

Company number. 03851074

CLEARSPRINGS (MANAGEMENT) LIMITED
DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2008



Clearsprings (Management) Limited

Company Information

| | |
|--------------------------|--|
| Directors | G King J Vyvyan-Robinson MBE R Slatter |
| Secretary | R Slatter |
| Company Number | 03851074 |
| Registered Office | 26 Brook Road Brook Road Business Park Rayleigh SS6 7XJ |
| Auditors | Baker Tilly UK Audit LLP Marlborough House Victoria Road South Chelmsford CM1 1LN |
| Bankers | Barclays Bank plc PO Box 885 Cambridge CB24 9DE |

Clearsprings (Management) Limited

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Clearsprings (Management) Limited

Directors' Report for the year ended 31 January 2008

The directors present their report and the consolidated financial statements for the year ended 31 January 2008

Principal activities

The principal activity of the company continued to be that of the provision of support services (including accommodation) to vulnerable people

Review of the business

The directors are satisfied with the performance and development of the business during the year. Contracts were won from the Border and Immigration Agency to run Initial Accommodation facilities for asylum seekers in Wales, and with effect from April 2008, in London.

In June 2007, the company was awarded the Bail Accommodation and Support Service contract for the whole of England and Wales by the Ministry of Justice. The contract is for provision of accommodation and support to bailees and ex-prisoners released on home detention curfew.

The directors continue to work to diversify, in order to reduce risk, and to secure the long term development of the business.

The company monitors its financial performance through the following key performance indicators:

- Gross and net margin percentage
- Rent payable as a percentage of turnover
- Void bed spaces

Employee and environmental factors are monitored through the following:

- Staff retention ratio
- Sickness as a percentage of paid time
- Continued compliance with ISO 14001 and other third party accreditations

The company's principal financial instruments comprise bank balances, trade creditors and trade debtors, and mortgage debt. The purpose of these instruments is to raise funds for the company's operations and to finance the company's operations.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility. The company monitors the bank balance levels constantly and avoids using overdraft facilities. The company makes use of money market facilities when funds are available.

Trade debtors are managed in respect of credit and cash flow risks by policies concerning credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available.

Mortgage debt interest rate risk is managed through monitoring of market rates.

Clearsprings (Management) Limited

Directors' Report for the year ended 31 January 2008 (continued)

Results and dividends

The directors do not recommend payment of an ordinary dividend

Future developments

The company will seek to expand and renew contracts as appropriate. The company will seek to enter new contracts with other parties as long as it is in the interests of the company.

Post balance sheet events

On 31 March 2008 the company acquired 100% of the share capital of Systems Administrators Limited (Sysadmins) for £2 million. Sysadmins is a growing supplier of computer systems and software. The acquisition is part of the company's diversification strategy.

Directors

The following directors have held office during the year

G King
J Vyvyan-Robinson MBE
R Slatter

Charitable donations

| | 2008 | 2007 |
|---|-------------|-------------|
| | £ | £ |
| During the year the company made the following charitable donations | 1,840 | 1,481 |

Disabled employees

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses will be given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors Baker Tilly UK Audit LLP, who were appointed during the year, will be deemed to be reappointed for each succeeding financial year.

Clearsprings (Management) Limited

Directors' Report for the year ended 31 January 2008 (continued)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Statement as to disclosure of information to auditors

The directors in office on the date of approval of the financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are 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 to establish that it has been communicated to the auditor.

On behalf of the board



**J Vyvyan-Robinson
Director**

31st July 2008

**Independent Auditors' Report to the shareholders of
Clearsprings (Management) Limited**

We have audited the financial statements on pages 5 to 19

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 January 2008 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN

Baker Tilly UK Audit LLP

31/7/2008

Clearsprings (Management) Limited
Consolidated Profit and Loss Account
for the year ended 31 January 2008

| | | 2008 £ | 2007 £ |
|--|--------------|-------------------|-------------------|
| | Notes | | |
| Turnover | 2 | 29,470,948 | 26,709,697 |
| Cost of sales | | (22,817,423) | (21,553,273) |
| Gross profit | | 6,653,525 | 5,156,424 |
| Administrative expenses | | (4,482,331) | (4,022,556) |
| Operating profit | 3 | 2,171,194 | 1,133,868 |
| Other interest receivable and similar income | 4 | 61,733 | 95,896 |
| Interest payable and similar charges | 5 | (71,602) | (11,448) |
| Profit on ordinary activities before taxation | | 2,161,325 | 1,218,316 |
| Tax on profit on ordinary activities | 6 | (858,242) | (593,385) |
| Retained profit for the year | 16 | 1,303,083 | 624,931 |

