effective tax rate	21.2%	29.0%

9. Earnings per share

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year adjusted for the effects of potentially dilutive share options.

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

	2009 Basic	2009 Potentially dilutive share options	2009 Diluted	2008 Basic	2008 Potentially dilutive share options	2008 Diluted
Earnings:						
Profit after tax (£'000)	171	–	171	2,011	–	2,011
Weighted average number of shares (000's)	33,017	18	33,035	32,971	310	33,281
Earnings per share (pence)	0.52	–	0.52	6.10	(0.06)	6.04

Options over 1,416,336 shares (2008:1,095,774 shares) are antidilutive because the exercise price is less than the average share price in the year and have not been included in the calculation of diluted earnings per share.

Notes to the Consolidated Financial Statements (continued)

9. Earnings per share (continued)

The Chairman's Statement discusses a comparison between the earnings per share adjusted for the impact of the amortisation of certain intangible assets and the share based payment expense for the periods covered by this annual report. The adjusted earnings per share are based on adjusted profit calculated as follows:

	2009 £000	2008 £000
Profit for the year	171	2,011
Adjustments:		
Amortisation of intangible assets arising on acquisitions	1,299	1,183
Share based payment expense	145	249
Taxation effect	(364)	(331)
Adjusted profit	1,251	3,112
Adjusted earnings per share		
Basic	3.79p	9.44p
Diluted	3.79p	9.35p

10. Dividends

	2009 £000	2008 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend paid in the year ended 31 December 2009 of 1.6p per share (2008: 1.6p per share)	528	528
Proposed final dividend for the year ended 31 December 2009 of 0.8p per share (2008: 1.6p per share)	265	528

The proposed final dividend was approved by the Board of Directors on 13 April 2010 and is payable to all shareholders on the Register of Members on 9 July 2010 and is subject to the approval of shareholders at the Annual General Meeting. In accordance with IAS10 'Events after the balance sheet date', the proposed final dividend has not been included as a liability in these financial statements.

Notes to the Consolidated Financial Statements (continued)

11. Financial instruments recognised in the Consolidated Balance Sheet

	2009 £000	2008 £000
Current financial assets		
Cash and cash equivalents	1,392	2,024
Trade receivables	6,660	8,747
Other receivables	341	716
Accrued income	2,145	1,382
Total	**10,538**	**12,869**

	2009 £000	2008 £000
Current financial liabilities		
Trade and other payables	1,207	1,348
Other taxation and social security	840	1,240
Other payables	202	3
Accruals	504	1,563
Bank loans and overdrafts	4,142	106
Obligations under finance leases	41	33
Other loans	27	42
	6,963	4,335
Non-current financial liabilities		
Bank loans and overdrafts	92	2,568
Obligations under finance leases	37	24
Other loans	12	43
	141	2,635
Total	**7,104**	**6,970**

Notes to the Consolidated Financial Statements (continued)

12. Goodwill

	£000
Cost at 1 January 2008	13,908
Foreign currency translation	56
Acquisitions through business combinations	34
Cost at 31 December 2008	13,998
Foreign currency translation	(21)
Acquisitions through business combinations	26
Cost at 31 December 2009	**14,003**
Carrying value at 31 December 2009	**14,003**
Carrying value at 31 December 2008	13,998

Impairment test for cash-generating assets containing goodwill

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis or more frequently if there are indications that the value of the goodwill might be impaired. Goodwill acquired on a business combination is allocated to groups of cash generating units according to the level of management that monitor goodwill.

At the balance sheet date an impairment test has been undertaken by comparing the carrying values of goodwill with the recoverable amount of the cash generating unit to which the goodwill has been allocated. The recoverable amount of a CGU is based on value-in-use calculations. These calculations use pre-tax cash flow projections covering a five year period based on financial budgets approved by management. Cash flows beyond the five years are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations are those regarding growth rates, increases in costs and discount rates. Management estimate discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the cash-generating units. Growth rates and increases in costs are based on past experience and expectations of future changes in the market. The discount rate used to calculate value in use is 12% (2008: 12%). Given the current economic climate, a sensitivity analysis has been performed in calculating the recoverable amounts of goodwill. In the case of eEmpACT Software Inc it is reasonably possible that a change in key assumptions would cause the goodwill to exceed its value in use. At 31 December 2009 there was headroom of £500,000 incorporating a growth rate of 3% in 2010 and a long term growth rate of 5% assuming the markets improve. A reduction of 0.5% in the growth rate would cause goodwill to exceed its value in use. In the case of both EZaccess and eEmpACT Software Inc, the value of goodwill is sensitive to the discount rate of 12%. An increase of 0.5% and 2% in the discount rate would cause goodwill in EZaccess and eEmpACT Software Inc respectively to exceed its value in use.

