

Registration number 04090779

**Rxworks Limited**

**Directors' report and financial statements**

**for the year ended 31 December 2005**



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## **Rxworks Limited**

### **Company information**

Directors	Mr G P Robinson Mr P L Scanlan Mr A Bennett Mr D Bentley Mr J Schuch
Secretary	Mr G P Robinson
Company number	04090779
Registered office	Avenue House Southgate Chichester West Sussex PO19 1ES
Auditors	Lewis Brownlee Sherlock Avenue House Southgate Chichester West Sussex PO19 1ES
Bankers	Barclays Bank Plc East Street Chichester West Sussex PO19 1HT

## **Rxworks Limited**

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## **Rxworks Limited**

### **Directors' report for the year ended 31 December 2005**

The directors present their report and the financial statements for the year ended 31 December 2005.

#### **Principal activity**

The principal activity of the company is the supply of computer hardware and software to the veterinary industry.

#### **Directors and their interests**

The entire issued share capital of the company is owned by Rxworks Incorporated, which is registered in the United States of America. The directors who served during the year and their interests in the total issued share capital of Rxworks Inc of 60,329,930 shares (2004: 57,929,930) are as stated below:

	<b>Ordinary \$0.01 shares</b>	
	<b>31/12/05</b>	<b>01/01/05</b>
Mr G P Robinson	5,476,667	3,810,000
Mr P L Scanlan	15,410,000	15,410,000
Mr A Bennett	4,338,333	4,005,000
Mr D Bentley	4,405,000	4,005,000
Mr J Schuch	10,000	10,000

In addition to the above interests in the parent company, the directors hold the following options on \$0.01 ordinary shares in Rxworks Inc: Mr G P Robinson 17,040,366 (2004: 18,707,033), Mr P L Scanlan 6,433,957, Mr A Bennett 1,951,951 (2004: 2,285,284), Mr D Bentley 3,022,784 (2004: 3,422,784) and Mr J Schuch 37,500. All movements in the shares and share options disclosed here are as a result of options exercised by the directors during the year.

#### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Rxworks Limited**

**Directors' report  
for the year ended 31 December 2005**


..... continued

**Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Lewis Brownlee Sherlock be reappointed as auditors of the company will be put to the Annual General Meeting.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Board on **7 AUGUST 2006** and signed on its behalf by

  
**M. G. P. Robinson**  
Secretary

## **Rxworks Limited**

### **Independent auditors' report to the shareholders of Rxworks Limited**

We have audited the financial statements of Rxworks Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company 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 company's circumstances, consistently applied and adequately disclosed.

We planned 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.

**Rxworks Limited**

**Independent auditors' report to the shareholders of Rxworks Limited**

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Emphasis of matter - Going concern**

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in note 13 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £52,489 during the year ended 31 December 2005 and, at that date, the company's current liabilities exceeded its total assets by £370,796. These conditions, along with the other matters explained in note 13, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the company was unable to continue as a going concern.

*Lewis Brownlee Sherlock.*

**Lewis Brownlee Sherlock  
Chartered Accountants  
Registered Auditors**

**Avenue House  
Southgate  
Chichester  
West Sussex  
PO19 1ES**

**Date** 1-9-2006

**Rxworks Limited**

**Profit and loss account  
for the year ended 31 December 2005**

		2005	2004
	Notes	£	£
<b>Turnover</b>	<b>2</b>	1,237,404	1,059,173
Cost of sales		(921,905)	(783,029)
<b>Gross profit</b>		315,499	276,144
Administrative expenses		(367,988)	(331,186)
<b>Operating loss</b>	<b>3</b>	(52,489)	(55,042)
<b>Loss on ordinary activities before taxation</b>		(52,489)	(55,042)
Tax on loss on ordinary activities		-	-
<b>Loss on ordinary activities after taxation</b>		(52,489)	(55,042)
<b>Loss for the year</b>		(52,489)	(55,042)
Accumulated loss brought forward		(411,452)	(356,410)
<b>Accumulated loss carried forward</b>		(463,941)	(411,452)
<b>Statement of total recognised gains and losses</b>			
Total recognised losses relating to the year		(52,489)	(55,042)
Prior year adjustment		-	(156,293)
<b>Total recognised losses since last annual report</b>		(52,489)	(211,335)

The notes on pages 7 to 11 form an integral part of these financial statements.



