

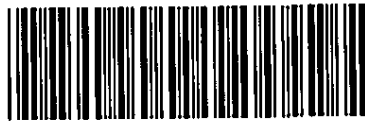
COMPANY REGISTRATION NUMBER 05104223

STAFFCARE LIMITED

FINANCIAL STATEMENTS

30 JUNE 2009

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STAFFCARE LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

CONTENTS	PAGES
Officers and professional advisers	1
The directors' report	2 to 4
Independent auditor's report to the shareholders	5
Profit and loss account	6
Statement of total recognised gains and losses	7
Balance sheet	8
Notes to the financial statements	9 to 14
The following pages do not form part of the financial statements	
Detailed profit and loss account	16
Notes to the detailed profit and loss account	17

STAFFCARE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

R.J. Guy FCA
P.J. Hollingdale
J.D.S Booth
J.W. Wiley

COMPANY SECRETARY

A. M. Wettern ACA

REGISTERED OFFICE

Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7FG

AUDITOR

Menzies LLP
Ashcombe House
5 The Crescent
Leatherhead
Surrey
KT22 8DY

BANKERS

Barclays Bank Plc
82 High Street
Epsom
Surrey
KT19 8BA

STAFFCARE LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2009

The directors present their report and the financial statements of the company for the year ended 30 June 2009.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of a software solutions company, developing internet applications for financial services and employee benefits.

CHAIRMAN'S STATEMENT

I am pleased to report another successful year underpinned by several new customer wins and licensing agreements with two more of the UK's leading benefit consultants.

In our fifth year of trading we enjoyed continued revenue growth and have strengthened our position as the technology of choice for reward communication and flexible benefits administration. Our software is licensed by more benefit consultants than any of our competitors which puts us in a very strong position as companies seek advice on how to get more from their spend on employee benefits during these tough economic conditions.

Revenues for the year ending 30 June 2009 were £1.72 million, an increase of almost 15% on the previous year on a like for like basis, with recurring revenues growing by 36% to just over £1 million per annum. 60% of income for the year is from recurring software licence fees which covered 52% of our overhead for the year, and this had risen to 69% by the year end.

Gross profit increased 15% to £1.5 million whilst overheads decreased by just over 4% to just over £1.9million. We continued to invest in product development and successfully completed an up-scaling of our technology to support the larger clients of the benefit consultants who have recently licensed our software. All development costs have been wholly written off in the profit and loss account and despite this our operating loss for the year has decreased by 40% to £407K with our first profitable month in April 2009.

Our client base grew to 200 installations with new names including BlackRock, Field Fisher Waterhouse, Heinz and Mouchel Parkman, which resulted in a 19% increase in licensed users compared to the previous year.

Our strategy of working with corporate advisers and benefit consultants to distribute our technology is continuing to prove successful as almost 90% of our income is derived through this channel. In the last year we secured two new licensees; Enrich and Mercer, who will be transferring a number of large and high profile schemes onto our software from old technology platforms which should more than double the number of licensed users over the next 12 months.

Our product range allows us to deliver affordable solutions for small-medium-enterprises and scale up to schemes of 20,000 or more employees. Market feedback tells us that we have the best technology platform for reward communication and benefits administration and we are now securing customers who are moving from less flexible platforms. Looking forward we are focused on further performance improvements to support larger and complex flexible benefit schemes and the development of additional HR self-service applications.

Outlook

We enter the new financial year with a strong pipeline of opportunities, both in terms of securing new distribution partners and sales through existing partners to their clients and prospects.

Growth will also come from the second user market which is developing as many of the early adopters are now reviewing their technology providers as they seek more flexible solutions and look to take their benefits administration in-house. Further opportunities exist overseas and through our distribution channel we expect to see our software used in many new territories.

With the opportunities that we are currently negotiating, I am confident that we will see continued growth in our business this year.

STAFFCARE LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2009

Staff

Jim Wiley who has been responsible for the successful continuing development of the Staffcare software joined our board during the year and we appointed Graham Jarvis as our new managing director to allow our founder, Phil Hollingdale, to concentrate on growing the business. At the same time, David Lewis, who helped found the company and develop the software, decided to retire and whilst he remains available as an interested shareholder to help in the future I would like to take this opportunity to thank him for his valued contribution to Staffcare's success.