Notes to the Consolidated Financial Statements (continued)

12. Goodwill (continued)

Goodwill is allocated to the group's cash-generating units ("CGU") identified by segment:

	2009 £000	2008 £000
Unit:		
Bond International Software Pty Limited	32	32
EZaccess	2,395	2,416
eEmpACT Software Inc	2,474	2,474
Gowi Group Limited	7,139	7,139
Strictly Education Limited	1,903	1,903
Team Spirit Software	60	34
	14,003	**13,998**

Notes to the Consolidated Financial Statements (continued)

13. Intangible assets

	Software £000	Customers contracts and relationships acquired £000	Internally generated development costs £000	Total £000
Cost				
At 1 January 2008	4,473	4,088	8,282	16,843
Foreign currency translation	15	16	1,106	1,137
Additions	38	–	2,750	2,788
Acquisitions through business combinations	18	1,830	–	1,848
Disposals	(5)	–	–	(5)
At 31 December 2008	4,539	5,934	12,138	22,611
Foreign currency translation	(6)	(6)	(456)	(468)
Additions	6	–	3,667	3,673
At 31 December 2009	**4,539**	**5,928**	**15,349**	**25,816**
Amortisation				
At 1 January 2008	786	480	1,524	2,790
Foreign currency translation	6	2	456	464
Charge for the year	557	626	1,393	2,576
Disposals	(5)	–	–	(5)
At 31 December 2008	1,344	1,108	3,373	5,825
Foreign currency translation	(4)	(1)	(209)	(214)
Charge for the year	558	741	1,987	3,286
At 31 December 2009	**1,898**	**1,848**	**5,151**	**8,897**
Net book value				
At 31 December 2009	**2,641**	**4,080**	**10,198**	**16,919**
At 31 December 2008	3,195	4,826	8,765	16,786

The capitalised product development cost relates to costs incurred on specific product development programmes.

The remaining amortisation periods for software are between 6 and 7 years, customer contracts between 6 and 8 years and internally generated development costs up to 10 years. The total charge for the amortisation of intangible fixed assets for the year is shown on the face of the income statement.

Notes to the Consolidated Financial Statements (continued)

14. Property, plant and equipment

	Freehold land & buildings £000	Short leasehold £000	Plant & equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2008	1,747	65	2,598	323	4,733
Foreign currency translation	–	7	186	5	198
Additions	83	7	435	97	622
Acquisition through business combinations	–	–	31	–	31
Disposals	–	–	(227)	(113)	(340)
At 31 December 2008	1,830	79	3,023	312	5,244
Foreign currency translation	–	1	(62)	13	(48)
Additions	69	53	427	–	549
Disposals	–	–	–	(5)	(5)
At 31 December 2009	**1,899**	**133**	**3,388**	**320**	**5,740**
Depreciation					
At 1 January 2008	150	7	1,487	205	1,849
Foreign currency translation	–	–	99	3	102
Charge for the year	20	14	401	41	476
Disposals	–	–	(214)	(44)	(258)
At 31 December 2008	170	21	1,773	205	2,169
Foreign currency translation	–	2	(31)	6	(23)
Charge for the year	23	17	455	27	522
Disposals	–	–	–	(1)	(1)
At 31 December 2009	**193**	**40**	**2,197**	**237**	**2,667**
Net book value					
31 December 2009	**1,706**	**93**	**1,191**	**83**	**3,073**
31 December 2008	1,660	58	1,250	107	3,075

Depreciation is included within administrative expenses in the consolidated income statement.

Notes to the Consolidated Financial Statements (continued)

14. Property, plant and equipment (continued)

The details shown on page 56 include the following amounts relating to assets that are held under finance leases:

	Freehold land & buildings £000	Short leasehold £000	Plant & equipment £000	Motor vehicles £000	Total £000
At 31 December 2009					
Cost	–	–	234	48	282
Accumulated depreciation	–	–	(145)	(16)	(161)
Net book value	**–**	**–**	**89**	**32**	**121**

	Freehold land & buildings £000	Short leasehold £000	Plant & equipment £000	Motor vehicles £000	Total £000
At 31 December 2008					
Cost	–	–	183	48	231
Accumulated depreciation	–	–	(117)	(7)	(124)
Net book value	–	–	66	41	107

Notes to the Consolidated Financial Statements (continued)

15. Group entities

Significant subsidiaries

The group consolidates its subsidiary undertakings; the principal subsidiaries are:

Company	Class of shares	Percentage of voting rights held at 31 December 2009	Country of incorporation	Activities during the year
Bond International Software (UK) Limited	Ordinary	100	Northern Ireland	Provision of computer systems for the staffing and related industries
Bond International Software Pty Limited	Ordinary	100	Australia	Provision of computer systems for the staffing and related industries
Bond International Software Inc	Common	100	USA	Provision of computer systems for the staffing and related industries
Bond International (US) LLC	Common	100	USA	Provision of computer systems for the staffing and related industries
Bond International Holdings Inc	Common	100	USA	Intermediate holding company
PDI Holdings Inc	Common	100	USA	Intermediate holding company
eEmpACT Software Inc	Common	100	USA	Provision of computer systems for the staffing and related industries
Bond International Software China Limited	Ordinary	100	Hong Kong	Provision of computer systems for the staffing and related industries
Bond International-Japan K.K	Ordinary	100	Japan	Provision of computer systems for the staffing and related industries
Abacus Software Limited	Ordinary	100	England	Provision of computer systems
Strictly Education Limited	Ordinary	100	England	Provision of outsourced HR, payroll, property and financial services

The following subsidiaries are held directly by the company and the rest are held indirectly:

Bond International Software (UK) Limited
Bond International Holdings Inc
Bond International Software China Limited
Bond International-Japan K.K.
Gowi Group Limited
Bond International Software (HR) Limited
Strictly Education Limited

Bond International Software (UK) Limited is based in England. All other principal subsidiaries operate in their country of incorporation.