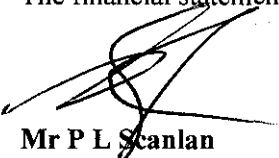
**Rxworks Limited**

**Balance sheet  
as at 31 December 2005**

		<b>2005</b>		<b>2004</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Tangible assets	5		17,936		19,399
<b>Current assets</b>					
Stocks		74,744		72,160	
Debtors	6	145,544		208,793	
Cash at bank and in hand		56,746		10,914	
		<u>277,034</u>		<u>291,867</u>	
<b>Creditors: amounts falling due within one year</b>	7	<u>(647,830)</u>		<u>(568,906)</u>	
<b>Net current liabilities</b>			<u>(370,796)</u>		<u>(277,039)</u>
<b>Total assets less current liabilities</b>			<u>(352,860)</u>		<u>(257,640)</u>
<b>Creditors: amounts falling due after more than one year</b>	8		<u>(110,981)</u>		<u>(153,712)</u>
<b>Deficiency of assets</b>			<u>(463,841)</u>		<u>(411,352)</u>
<b>Capital and reserves</b>					
Called up share capital	9		100		100
Profit and loss account			<u>(463,941)</u>		<u>(411,452)</u>
<b>Shareholders' funds</b>			<u>(463,841)</u>		<u>(411,352)</u>

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective Jan 2005).

The financial statements were approved by the Board on **7 AUGUST 2006** and signed on its behalf by

  
**Mr P L Scanlan**  
**Director**

**The notes on pages 7 to 11 form an integral part of these financial statements.**

# **Rxworks Limited**

## **Notes to the financial statements for the year ended 31 December 2005**

### **1. Accounting policies**

#### **1.1. Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

#### **1.2. Going concern**

The directors have considered the financial position of the company and are satisfied it is appropriate to continue to prepare the accounts on a going concern basis. See note 13.

#### **1.3. Turnover**

Turnover represents the total invoice value, excluding value added tax, of sales made during the year after adjusting for licence and support fees received in advance and hardware installations not yet completed. See notes 1.8 and 1.9.

#### **1.4. Tangible fixed assets and depreciation**

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Leasehold properties	-	Straight line over the life of the lease
Fixtures, fittings and equipment	-	20% or 33% straight line

#### **1.5. Leasing**

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

#### **1.6. Stock**

Stock is valued at the lower of cost and net realisable value. Stock includes the cost of hardware where the installation has not been completed. See note 1.9.

#### **1.7. Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

#### **1.8. Licence fees and support contracts**

The company supplies annual software licences (including software support fees) and hardware support packages to customers. Income arising is recognised on a straight line basis over the period of the licence and support contract.

#### **1.9. Hardware installations**

The company supplies hardware to customers for use with its software and customers are normally invoiced shortly after orders are received. Income arising from hardware sales is recognised when installation is completed.

# Rxworks Limited

## Notes to the financial statements for the year ended 31 December 2005

..... continued

### 2. Turnover

The total turnover of the company for the year has been derived from its principal activity, of which 13% (2004: 10.3%) was attributable to geographical markets outside the UK.

### 3. Operating loss

	2005 £	2004 £
Operating loss is stated after charging:		
Depreciation and other amounts written off tangible assets	9,633	11,492
Auditors' remuneration	7,500	4,000
and after crediting:		
Profit on foreign currencies	859	120

### 4. Directors' emoluments

	2005 £	2004 £
Remuneration and other benefits	-	35,209

### 5. Tangible fixed assets

	Short leasehold property £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>			
At 1 January 2005	-	46,660	46,660
Additions	1,956	6,214	8,170
At 31 December 2005	1,956	52,874	54,830
<b>Depreciation</b>			
At 1 January 2005	-	27,261	27,261
Charge for the year	203	9,430	9,633
At 31 December 2005	203	36,691	36,894
<b>Net book values</b>			
At 31 December 2005	1,753	16,183	17,936
At 31 December 2004	-	19,399	19,399