There are no acquisitions or discontinued operations in the current or preceding year

There are no recognised gains or losses other than those passing through the profit and loss account

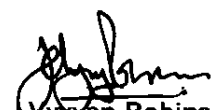
Clearsprings (Management) Limited

**Consolidated Balance Sheet
as at 31 January 2008**

| | | 2008 | 2007 |
|---|--------------|------------------|------------------|
| | | £ | £ |
| | Notes | | |
| Fixed assets | | | |
| Tangible assets | 7 | 3,944,505 | 3,332,764 |
| Current assets | | | |
| Stock | 9 | 92,271 | 49,421 |
| Debtors | 11 | 5,407,820 | 3,456,177 |
| Cash at bank and in hand | | 3,184,154 | 1,957,460 |
| | | <u>8,684,245</u> | <u>5,463,058</u> |
| Creditors amounts falling due within one year | 12 | (4,525,347) | (2,569,979) |
| Net current assets | | <u>4,158,898</u> | <u>2,893,079</u> |
| Total assets less current liabilities | | <u>8,103,403</u> | <u>6,225,843</u> |
| Creditors amounts falling due after more than one year | 12 | (937,740) | - |
| Provisions for liabilities | 13 | (536,638) | (900,000) |
| | | <u>6,629,025</u> | <u>5,325,843</u> |
| Capital and reserves | | | |
| Called up share capital | 15 | 100 | 1 |
| Revaluation reserve | 16 | 480,659 | 480,659 |
| Other reserves | 16 | 1 | 1 |
| Profit and loss account | 16 | <u>6,148,265</u> | <u>4,845,182</u> |
| Shareholders funds (equity interests) | 17 | <u>6,629,025</u> | <u>5,325,843</u> |

These financial statements were approved by the Board and authorised for issue on

31st JULY 2008


J. Ryan-Robinson
Director

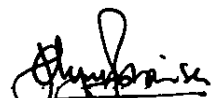
Clearsprings (Management) Limited

**Company Balance Sheet
as at 31 January 2008**

| | | 2008 | 2007 |
|---|--------------|--------------------|--------------------|
| | | £ | £ |
| | Notes | | |
| Fixed assets | | | |
| Tangible assets | 8 | 3,944,505 | 3,328,070 |
| Investments | 10 | <u>100</u> | <u>100</u> |
| | | 3,944,605 | 3,328,170 |
| Current assets | | | |
| Stock | 9 | 92,271 | 49,421 |
| Debtors | 11 | 5,408,044 | 3,432,229 |
| Cash at bank and in hand | | <u>3,155,971</u> | <u>1,931,455</u> |
| | | 8,656,286 | 5,413,105 |
| Creditors amounts falling due within one year | 12 | <u>(4,526,100)</u> | <u>(2,541,057)</u> |
| Net current assets | | <u>4,130,186</u> | <u>2,872,048</u> |
| Total assets less current liabilities | | 8,074,791 | 6,200,218 |
| Creditors amounts falling due after more than one year | 12 | (937,740) | - |
| Provisions for liabilities | 13 | (536,638) | (900,000) |
| | | <u>6,600,413</u> | <u>5,300,218</u> |
| Capital and reserves | | | |
| Called up share capital | 15 | 100 | 1 |
| Revaluation reserve | 16 | 480,659 | 480,659 |
| Other reserves | 16 | 1 | 1 |
| Profit and loss account | 16 | 6,119,653 | 4,819,557 |
| Shareholders funds (equity interests) | 17 | <u>6,600,413</u> | <u>5,300,218</u> |

These financial statements were approved by the Board and authorised for issue on