The accounting period ends of the subsidiary companies are all 31 December.

There are no significant restrictions on the ability of subsidiary undertakings to transfer funds to the parent, other than those imposed by the Companies Act 2006.

Notes to the Consolidated Financial Statements (continued)

16. Interest in joint ventures

	£000
Cost at 1 January 2009	–
Addition	90
Share of profit of joint ventures	87
Cost at 31 December 2009	**177**
Carrying value at 31 December 2009	**177**
Carrying value at 31 December 2008	–

The group's interest in joint ventures comprises a non-controlling 50% interest in Strictly Education Solutions Limited, a company providing outsourced services to schools in the London area. Under the terms of the joint venture agreement between the group and the third party owning the other 50% share, profits are divided in accordance with the different activities of Strictly Education Solutions Limited. The assets and liabilities of the joint venture are not readily separable due to the conditions of the arrangements in place and therefore no separate analysis of the assets and liabilities of the joint venture attributable to the group have been disclosed. The group's share of revenues of Strictly Education Solutions Limited in the year ended 31 December 2009 was £1,289,000 and associated costs in the same period were £1,202,000.

17. Inventories

	2009 £000	2008 £000
Goods held for resale	59	61

The cost of inventories recognised as an expense and included in cost of sales amounted to £172,000 (2008: £208,000).

18. Trade and other receivables

	2009 £000	2008 £000
Trade receivables	6,660	8,747
Other receivables	341	716
Prepayments and accrued income	3,131	2,102
	10,132	**11,565**

At 31 December 2009 trade debtors of £149,000 are due to paid after more than one year as a result of financing arrangements entered into with the customers concerned. All other trade and other receivables are recoverable within one year. The fair values of trade and other receivables do not differ from the values at which trade and other receivables are carried in the financial statements.

The average credit period in the year taken on sale of services is 62 days (2008: 84 days).

At 31 December 2009 trade receivables of £778,000 (2008: £587,000) were impaired. The amount of provision was £598,000 as of 31 December 2009 (2008: £325,000). The individually impaired receivables relate mainly to disputes arising on contracts. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2009 £000	2008 £000
1 to 3 months	29	45
3 to 6 months	193	106
Over 6 months	556	436
	778	**587**

Notes to the Consolidated Financial Statements (continued)

18. Trade and other receivables (continued)

At 31 December 2009 trade receivables of £3,765,000 (2008: £4,642,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2009 £000	2008 £000
1 to 3 months	1,856	3,547
3 to 6 months	757	730
Over 6 months	1,152	365
	3,765	**4,642**

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

	2009 £000	2008 £000
At 1 January	325	251
Provision for receivables impairment	508	372
Receivables written off during the year as uncollectible	(214)	(276)
Unused amounts reversed	(3)	(22)
Foreign currency differences	(18)	–
At 31 December	**598**	**325**

The amounts of trade and other receivables shown above were denominated in the following currencies:

	2009 £000	2008 £000
Sterling	8,841	10,169
US dollars	1,027	1,166
Australian dollars	208	189
Hong Kong dollars	53	41
Japanese Yen	3	–
	10,132	**11,565**

19. Cash and cash equivalents

	2009 £000	2008 £000
Cash at bank and in hand	**1,392**	**2,024**

As part of the outsourced payroll service provided by group companies, the group receives funds from clients to settle their payroll liabilities. These amounts are kept in a separate bank account which is under the control of the group but does not form part of these financial statements. At 31 December 2009 the amount of cash held in the account on behalf of clients was £13,566,000 (2008: £10,811,000).

Notes to the Consolidated Financial Statements (continued)

20. Share capital

	2009 Number	2009 Ordinary shares of 1p each £000	2008 Number	2008 Ordinary shares of 1p each £000
Authorised:				
At 1 January 2009	100,000,000	1,000	100,000,000	1,000
Authorised during the year	–	–	–	–
At 31 December 2009	**100,000,000**	**1,000**	**100,000,000**	**1,000**
Allotted, called up and fully paid:				
At 1 January 2009	33,008,596	330	32,790,874	328
Issued during the year – acquisition	–	–	119,472	1
Issued during the year – share options	70,000	1	98,250	1
At 31 December 2009	**33,078,596**	**331**	**33,008,596**	**330**

During the financial year 70,000 shares (2008: 98,250 shares) of 1p were issued in relation to share options for an aggregate consideration of £28,000 (2008:£76,000).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the company.