**Rxworks Limited**

**Notes to the financial statements  
for the year ended 31 December 2005**

..... continued

<b>6. Debtors</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Trade debtors	102,486	173,226
Amounts owed by group undertakings	-	13,298
Other debtors	23,355	18,608
Prepayments and accrued income	19,703	3,661
	<u>145,544</u>	<u>208,793</u>
 <b>7. Creditors: amounts falling due within one year</b>	 <b>2005</b>	 <b>2004</b>
	<b>£</b>	<b>£</b>
Trade creditors	108,855	88,250
Amounts owed to connected companies	44,005	42,250
Other taxes and social security costs	6,617	14,581
Other creditors	7,763	3,187
Accruals and deferred income (note 7.1)	480,590	420,638
	<u>647,830</u>	<u>568,906</u>
 <b>7.1 Accruals and deferred income</b>	 <b>2005</b>	 <b>2004</b>
	<b>£</b>	<b>£</b>
Unearned licence fee income	231,070	187,132
Unearned support fee income	36,024	34,383
Unearned hardware income	171,409	167,855
Unearned service fee income	17,166	6,868
Other accruals	24,921	24,400
	<u>480,590</u>	<u>420,638</u>
 <b>8. Creditors: amounts falling due after more than one year</b>	 <b>2005</b>	 <b>2004</b>
	<b>£</b>	<b>£</b>
Loan from group companies	<u>110,981</u>	<u>153,712</u>

# Rxworks Limited

## Notes to the financial statements for the year ended 31 December 2005

..... continued

9. Share capital	2005 £	2004 £
<b>Authorised</b>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

### 10. Financial commitments

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as follows:

	2005 £	2004 £
<b>Expiry date:</b>		
Between one and five years	<u>16,000</u>	<u>16,000</u>

### 11. Related party transactions

During the year, the company incurred management charges of £74,166 and software development costs of £62,121 from Rxworks Pty Ltd, a fellow member of the Rxworks group, which is registered in Australia. Rxworks Pty Ltd has provided a loan to Rxworks Limited, the balance of which was £47,034 at the balance sheet date (2004: £153,712). Furthermore, Rxworks Incorporated, which is registered in the USA and is the parent company of Rxworks Limited and Rxworks Pty Ltd, has made a similar loan to Rxworks Limited. The balance on this loan was £63,947 at the balance sheet date (2004: £4,832). There are no fixed repayment terms for either of these loans, although repayment is not anticipated within twelve months. No interest was charged during the period.

Rxworks Limited also had liabilities at the balance sheet date as follows: (1) to Rxworks Benelux, another member of the group (registered in The Netherlands) totalling £56,986 (2004: £37,418), which included a purchase ledger balance of £14,928, (2) to Rxworks International (registered in Bermuda) of £587 (2004: £9,817), and (3) to International Software Sales & Support Inc (registered in The Bahamas) of £1,361 (2004: £3,481). There are also no fixed repayment terms for these balances, but repayment is anticipated within one year for all three. No interest was charged on any of these loans during the period. The company paid consultancy fees of £31,539 to International Software Sales & Support Inc. during the year.

Several directors of Rxworks Limited own shares and share options in Rxworks Inc. - details of these holdings are disclosed in the directors' report.

## **Rxworks Limited**

### **Notes to the financial statements for the year ended 31 December 2005**

..... continued

#### **12. Ultimate parent undertaking**

The company is wholly owned and controlled by Rxworks Inc., a company incorporated in the United States of America.

#### **13. Going concern**

It is the opinion of the directors that the company should be regarded as a going concern, and the accounts have accordingly been prepared on that basis. The company is however currently dependent upon funding from other members of the Rxworks group in order to continue in business. The directors have received expressions of intent from the group members in question that funding will continue to be provided for the foreseeable future, but it is not guaranteed that these companies will have sufficient funds to provide the support required. It should be noted however that the results of this company to date are consistent with the Board's long-term strategy to establish the company in the UK market. Losses in the early years were anticipated as part of this strategy. A profit is forecast for 2006, which would, if achieved, mean that further group funding would not be required.