31st JULY 2008


J. van Robinson

Clearsprings (Management) Limited

**Consolidated Cash Flow Statement
as at 31 January 2008**

| | 2008 | 2007 |
|--|------------------|--------------------|
| | £ | £ |
| Net cash inflow from operating activities (note 1) | 1,695,560 | 4,404,131 |
| Returns on investments and servicing of finance | | |
| Interest received | 61,733 | 95,896 |
| Interest paid | (71,602) | (1,448) |
| Net cash (outflow)/inflow for returns on investments and servicing of finance | (9,869) | 94,448 |
| Taxation | (538,166) | (4,026,261) |
| Capital expenditure and financial investment | | |
| Payments to acquire tangible assets | (1,183,810) | (357,120) |
| Receipts from sales of tangible assets | 325,140 | 316,102 |
| Net cash outflow for capital expenditure | (858,670) | (41,018) |
| Net cash inflow before management of liquid resources and financing | 288,855 | 431,300 |
| Financing | | |
| Issue of share capital | 99 | - |
| Other new short term loans | 937,740 | - |
| Net cash inflow from financing | 937,839 | - |
| Increase in cash in the year | 1,226,694 | 431,300 |

Clearsprings (Management) Limited

**Notes to the Consolidated Cash Flow Statement
for the year ended 31 January 2008**

1

| | 2008 | 2007 |
|--|------------------|------------------|
| operating activities | £ | £ |
| Operating profit | 2,171,194 | 1,193,890 |
| Depreciation of tangible assets | 295,451 | 316,604 |
| Profit on disposal of tangible assets | (48,522) | (163,052) |
| (Increase)/decrease in stock | (42,850) | 25,413 |
| (Increase)/decrease in debtors | (1,984,392) | 11,096,719 |
| Increase/(decrease) in creditors within one year | 1,668,041 | (6,018,573) |
| Decrease in provisions for liabilities | (363,362) | (2,046,870) |
| Net cash inflow from operating activities | 1,695,560 | 4,404,131 |

2

| Analysis of net funds | 1 February 2007 | Cash flow | Other non-cash changes | 31 January 2008 |
|--------------------------|------------------|----------------|------------------------|------------------|
| | £ | £ | £ | £ |
| Cash at bank and in hand | 1,957,460 | 1,226,694 | - | 3,184,154 |
| Debt due after 1 year | - | (937,740) | - | (937,740) |
| Net funds | 1,957,460 | 288,954 | - | 2,246,414 |

3

| Reconciliation of net cash flow to movement in net funds | 2008 | 2007 |
|--|------------------|------------------|
| | £ | £ |
| Increase in cash in the year | 1,226,694 | 431,300 |
| New short term loan | (937,740) | - |
| Movement in net funds in the year | 288,954 | 431,300 |
| Opening net funds | 1,957,460 | 1,526,160 |
| Closing net funds | 2,246,414 | 1,957,460 |

Clearsprings (Management) Limited

Notes to the Consolidated Financial Statements for the year ended 31 January 2008

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of investment properties

1.2 Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards

1.3 Turnover

Turnover represents amounts receivable for the provision of accommodation and other services. Income arises under the asylum and bail contracts on a daily basis, and is recognised in the financial statements for the period in which each day falls.

1.4 Basis of consolidation

The group accounts consolidate the accounts of Clearsprings (Management) Limited and its subsidiary. No profit and loss account is presented for Clearsprings (Management) Limited as provided by Section 230 of the Companies Act 1985.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

| | |
|--------------------------------|----------------------------|
| Freehold properties | 2% straight line |
| Plant and machinery | 25% straight line |
| Computer equipment | 33 33% straight line |
| Computer software | 50% and 100% straight line |
| Fixtures, fittings & equipment | 20% straight line |
| Motor vehicles | 25% straight line |
| Leasehold improvements | 20% straight line |

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2008 (continued)**

1 6 Leasing commitments

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

1 7 Investments

Fixed asset investments are stated at cost or valuation

1 8 Stock

Stock is valued at the lower of cost and net realisable value

1 9 Pensions

The company operates a defined contribution scheme for employees. Contributions are charged to the profit and loss account as they fall due. The assets of the scheme are held separately from those of the company.

1 10 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements. Deferred tax is measured on a non discounted basis.

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the asset concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

1 11 Furnishings and equipment

Furniture and equipment costs are written off when incurred as management information has shown that the average stay in a property by a service user is less than one year, and a prepayment is felt by the directors to be inappropriate.