21. Borrowings

	2009 £000	2008 £000
Current		
Bank borrowings	4,142	106
Other borrowings	27	42
Obligations under finance leases (note 26)	41	33
	4,210	**181**
Non current		
Bank borrowings	92	2,568
Other borrowings	12	43
Obligations under finance leases (note 26)	37	24
	141	**2,635**
Total borrowings	**4,351**	**2,816**

Notes to the Consolidated Financial Statements (continued)

21. Borrowings (continued)

The directors consider that the fair value of borrowings approximates to the carrying value.

The group had two bank loans at 31 December 2009 with a balance of £235,000 (2008: £248,000) and bearing an interest rate of 6.96%. The group also had a secured bank overdraft facility of £6,000,000 of which £3,994,000 was drawn down at 31 December 2009 (2008: £2,426,000). Due to the trading performance the group fell marginally short of one of the terms of the facility at 31 December 2009 but the facility was renewed in April 2010 for a period of three years.

Total borrowings include secured liabilities (bank and collateralised borrowings) of £4,351,000 (2008: £2,816,000). Bank borrowings are secured on the company's freehold land and buildings which have a carrying value in the financial statements of £1,706,000 (2008: £1,660,000), and by cross guarantees and debentures between the company and its UK subsidiaries. Other borrowings and finance lease obligations are secured on the assets which the borrowings were used to acquire. Obligations under finance leases are secured on the related property, plant & equipment as shown in note 14.

The bank overdraft is subject to floating interest rates based on LIBOR. The group's other borrowings are subject to fixed interest rates. The weighted average interest rate on the borrowings which are subject to fixed interest rates is 6.96% (2008: 6.96%).

The fair value of non-current borrowings and current borrowings approximates to their carrying amounts.

The terms of repayment of non-current borrowings (excluding obligations under finance leases) are:

	2009 £000	2008 £000
Payable between one and two years	104	2,569
Payable between two and five years	–	42
Payable after more than five years	–	–
	104	**2,611**

Borrowings (excluding obligations under finance leases) were denominated in the following currencies:

	2009 £000	2008 £000
Sterling	4,137	2,674
US dollars	136	85
	4,273	**2,759**

Borrowing facilities

The group had the following undrawn committed facilities available at 31 December 2009, in respect of which all conditions precedent had been met at that date:

	2009 £000	2008 £000
Expiring between two and five years	**2,006**	**3,574**

All facilities incur commitment fees at market rates and would provide funding at floating rates.

Notes to the Consolidated Financial Statements (continued)

22. Deferred income tax

	Accelerated tax depreciation £000	Other timing differences £000	Tax losses carried forward £000	Share based payment expense £000	Total £000
At 1 January 2008	(2,589)	–	456	49	(2,084)
Charge to the income statement	(216)	8	72	(49)	(185)
Foreign exchange differences	(85)	–	146	–	61
At 1 January 2009	(2,890)	8	674	–	(2,208)
Charged to the income statement	391	2	(191)	11	213
Foreign exchange differences	(2)	–	(51)	–	(53)
At 31 December 2009	**(2,501)**	**10**	**432**	**11**	**(2,048)**

The following is the analysis of deferred tax balances for financial reporting purposes:

	Accelerated tax depreciation £000	Other timing differences £000	Tax losses carried forward £000	Share based payment expense £000	Total £000
2009					
Deferred tax assets	490	10	432	11	943
Deferred tax liabilities	(2,991)	–	–	–	(2,991)
	(2,501)	**10**	**432**	**11**	**(2,048)**
2008					
Deferred tax assets	475	8	674	–	1,157
Deferred tax liabilities	(3,365)	–	–	–	(3,365)
	(2,890)	**8**	**674**	**–**	**(2,208)**

Included within deferred tax assets are amounts of £158,000 which are expected to unwind within one year. Included within deferred tax liabilities are amounts of £48,000 which are expected to unwind within one year.

The deferred tax assets in respect of tax losses are recognised in the accounts due to the expectation of future profits sufficient to relieve them.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries because the earnings are continually reinvested by the group and no tax is expected to be payable on them in the foreseeable future. The temporary difference unrecognised at the year end amounted to £nil (2008: £nil).

Unrecognised deferred tax assets

The group has deferred tax assets not included in the financial statements as recovery is uncertain. These are recoverable against future profits and are as follows (calculated at the applicable rates):

	2009 £000	2008 £000
Tax losses carried forward	480	532
Future tax allowances on non-current assets	213	237
	693	**769**

Notes to the Consolidated Financial Statements (continued)

23. Trade and other payables

	2009 £000	2008 £000
Trade payables	1,207	1,348
Other taxation and social security	840	1,240
Other payables	202	3
Accruals and deferred income	6,115	7,671
	8,364	**10,262**

The directors consider that the fair value of trade and other payables approximates to their fair value.

The average credit period taken during the year was 32 days (2008: 45).