My thanks go to my fellow directors for their commitment and support over the year and especially to all our staff who are a great team of people who have shown tremendous dedication and enthusiasm in meeting our commitments to customers and the demands arising from our growth.

Richard Guy F.C.A.

Chairman

DIRECTORS

The directors who served the company during the year were as follows:

R.J. Guy FCA
P.J. Hollingdale
D. Lewis
J.D.S Booth
J.W. Wiley

J.W. Wiley was appointed as a director on 12 December 2008.

D. Lewis retired as a director on 15 June 2009.

G. Jarvis was appointed as a director on 18 September 2009.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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). 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 company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

In so far as the directors are aware:

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

AUDITOR

Ivan Sopher resigned as auditors during the year and the directors have appointed Menzies LLP to act in their stead. Menzies LLP are deemed to be reappointed under section 487 (2) of the Companies Act 2006.

STAFFCARE LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2009

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

Registered office:
Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7FG

Signed by order of the directors



A. M. Wettren ACA
Company Secretary

Approved by the directors on 12-11-2009

STAFFCARE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF STAFFCARE LIMITED

YEAR ENDED 30 JUNE 2009

We have audited the financial statements of Staffcare Limited for the year ended 30 June 2009 on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's shareholders, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. 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 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime.

Ashcombe House
5 The Crescent
Leatherhead
Surrey
KT22 8DY

16 November 2009

ANDREW HOOKWAY FCA (Senior
Statutory Auditor)
For and on behalf of
MENZIES LLP
Chartered Accountants
& Statutory Auditor

Menzies LLP.

STAFFCARE LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2009

		2009	2008 <i>(restated)</i>
	Note	£	£
TURNOVER		1,723,903	1,506,098
Cost of sales		215,042	190,048
GROSS PROFIT		1,508,861	1,316,050
Administrative expenses		1,915,973	1,996,945
OPERATING LOSS	3	(407,112)	(680,895)
Interest receivable and similar income		5,849	13,302
Interest payable and similar charges	5	(86,251)	(87,085)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(487,514)	(754,678)
Tax on loss on ordinary activities		(75,000)	(132,347)
LOSS FOR THE FINANCIAL YEAR		(412,514)	(622,331)

The notes on pages 9 to 14 form part of these financial statements.

STAFFCARE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 30 JUNE 2009

	2009	2008 <i>(restated)</i>
	£	£
Loss for the financial year attributable to the shareholders	(412,514)	(622,331)
Total recognised gains and losses relating to the year	(412,514)	(622,331)
Prior year adjustment (see note 6)	(209,396)	(123,146)
Total gains and losses recognised since the last annual report	<u>(621,910)</u>	<u>(745,477)</u>

The notes on pages 9 to 14 form part of these financial statements.

STAFFCARE LIMITED

BALANCE SHEET

30 JUNE 2009

		2009		2008 (restated)	
	Note	£	£	£	£
FIXED ASSETS					
Intangible assets	7		21,667		51,667
Tangible assets	8		20,645		34,302
			<u>42,312</u>		<u>85,969</u>
CURRENT ASSETS					
Debtors	9	303,776		417,840	
Cash at bank and in hand		<u>268,208</u>		<u>384,320</u>	
		571,984		802,160	
CREDITORS: Amounts falling due within one year	10	<u>568,727</u>		<u>536,461</u>	
NET CURRENT ASSETS			3,257		265,699
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>45,569</u>		<u>351,668</u>
CREDITORS: Amounts falling due after more than one year	11		1,795,647		1,709,396
CAPITAL AND RESERVES					
Called-up equity share capital	14		157		156
Share premium account	15		903,888		883,725
Profit and loss account	16		<u>(2,654,123)</u>		<u>(2,241,609)</u>
DEFICIT			<u>(1,750,078)</u>		<u>(1,357,728)</u>
			<u>45,569</u>		<u>351,668</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

These financial statements were approved by the directors and authorised for issue on 12-11-2009, and are signed on their behalf by:


R.J. Guy FCA

The notes on pages 9 to 14 form part of these financial statements.

STAFFCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

1. GOING CONCERN

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future and will meet its liabilities as they fall due.

The financial statements show an amount of £1,795,647 within Creditors: Amounts falling due after more than one year. This amount represents preference shares plus accumulated dividends of which £250,000 were redeemable on 31 December 2008, £250,000 are redeemable on 31 December 2009 and £1,000,000 are redeemable on 31 December 2010. Prior to the year end all parties had agreed that whilst some of the preference shares were redeemable within twelve months of approving the financial statements, the holders of the preference shares would either convert those shares into long term debt or postpone repayment to a date beyond 30 June 2010. Accordingly, they believe that it is appropriate to prepare these financial statements on a going concern basis. However, should the arrangements regarding the deferral of the redemption of the preference shares not prove consistent with the company's longer term cash flow requirements, the directors may need to seek additional funding, the success of which would be uncertain. The financial statements do not include any adjustments which would arise from a failure of the company to postpone the repayment.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Turnover

Turnover represents amounts receivable for services net of VAT and trade discounts. Income from licence fees is spread evenly over the period of the licence and amounts received in advance are carried forward as deferred income.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Software rights - Over 5 years straight line

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures, fittings & equipment - 33.33% per annum straight line

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

STAFFCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

3. OPERATING LOSS

Operating loss is stated after charging:

	2009	2008 (restated)
	£	£
Directors pension contributions	45,833	61,333
Amortisation of intangible assets	30,000	30,000
Depreciation of owned fixed assets	24,602	51,901
Auditor's fees	6,725	-

4. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were:

	2009	2008 (restated)
	£	£
Aggregate remuneration	198,126	228,454

The number of directors who accrued benefits under company pension schemes was as follows:

	2009	2008 (restated)
	No	No
Money purchase schemes	1	1

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2009	2008 (restated)
	£	£
Other interest and similar charges	86,251	87,085

6. PRIOR YEAR ADJUSTMENT

As at 30 June 2008 cumulative preference dividends of £209,396 were due to Herald GP II Limited in accordance with the rights set out in the company's Articles of Association. As at 30 June 2008 these had not been recognised in the financial statements. The directors have reviewed the position and subsequently the comparative results have been restated in order to reflect the correct position in respect of the cumulative preference dividends due. This has resulted in an additional charge of £123,146 in the period to 30 June 2007 and a charge of £86,250 in the year ended 30 June 2008.

7. INTANGIBLE FIXED ASSETS

	Software rights £
COST	
At 1 July 2008 and 30 June 2009	150,000
AMORTISATION	
At 1 July 2008	98,333
Charge for the year	30,000
At 30 June 2009	128,333
NET BOOK VALUE	
At 30 June 2009	21,667
At 30 June 2008	51,667

STAFFCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

8. TANGIBLE FIXED ASSETS

	Equipment, fixtures & fittings £
COST	
At 1 July 2008	166,904
Additions	10,945
Disposals	(1,033)
At 30 June 2009	176,816
DEPRECIATION	
At 1 July 2008	132,602
Charge for the year	24,602
On disposals	(1,033)
At 30 June 2009	156,171
NET BOOK VALUE	
At 30 June 2009	20,645
At 30 June 2008	34,302

9. DEBTORS

	2009 £	2008 (restated) £
Trade debtors	187,779	217,179
Directors current accounts	100	100
Corporation tax repayable	75,000	132,347
Other debtors	40,897	68,214
	303,776	417,840

10. CREDITORS: Amounts falling due within one year

	2009 £	2008 (restated) £
Trade creditors	107,921	83,376
Other taxation and social security	85,453	83,986
Other creditors	375,353	369,099
	568,727	536,461

STAFFCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

11. CREDITORS: Amounts falling due after more than one year

	2009	2008 (restated)
	£	£
Shares classed as financial liabilities	1,250,000	1,500,000
Other creditors	545,647	209,396
	<u>1,795,647</u>	<u>1,709,396</u>

Preference shares represent non equity interests stated at par value. Dividends are payable at 5.75% cumulative.