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2008 (continued)**

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

3 Operating profit

Operating profit is stated after charging/(crediting)

| Group | 2008 | |
|---|----------------|----------------|
| | £ | £ |
| Depreciation of tangible assets | 295,451 | 387,425 |
| Profit on disposal of tangible assets | (48,522) | (163,052) |
| Operating lease rentals | | |
| - Plant and machinery | - | - |
| - Other assets | 11,144,289 | 13,064,290 |
| Auditors' remuneration | 20,000 | 27,000 |
| Remuneration of auditors for non audit work | 2,500 | 16,780 |
| Directors' remuneration | <u>866,315</u> | <u>415,952</u> |

4 Investment income

| | 2008 | 2007 |
|---------------|---------------|---------------|
| | £ | £ |
| Bank interest | <u>61,733</u> | <u>95,896</u> |

5 Interest Payable

| | 2008 | 2007 |
|------------------------------|---------------|---------------|
| | £ | £ |
| On bank loans and overdrafts | 15,708 | 82 |
| On overdue taxation | 55,894 | 11,122 |
| Other interest payable | <u>-</u> | <u>244</u> |
| | <u>71,602</u> | <u>11,448</u> |

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2008 (continued)**

| 6 Taxation | 2008 | 2007 |
|---|-------------------------|-------------------------|
| | £ | £ |
| Domestic current year tax | | |
| UK corporation tax | 825,493 | 537,211 |
| Adjustment for prior periods | <u>-</u> | <u>-</u> |
| Current tax charge | 825,493 | 537,211 |
| Deferred tax | | |
| Deferred tax charge current year | <u>32,749</u> | <u>56,174</u> |
| | <u>858,242</u> | <u>593,385</u> |
| Factors affecting the tax charge for the year | | |
| Profit on ordinary activities before taxation | <u>2,161,325</u> | <u>1,218,316</u> |
| Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% | 648,398 | 365,495 |
| Effects of | | |
| Non deductible expenses | 181,161 | 192,960 |
| Depreciation | 74,234 | 71,517 |
| Capital allowances | (98,254) | (92,761) |
| Other tax adjustments | 19,954 | - |
| | <u>177,096</u> | <u>171,716</u> |
| Current tax charge | <u>825,493</u> | <u>537,211</u> |

Clearsprings (Management) Limited
Notes to the Consolidated Financial Statements
for the year ended 31 January 2008 (continued)

7 Tangible fixed assets - Group

| | Freehold land and buildings | Leasehold land and buildings | Plant and machinery | Computer equipment and software | Fixtures, fittings & equipment | Motor vehicles | Total |
|-----------------------|-----------------------------------|------------------------------------|------------------------|--|--------------------------------------|-------------------|------------------|
| | £ | £ | £ | £ | £ | £ | £ |
| Cost/Valuation | | | | | | | |
| At 1 February 2007 | 3,163,345 | 171,135 | 45,957 | 1,528,180 | 271,433 | 824,330 | 6,004,380 |
| Additions | 1,032,864 | - | - | 102,393 | 48,553 | - | 1,183,810 |
| Disposals | (245,000) | (135,383) | (45,957) | (660,405) | (94,012) | (499,339) | (1,680,096) |
| At 31 January 2008 | <u>3,951,209</u> | <u>35,752</u> | <u>-</u> | <u>970,168</u> | <u>225,974</u> | <u>324,991</u> | <u>5,508,094</u> |
| Depreciation | | | | | | | |
| At 1 February 2007 | 60,021 | 147,901 | 41,263 | 1,439,078 | 231,932 | 751,421 | 2,671,616 |
| On disposals | (5,213) | (135,383) | (41,263) | (660,405) | (94,012) | (467,202) | (1,403,478) |
| Charge for the year | 82,313 | 23,234 | - | 119,285 | 43,754 | 26,865 | 295,451 |
| At 31 January 2008 | <u>137,121</u> | <u>35,752</u> | <u>-</u> | <u>897,958</u> | <u>181,674</u> | <u>311,084</u> | <u>1,563,589</u> |
| Net book value | | | | | | | |
| At 31 January 2008 | <u>3,814,088</u> | <u>-</u> | <u>-</u> | <u>72,210</u> | <u>44,300</u> | <u>13,907</u> | <u>3,944,505</u> |
| At 31 January 2007 | <u>3,103,324</u> | <u>23,234</u> | <u>4,694</u> | <u>89,102</u> | <u>39,501</u> | <u>72,909</u> | <u>3,332,764</u> |