The amounts of trade and other payables shown above were denominated in the following currencies:

	2009 £000	2008 £000
Sterling	6,807	8,829
US dollars	1,161	1,194
Australian dollars	381	231
Hong Kong dollars	15	8
	8,364	**10,262**

24. Related party transactions

The company has a related party relationship with its subsidiary companies, a joint venture, Strictly Education Solutions Limited, and with its directors.

Transactions between the company and its subsidiaries, a list of which is set out in note 15, have been eliminated on consolidation and are not disclosed in this note.

The company has made a loan of £90,000 to Strictly Education Solutions Limited to fund that company's short term working capital requirements and that loan remained unpaid at the year end.

Details of key management compensation are set out in note 6. The company has entered into a consultancy agreement with Richard Hall Consultancy for the services of R G Hall as a non-executive director. Mr Hall owns 100% of Richard Hall Consultancy. The agreement may be terminated by either party on three months' notice. The fees payable in respect of R G Hall's services as a non-executive director were paid to Richard Hall Consultancy.

During the year there were no material transactions or balances between the group and directors other than remuneration paid in accordance with the terms of each director's service contract, the details of which are set out in the remuneration report, and dividends paid to directors in respect of the equity shares they own, as set out in note 6.

Notes to the Consolidated Financial Statements (continued)

25. Reconciliation of profit before tax to net cash flow from operations

	2009 £000	2008 £000
Profit before tax	217	2,833
Adjustments for:		
Depreciation of property, plant & equipment	522	476
Amortisation of intangible assets	3,286	2,576
Loss on sale of property, plant & equipment	–	31
Share based payment expense	145	249
Share of profit from joint ventures	(87)	–
Finance income	(16)	(81)
Finance costs	111	88
Operating cash flow before movements in working capital	4,178	6,172
Decrease in inventories	2	5
Decrease/(increase) in trade and other receivables	975	(2,579)
Decrease in trade and other payables	(1,848)	(435)
Cash generated from operations	**3,307**	**3,163**

26. Leases

(a) Obligations under finance leases

	Present value of minimum lease payments		Minimum lease payments	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts payable under finance leases				
Within one year	48	37	41	33
Between two and five years	38	26	37	24
	86	63	78	57
Less future finance charges	(8)	(6)		
Present value of finance lease obligations	78	57		
Analysed as:				
Current borrowings (note 21)	41	33		
Non-current borrowings (note 21)	37	24		
	78	**57**		

It is the group's policy to use finance leases to acquire certain plant & equipment. The average lease term is 3-4 years. For the year ended 31 December 2009 the average effective borrowing rate was 9.26% (2008: 9.12%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Notes to the Consolidated Financial Statements (continued)

26. Leases (continued)

The fair value of finance lease obligations approximates to their carrying value.

The group's obligations under finance leases are secured by the lessor's charge over the lease assets. The net book value of secured assets is disclosed in note 14.

The amounts shown as finance lease obligations are denominated in the following currencies:

	2009 £000	2008 £000
Sterling	21	36
US dollars	57	21
	78	**57**

(b) Operating lease commitments

The group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The group also leases various plant & machinery under non-cancellable operating lease agreements.

The lease expenditure charged to the income statement is disclosed in note 4.

The total value of future minimum lease payments under non-cancellable operating leases for each of the following periods is:

	2009 £000	2008 £000
Not later than one year	962	827
Later than one year and not later than five years	1,789	1,225
Later than five years	689	150
	3,440	**2,202**

27. Share based payments

The company's share based payment schemes comprise various share option schemes designed to reward and motivate the group's employees.

The company has taken advantage of the transitional provisions which permit the company to only apply the Standard to share options that were granted after 7 November 2002 and had not vested at 1 January 2006.

The company had four share option schemes in operation during the year to which the Standard applies, all of which are equity-settled schemes:

(i) The Enterprise Management Incentive Scheme 2002 was adopted on 20 June 2002. This discretionary scheme permits the grant of options to all eligible employees of the group. The options are normally exercisable between three and ten years from the date of grant.

(ii) The 1997 Approved Scheme was established by resolution of shareholders on 18 December 1997. This scheme permits the grant of options to UK employees and the options are normally exercisable between three and ten years from the date of grant. In accordance with the scheme rules the scheme expired on 18 December 2008 and no further grants can be made.

(iii) The Unapproved Share Option Scheme 1997 was established by resolution of shareholders on 18 December 1997. This scheme permits the grant of options to primarily non-UK employees, who are not eligible for options under the Enterprise Management Incentive Scheme 2002, on substantially the same basis as their UK counterparts. In accordance with the scheme rules the scheme expired on 18 December 2008 and no further grants can be made.

(iv) The 2008 Share Option Plan was established on 17 September 2008 as a discretionary scheme to grant options to all eligible employees of the group and to replace the Enterprise Management Scheme 2002 under which options can no longer be granted and the Unapproved Share Option Scheme 1997 which has now expired. No options have yet been granted under this scheme.

Notes to the Consolidated Financial Statements (continued)

27. Share based payments (continued)

The following tables reconcile the number of share options outstanding for the first three share option schemes referred to above and the weighted average exercise price ("WAEP").