The preference shares are redeemable at par in 3 instalments 31 December 2008, 31 December 2009 and 31 December 2010. The company did not redeem the first tranche of £250,000 on 31 December 2008 and this has therefore converted to debt in accordance with the Articles of Association. In the event that the company is unable to redeem the other preference shares at the due dates, they will also convert to debt in accordance with the Articles of Association. The company shall redeem them as soon after the due dates as it is able to do so in accordance with the provisions of the Companies Act. Dividends shall continue to accrue at the rate of 5.75% on any amounts due for redemption until such time as they are paid. Prior to the year end the directors sought and received confirmation from the preference share holders that they would postpone redemption of their shares and repayment of any debt arising from the conversion of such shares, beyond 30 June 2010, accordingly the financial liabilities relating thereto have been classified as falling due after more than one year.

No dividends have been paid to date on the preference shares. At the balance sheet date the arrears of preference dividends amounted to £295,647 which is included within other creditors above.

12. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2009 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2009	2008 (restated)
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>84,696</u>	<u>84,696</u>

13. RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

During the year sales of £88,167 were made to AON Consulting Limited, a related party by way of shareholdings. Included within the Trade debtors is an amount of £17,006 due from AON Consulting Limited.

The company was under the control of P.J.Hollingsdale throughout the year by virtue of his shareholding.

STAFFCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

14. SHARE CAPITAL

Authorised share capital:

	2009	2008 (restated)
	£	£
100,000,000 Ordinary shares of £0.001 each	100,000	100,000
1,500,000 Preference shares of £1 each	1,500,000	1,500,000
	<u>1,600,000</u>	<u>1,600,000</u>

Allotted and called up:

	2009		2008 (restated)	
	No	£	No	£
Ordinary shares of £0.001 each	157,430	157	156,130	156
Preference shares of £1 each	1,500,000	1,500,000	1,500,000	1,500,000
	<u>1,657,430</u>	<u>1,500,157</u>	<u>1,656,130</u>	<u>1,500,156</u>

	2009	2008 (restated)
	£	£
Amounts presented in equity:		
Ordinary shares of £0.001 each	<u>157</u>	<u>156</u>
Amounts presented in liabilities:		
Preference shares of £1 each	<u>1,500,000</u>	<u>1,500,000</u>

During the year 1,300 ordinary shares with an aggregate nominal value of £1.30 were issued for a total consideration of £20,164

The company has a share option scheme for 6 employees (including a director). Options are exercisable at a price equal to the average market price of the company's shares on the date of grant.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before the option is exercised, with a grace period of 40 days for a good leaver.

Number of Ordinary shares for which rights are exercisable

Grant date	Subscription price per share	Period within which options are exercisable	No. Ordinary shares 01.07.08	No. Ordinary shares 30.06.09
17 April 2009	£23.66	17.04.09 to 17.04.19	0	9,300

The company also has 85,100 share warrants in issue, allowing the holder, Herald GP II Limited, to subscribe for up to a further 85,100 ordinary shares at par. These were issued in three tranches, 5 May 2005 - 42,500, 30 June 2006 - 22,700 and 15 March 2007 - 19,900.

15. SHARE PREMIUM ACCOUNT

	2009	2008 (restated)
	£	£
Balance brought forward	883,725	883,725
Premium on shares issued in the year	20,163	-
Balance carried forward	<u>903,888</u>	<u>883,725</u>

STAFFCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

16. PROFIT AND LOSS ACCOUNT

	2009	2008 <i>(restated)</i>
	£	£
Balance brought forward as previously reported	(2,032,213)	(1,496,132)
Prior year adjustment (see note 6)	(209,396)	(123,146)
Balance brought forward restated	(2,241,609)	(1,619,278)
Loss for the financial year	(412,514)	(622,331)
Balance carried forward	<u>(2,654,123)</u>	<u>(2,241,609)</u>