8 Tangible fixed assets - Company

| | Freehold land and buildings | Leasehold land and buildings | Computer equipment and software | Fixtures, fittings & equipment | Motor vehicles | Total |
|-----------------------|-----------------------------------|------------------------------------|--|--------------------------------------|-------------------|------------------|
| | £ | £ | £ | £ | £ | £ |
| Cost/Valuation | | | | | | |
| At 1 February 2007 | 3,163,345 | 171,135 | 1,528,180 | 237,038 | 824,330 | 5,924,028 |
| Additions | 1,032,864 | - | 102,393 | 48,553 | - | 1,183,810 |
| Disposals | (245,000) | (135,383) | (660,405) | (94,012) | (499,339) | (1,634,139) |
| At 31 January 2008 | <u>3,951,209</u> | <u>35,752</u> | <u>970,168</u> | <u>191,579</u> | <u>324,991</u> | <u>5,473,699</u> |
| Depreciation | | | | | | |
| At 1 February 2007 | 60,021 | 147,901 | 1,439,078 | 197,537 | 751,421 | 2,595,958 |
| On disposals | (5,213) | (135,383) | (660,405) | (94,012) | (467,202) | (1,362,215) |
| Charge for the year | 82,313 | 23,234 | 119,285 | 43,754 | 26,865 | 295,451 |
| At 31 January 2008 | <u>137,121</u> | <u>35,752</u> | <u>897,958</u> | <u>147,279</u> | <u>311,084</u> | <u>1,529,194</u> |
| Net book value | | | | | | |
| At 31 January 2008 | <u>3,814,088</u> | <u>-</u> | <u>72,210</u> | <u>44,300</u> | <u>13,907</u> | <u>3,944,505</u> |
| At 31 January 2007 | <u>3,026,224</u> | <u>23,234</u> | <u>89,102</u> | <u>39,501</u> | <u>72,909</u> | <u>3,328,070</u> |

The freehold land and buildings used for the company's business activities were valued by Bagshaws Residential, a firm of estate agents and property auctioneers as at 31 January 2006. The directors consider that the book value of freehold land and buildings is consistent with market value.

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2008 (continued)**

| | | |
|-------------------------------------|---------------|---------------|
| 9 Stock - group and company | 2008 | 2007 |
| | £ | £ |
| Finished goods and goods for resale | <u>92,271</u> | <u>49,421</u> |

The value of stock is not materially different to its replacement cost

| | |
|---|--|
| 10 Fixed asset investments - company | Shares in subsidiary undertakings |
| | £ |
| Cost | |
| Subsidiary undertakings at 31 January 2008 | <u>100</u> |

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

| | |
|-------------------------------|--|
| Subsidiary undertaking | Principal activity |
| NVF Limited | Formerly supply of furnishings and equipment Did not trade in the year |

The subsidiary previously operated in the United Kingdom and is registered in England and Wales The company owns 100% of its ordinary share capital The subsidiary is included in the consolidated financial statements

| | | | | |
|---|------------------|------------------|------------------|------------------|
| 11 Debtors | Group | Company | Group | Company |
| | 2008 | 2008 | 2007 | 2007 |
| | £ | £ | £ | £ |
| Trade debtors | 2,007,869 | 2,007,869 | 1,591,923 | 1,574,433 |
| Amounts owed by subsidiary undertakings | - | 6,682 | - | - |
| Other debtors | 84,782 | 78,324 | 1,083,928 | 1,077,470 |
| Prepayments and accrued income | 3,181,886 | 3,181,886 | 614,294 | 614,294 |
| Deferred Tax Asset (see Note 13) | 133,283 | 133,283 | 166,032 | 166,032 |
| | <u>5,407,820</u> | <u>5,408,044</u> | <u>3,456,177</u> | <u>3,432,229</u> |

| | | | | |
|---|------------------|------------------|------------------|------------------|
| 12 Creditors amounts falling due within one year | Group | Company | Group | Company |
| | 2008 | 2008 | 2007 | 2007 |
| | £ | £ | £ | £ |
| Trade creditors | 2,833,532 | 2,833,532 | 1,052,628 | 1,045,038 |
| Corporation tax | 788,571 | 788,571 | 501,244 | 501,244 |
| Other taxes and social security costs | 349,669 | 350,422 | 97,903 | 81,571 |
| Other creditors | 12,882 | 12,882 | 19,692 | 14,692 |
| Accruals and deferred income | 540,693 | 540,693 | 898,512 | 898,512 |
| | <u>4,525,347</u> | <u>4,526,100</u> | <u>2,569,979</u> | <u>2,541,057</u> |