For the year ended 31 December 2009

	Enterprise Management Incentive Scheme 2002		**Approved Share Option Scheme 1997**		**Unapproved Share Option Scheme 1997**	
	Options number	WAEP pence	Options number	WAEP pence	Options number	WAEP Pence
Outstanding at 1 January 2009	552,300	79.59	329,390	185.07	652,850	89.60
Granted	–	–	–	–	–	–
Lapsed	(4,000)	(116.50)	(17,000)	(188.50)	(13,000)	(85.58)
Exercised	–	–	–	–	(70,000)	(40.00)
At 31 December 2009	548,300	79.32	312,390	186.29	569,850	95.78
Exercisable at 31 December 2009	548,300	79.32	6,000	73.25	498,850	85.27
Exercise price range		13.5 – 140.5		70.5 – 76.0		40.0 – 110.0
Weighted average fair value of options granted not yet exercised		46.45		99.35		54.17
Weighted average share price at date of exercise for options exercised		–		–		40.00
Weighted average remaining contractual life (years)		3.3		1.2		1.1

For the year ended 31 December 2008

	Enterprise Management Incentive Scheme 2002		**Approved Share Option Scheme 1997**		**Unapproved Share Option Scheme 1997**	
	Options number	WAEP pence	Options number	WAEP pence	Options number	WAEP Pence
Outstanding at 1 January 2008	602,125	79.51	474,890	187.04	731,850	88.04
Granted	–	–	–	–	–	–
Lapsed	(14,575)	80.58	(145,500)	188.50	(16,000)	119.97
Exercised	(35,250)	77.94	–	–	(63,000)	63.81
At 31 December 2008	552,300	79.59	329,390	185.07	652,850	89.60
Exercisable at 31 December 2008	403,750	64.03	6,000	73.25	258,000	64.90
Exercise price range		13.5 – 108.0		70.5 – 76.0		40.0 – 108.0
Weighted average fair value of options granted not yet exercised		46.59		99.46		50.40
Weighted average share price at date of exercise for options exercised		133.00		–		107.60
Weighted average remaining contractual life (years)		5.5		2.2		2.6

Notes to the Consolidated Financial Statements (continued)

27. Share based payments (continued)

Options were valued using the Black-Scholes valuation model. There are no performance conditions attached to the share options. The fair value per option granted and the assumptions used in the calculation are as follows:

	Apr 2003	Sep 2003	Oct 2003	Apr 2004	Apr 2005	Sep 2005
Grant date						
Share price at grant date	13.5p	34.0p	49.5p	47.0p	86.0p	105.5p
Exercise price	13.5p	40.0p	49.5p	47.5p	86.0p	108.0p
Options granted	36,000	611,000	140,000	51,000	470,950	47,000
Vesting period (years)	3	3	3	3	3	3
Expected volatility*	59%	61%	64%	64%	64%	65%
Expected term (years)	6	6	6	6	6	6
Risk free rate	4.13%	4.48%	4.66%	4.92%	4.50%	4.23%
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value per option	£0.079	£0.193	£0.318	£0.295	£0.538	£0.654

	Mar 2006	Apr 2006	Jun 2006	Sep 2006	Oct 2007
Grant date					
Share price at grant date	114.0p	116.5p	109.0p	139.5p	188.5p
Exercise price	114.0p	116.5p	110.0p	140.0p	188.5p
Options granted	75,000	87,400	145,000	43,000	517,890
Vesting period (years)	3	3	3	3	3
Expected volatility*	61%	60%	59%	58%	55%
Expected term (years)	6	6	6	6	6
Risk free rate	4.37%	4.59%	4.75%	4.73%	5.00%
Expected dividends	0.88%	0.86%	0.92%	0.72%	0.74%
Fair value per option	£0.644	£0.653	£0.597	£0.775	£1.013

* The expected volatility is based on the actual volatility over the six year period prior to the date of each grant where such data exists. Certain awards do not have the full six years' worth of historical data available due to the company only listing in December 1997. For such grants the valuation has followed the guidance in International Financial Reporting Standard 2 which suggests that newly listed companies should consider using volatility commensurate with the trading period to date of grant.

On the basis of the above the share based payment expense for the year ended 31 December 2009 was £145,000 (2008: £249,000).

Notes to the Consolidated Financial Statements (continued)

28. Share options

At 31 December 2009 the company had outstanding options over 1,430,540 ordinary shares of 1p each (2008: 1,534,540). The movement during the year was:

Exercise Price	Exercisable between	At 1 January 2009	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2009
76.0p	05.09.2003 – 04.09.2010	3,000	–	–	–	3,000
70.5p	25.10.2005 – 24.10.2011	3,000	–	–	–	3,000
13.5p	22.04.2006 – 21.04.2013	23,000	–	–	–	23,000
40.0p	10.09.2006 – 09.09.2010	186,000	–	(70,000)	–	116,000
40.0p	10.09.2006 – 09.09.2013	97,000	–	–	–	97,000
49.5p	09.10.2006 – 08.10.2013	75,000	–	–	–	75,000
47.5p	29.04.2008 – 28.04.2011	6,000	–	–	(3,000)	3,000
47.5p	29.04.2008 – 28.04.2014	7,500	–	–	–	7,500
86.0p	30.04.2009 – 29.04.2012	200,000	–	–	(5,000)	195,000
86.0p	30.04.2009 – 29.04.2015	188,250	–	–	–	188,250
108.0p	23.09.2009 – 22.09.2012	12,000	–	–	(5,000)	7,000
108.0p	23.09.2009 – 22.09.2015	13,000	–	–	–	13,000
114.0p	13.03.2009 – 12.03.2013	19,850	–	–	–	19,850
114.0p	13.03.2009 – 12.03.2016	55,150	–	–	–	55,150
116.5p	21.04.2009 – 20.04.2013	41,000	–	–	–	41,000
116.5p	21.04.2009 – 20.04.2016	35,400	–	–	(4,000)	31,400
110.0p	15.06.2009 – 14.06.2013	130,000	–	–	–	130,000
110.0p	15.06.2009 – 14.06.2016	15,000	–	–	–	15,000
140.5p	05.09.2009 – 04.09.2016	43,000	–	–	–	43,000
188.5p	02.10.2010 – 01.10.2014	58,000	–	–	–	58,000
188.5p	02.10.2010 – 01.10.2017	323,390	–	–	(17,000)	306,390
		1,534,540	**–**	**(70,000)**	**(34,000)**	**1,430,540**

The mid market value of the company's ordinary shares was 63.5p at 31 December 2009 and the range during the year was 32.0p to 91.5p.

29. Post balance sheet events

The board has recommended a final dividend of 0.8 pence per share which, if approved at the Annual General Meeting, will be paid on 4 August 2010 to shareholders on the register at 9 July 2010. The impact of the dividend will be to reduce the group's and the company's distributable reserves by approximately £265,000.

Parent Company Balance Sheet

At 31 December 2009

Registered Number: 2142222

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Fixed assets					
Intangible assets	2	856		1,057	
Tangible assets	3	1,724		1,696	
Investments	4	18,740		14,443	
			21,320		17,196
Current assets					
Debtors	5	11,852		7,029	
Cash at bank and in hand		1		5	
		11,853		7,034	
Creditors:					
amounts falling due within one year	6	(6,572)		(4,441)	
Net current assets			5,281		2,593
Total assets less current liabilities			26,601		19,789
Creditors:					
amounts falling due after more than one year	7		(29)		(142)
Provisions for liabilities and charges	8		(18)		(18)
Net assets			**26,554**		**19,629**
Equity capital and reserves					
Called up share capital	9		331		330
Share premium account	10		17,906		17,879
Equity option reserve	10		757		640
Profit and loss account	10		7,560		780
Equity shareholders' funds			**26,554**		**19,629**

The financial statements were approved and authorised for issue by the board of directors on 5 May 2010.

Stephen Russell
Bruce Morrison
Directors

Notes to the Parent Company Financial Statements

1. Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under UK GAAP using the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

The directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented a profit and loss account for the company alone. The company made a profit after tax of £7,280,000 (2008: loss £1,094,000).

The company has also taken advantage of the exemption from the requirement to prepare a cash flow statement under FRS1 'Cash flow statements'. The cash flows of the company are included in the consolidated financial statements.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset on a straight line basis over its estimated useful life. The rates in use are:

Freehold buildings	–	2%
Office equipment	–	20%
Fixtures and fittings	–	10%
Motor vehicles	–	20%

Freehold land is not depreciated.

Pensions

Pension contributions are made for a number of directors and employees on a defined contribution basis. Contributions payable for the year are charged in the profit and loss account.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences between the profit computed for taxation purposes and the profit stated in the financial statements. Deferred tax assets are only included in the financial statements if recovery is more likely than not. Deferred taxation is measured on a non-discounted basis.

Leases and hire purchase transactions

Where an asset is acquired under a finance lease or hire purchase agreement, the asset is capitalised and the corresponding liability to the finance company is included in creditors. Depreciation on assets held under finance leases and being acquired under hire purchase agreements is provided in accordance with the policy above. Finance lease payments and hire purchase repayments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account on a geometric basis over the period of the agreement.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. Exchange differences are included in operating profit.

Goodwill

The excess of the cost of acquisition over the fair value of the underlying net assets acquired is written off through the profit and loss account over 10 years.

Notes to the Parent Company Financial Statements (continued)

1. Accounting Policies (continued)

Share based payments

The company operates a number of share option schemes which allow employees to acquire shares in the company. Where the company awards share options under these schemes, the fair value of options granted is calculated at the grant date using the Black Scholes Model and the resulting cost is charged to the profit and loss account over the vesting period during which the recipient becomes unconditionally entitled to exercise the option and credited to the Equity Option Reserve.

Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related Party Disclosures" and has not disclosed transactions with group undertakings.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2. Intangible assets

	Goodwill £000
Cost	
At 1 January 2009 and 31 December 2009	2,013
Amortisation	
At 1 January 2009	956
Charge for the year	201
At 31 December 2009	1,157
Net book value	
At 31 December 2009	**856**
At 31 December 2008	1,057

Notes to the Parent Company Financial Statements (continued)

3. Tangible fixed assets

	Freehold land & buildings £000	Office equipment £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2009	1,830	95	92	134	2,151
Additions	68	–	–	–	68
At 31 December 2009	1,898	95	92	134	2,219
Depreciation					
At 1 January 2009	170	83	81	121	455
Charge for the year	20	9	6	5	40
At 31 December 2009	190	92	87	126	495
Net book value					
At 31 December 2009	**1,708**	**3**	**5**	**8**	**1,724**
At 31 December 2008	1,660	12	11	13	1,696

There are no fixed assets held under finance leases.

4. Fixed asset investments

	Shares in group undertakings £000
Cost	
At 1 January 2009	14,443
Additions	4,297
At 31 December 2009	**18,740**

A list of the company's principal subsidiary undertakings is set out in note 15 to the consolidated financial statements. The additions arose from an internal re-organisation.

5. Debtors

	2009 £000	2008 £000
Amounts owed by subsidiary companies	11,665	6,939
Prepayments and accrued income	172	61
Other debtors	15	29
	11,852	**7,029**

Notes to the Parent Company Financial Statements (continued)

6. Creditors: amounts falling due within one year

	2009 £000	2008 £000
Bank overdrafts (note i)	4,835	2,875
Bank loans (note ii)	113	106
Trade creditors	156	58
Amounts owed to subsidiary companies	1,400	1,184
Other taxation and social security	22	15
Other creditors	2	–
Accruals	44	203
	6,572	**4,441**

i) On 13 April 2010 the company entered into an agreement with Barclays Bank for a CAS overdraft facility and revolving multicurrency credit facility the aggregate limit of which is £6,000,000 for net indebtedness across the company and its UK subsidiaries. The facility is secured by a legal mortgage over the company's freehold land and buildings and by cross guarantees between the company and its UK subsidiaries. The facilities expire on 13 April 2013 and interest is payable at LIBOR plus 3.19%. For the purposes of calculating the interest payable the company has a Composite Agreement in place which provides for the cash and overdraft balances around the group to be set off against each other.

ii) The group and the company had a bank loan at 31 December 2009 with a balance of £142,000 (2008: £248,000). The bank loan is repayable over 10 years from January 2001 and secured on the company's freehold land and buildings and by cross guarantees and debentures between the company and Bond International Software (UK) Limited. Interest is fixed at 6.96%.

7. Creditors: amounts falling due after more than one year

	2009 £000	2008 £000
Bank loans	**29**	**142**

Details of the bank loan are set out in note 6.

The terms of payment of creditors falling due after more than one year are:

	2009 £000	2008 £000
Within one to two years	29	113
Between two and five years	–	29
	29	**142**

8. Deferred tax

	Fixed asset timing differences £000	Tax losses £000	Share based payment £000	Total £000
At 1 January 2009	87	(69)	–	18
Charged to profit and loss account	5	–	(5)	–
At 31 December 2009	**92**	**(69)**	**(5)**	**18**

Notes to the Parent Company Financial Statements (continued)

9. Share capital

	2009		2008	
	Number	£000	Number	£000
Authorised:				
Ordinary shares of 1p each	100,000,000	1,000	100,000,000	1,000
Allotted, called up and fully paid:				
Ordinary shares of 1p each	33,078,596	331	33,008,596	330

Details of the changes to the issued share capital during the year are set out in note 20 to the consolidated financial statements.

Details of outstanding options over the company's shares and the movements during the year are set out in note 28 to the consolidated financial statements.

10. Reserves

	Share premium account £000	Equity option reserve £000	Profit and loss account £000	Total £000
At 1 January 2009	17,879	640	780	19,299
Issue of ordinary shares	27	–	–	27
Share based payment expense	–	145	–	145
Share options lapsed or exercised	–	(28)	28	–
Profit for the financial year	–	–	7,280	7,280
Dividend paid	–	–	(528)	(528)
31 December 2009	**17,906**	**757**	**7,560**	**26,223**

11. Reconciliation of shareholder's funds

	2009 £000	2008 £000
At 1 January 2009	19,629	19,621
Issue of ordinary shares	28	(259)
Share based payment expense	145	249
Profit for the financial year	7,280	28
Dividend paid	(528)	(528)
At 31 December 2009	**26,554**	**19,629**

12. Contingent liabilities

The company is party to a cross guarantee with its UK subsidiaries covering borrowings by those companies. At 31 December 2009 the maximum potential liability of the company under the terms of the guarantee was £nil (2008: £nil).

The company has a contingent liability in respect of UK Value Added Tax payable by its UK subsidiaries under a group registration. At 31 December 2009 the maximum potential liability was £473,000 (2008: £917,000).

The directors do not expect any loss to arise from these contingent liabilities.

Notes:

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