Creditors amounts falling due after more than one year

Loan repayable within 2-5 years secured by charges on certain freehold land and buildings

| | | | |
|----------------|----------------|----------|----------|
| <u>937,740</u> | <u>937,740</u> | <u>-</u> | <u>-</u> |
|----------------|----------------|----------|----------|

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2008 (continued)**

13 Provisions for liabilities

| | Deferred tax £ | Employment claims £ | Total £ |
|----------------------------|----------------------|---------------------------|----------------|
| Balance at 1 February 2007 | (166,032) | 900,000 | 733,968 |
| Profit and loss account | 32,749 | (363,362) | (330,613) |
| Balance at 31 January 2008 | <u>(133,283)</u> | <u>536,638</u> | <u>403,355</u> |

Deferred Tax

The provision for deferred tax is based on accelerated capital allowances

Employment claims

The outcome of a number of legal cases arising from the termination of the employment of a number of former employees has yet to be fully determined. A provision has been made for the likely cost.

14 Pension costs

| | Group 2008 £ | Company 2008 £ | Group 2007 £ | Company 2007 £ |
|------------------------------------|--------------------|----------------------|--------------------|----------------------|
| Contributions payable for the year | <u>57,317</u> | <u>57,317</u> | <u>96,550</u> | <u>96,550</u> |

At the balance sheet date there were no outstanding or prepaid contributions

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2008 (continued)**

15 Share capital

| | 2008 £ | 2007 £ |
|---|------------------|------------------|
| Authorised | | |
| 1,000,000 ordinary shares of £1 each | <u>1,000,000</u> | <u>1,000,000</u> |
| Allotted, called up and fully paid | | |
| 100 (2007 1) ordinary share(s) of £1 each | <u>100</u> | <u>1</u> |

16 Statement of movements on reserves

Group

| | Revaluation reserve £ | Other reserves (see below) £ | Profit and loss account £ |
|------------------------------|-----------------------------|---------------------------------------|---------------------------------|
| Balance at 1 February 2007 | 480,659 | 1 | 4,845,182 |
| Retained profit for the year | - | - | 1,303,083 |
| | <u>480,659</u> | <u>1</u> | <u>6,148,265</u> |

Company

| | Revaluation reserve £ | Other reserves (see below) £ | Profit and loss account £ |
|------------------------------|-----------------------------|---------------------------------------|---------------------------------|
| Balance at 1 February 2007 | 480,659 | 1 | 4,819,557 |
| Retained profit for the year | - | - | 1,300,096 |
| | <u>480,659</u> | <u>1</u> | <u>6,119,653</u> |

Other reserves

Capital redemption reserve

| | |
|-----------------------------------|----------|
| Balance at 31 January 2007 & 2008 | <u>1</u> |
|-----------------------------------|----------|

The company has not presented its own profit and loss account as permitted by Section 230(1) of the Companies Act 1985

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2008 (continued)**

17 Reconciliation of movements in shareholders' funds

| | Group 2008 £ | Company 2008 £ | Group 2007 £ | Company 2007 £ |
|-------------------------------------|--------------------|----------------------|--------------------|----------------------|
| Profit for the financial year | 1,303,083 | 1,300,096 | 624,931 | 855,025 |
| Share capital issued | 99 | 99 | - | - |
| Net addition to shareholders' funds | <u>1,303,182</u> | <u>1,300,195</u> | <u>624,931</u> | <u>855,025</u> |
| Opening shareholders' funds | 5,325,843 | 5,300,218 | 4,700,912 | 4,445,193 |
| Closing shareholders' funds | <u>6,629,025</u> | <u>6,600,413</u> | <u>5,325,843</u> | <u>5,300,218</u> |

18 Financial commitments

At 31 January 2008 the Group had annual commitments under non-cancellable operating leases as follows

| Expiry date | Land & buildings 2008 £ | Land & buildings 2007 £ | Other 2008 £ | Other 2007 £ |
|----------------------------|----------------------------------|----------------------------------|--------------------|--------------------|
| Within one year | 11,465,543 | 9,398,144 | - | 900 |
| Between two and five years | 50,050 | 67,629 | - | 2,777 |
| In over five years | 48,022 | 47,711 | - | - |
| | <u>11,563,615</u> | <u>9,513,484</u> | <u>-</u> | <u>3,677</u> |

19 Transactions with Directors

The following directors had interest free loans during the year. The movements on these loans were as follows

| | Amount outstanding 2008 £ | 2007 £ | Maximum in year £ |
|--------|---------------------------------|-----------|-------------------------|
| G King | - | 147,692 | 147,692 |

20 Directors' emoluments

| | 2008 £ | 2007 £ |
|--|----------------|----------------|
| Emoluments for qualifying services | 866,315 | 415,952 |
| Pension payment for directors | 14,438 | 163,555 |
| | <u>880,753</u> | <u>579,507</u> |
| Emoluments disclosed above include the following amounts paid to the highest paid director | 2008 £ | 2007 £ |
| G King Emoluments for qualifying services | <u>637,063</u> | <u>242,973</u> |

The number of directors for whom benefits are accruing under defined contribution schemes was 3 (2007 - 3)

Clearsprings (Management) Limited

Notes to the Consolidated Financial Statements for the year ended 31 January 2008 (continued)

21 Employees

Number of employees
The average monthly number of employees (including directors)
during the year was

| | 2008 Number | 2007 Number |
|--------------------------------------|----------------|----------------|
| Administrative (including directors) | 39 | 78 |
| Regional field staff | 76 | 175 |
| Warehouse | 7 | 16 |
| | <u>122</u> | <u>269</u> |

Employment costs

| | £ | £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 3,466,581 | 4,051,653 |
| Social security costs | 385,414 | 427,193 |
| Other pension costs | 57,317 | 96,550 |
| | <u>3,909,312</u> | <u>4,575,396</u> |

22 Control

The company is controlled by G King and J King, who each own 40% of the issued share capital

23 Related party disclosures

The financial statements include the following transactions with companies in which G King and J King have a beneficial interest

At the year end the total amount due to Kings Park Homes Limited was £nil (2007 - £4,074)

During the year services amounting to £17,333 (2007- £21,904) were acquired from Kings Aviation Limited. At 31 January 2008, the company owed £13,958 to Kings Aviation Limited (2007 - £3,375)

During the year services amounting to £50,510 (2007 - £21,904) were acquired from Cargo Handling Centre Limited. At 31 January 2008, the company was owed £1,676,830 by Cargo Handling Centre Limited (2007 - £1,610,963). The company has made a provision for bad debts against this balance amounting to £1,676,830 (2007 - £1,108,230)

During the year, £84,590 (2007 - £84,590) has been included as an expense in the accounts for the provision of consultancy services from Mrs C King, the wife of G King. Included in trade creditors is an amount of £21,147 (2007 - £21,147) owed to Mrs C King

At the balance sheet date the company was owed £6,682 by NVF Limited, a wholly owned subsidiary incorporated in England (2007 - £nil)

At the year end, the total amount owed by Pemican Limited was £7,202 (2007 - owed to Pemican Limited £19,849)

24 Subsequent events

On 31 March 2008 the company acquired 100% of the share capital of Systems Administrators Limited (Sysadmins) for £2 million. Sysadmins is a growing supplier of computer systems and software. The acquisition is part of the company's diversification strategy.

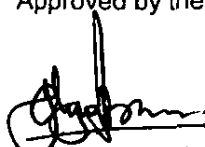
Clearsprings (Management) Limited

**Profit and Loss Account
for the year ended 31 January 2008**

| | 2008 £ | 2007 £ |
|---|---------------------|---------------------|
| Turnover | 29,470,948 | 26,709,697 |
| Cost of sales | <u>(22,817,423)</u> | <u>(21,335,885)</u> |
| Gross profit | 6,653,525 | 5,373,812 |
| Administrative expenses | <u>(4,484,658)</u> | <u>(4,008,871)</u> |
| Operating profit | 2,168,867 | 1,364,941 |
| Other interest receivable and similar income | 61,073 | 94,835 |
| Interest payable and similar charges | (71,602) | (11,366) |
| | | |
| Profit on ordinary activities before taxation | 2,158,338 | 1,448,410 |
| Tax on profit on ordinary activities | (858,242) | (593,385) |
| Retained profit for the year | <u>1,300,096</u> | <u>855,025</u> |

The profit and loss account has been prepared on the basis that all operations are continuing operations

Approved by the Board of Directors on 31st JULY 2008


J. Vyvan-Robinson
Director

This page is required by the Companies Act 1989 and does not form part of the statutory financial statements