COMPANY REGISTRATION NUMBER 05104223

STAFFCARE LIMITED

FINANCIAL STATEMENTS

30 JUNE 2010

STAFFCARE LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2010

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STAFFCARE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS	G Jarvis R J Guy FCA P J Hollingdale J D S Booth
COMPANY SECRETARY	A C Butt
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

The directors present their report and the financial statements of the company for the year ended 30 June 2010

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 that, in difficult economic times, Staffcare has enjoyed another successful year with revenues increasing, the number of employees whose benefits are administered by our software advancing and as a result, recurring revenues building In our sixth year of trading our revenue continued to grow and we have further strengthened our position as the technology of choice for reward communication and flexible benefits administration with IFA s, employee benefit consultants and their clients Our software is now licensed by the majority of employee benefit consultants and corporate financial advisers, more 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 times

Revenues for the year ending 30 June 2010 increased by 9% to £1 9 million whilst recurring revenues grew by 20% to £1 2m The number of employees benefits administered by our software grew by 31% to 81,356, resulting in 66% of our income for the year being derived from recurring software licence fees which covered 70% of our overhead for the year, an increase of 19%

Gross profit increased by 8% to £1 6 million with overheads decreasing by 9% to £1 7m We continued to invest in further scalability of the Staffcare product to support the larger clients of our benefit consultant customers such that the software will now scale to support the largest employers in the UK We are also nearing completion of a leave and absence module to the product which has been requested by a number of our customers 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 73% to £(111)K

Our client base continued to grow which resulted in a 31% increase in licensed users compared to the previous year Our strategy of working with corporate advisers and benefit consultants continues to be successful with 50% of our income deriving from this channel Market feedback tells us that we continue to have the best and most scalable technology platform for reward communication and benefits administration and we enter the new financial year with a strong pipeline of opportunities and expect to secure several new distribution partners and sales through existing partners to their clients and prospects early in the year

We expect growth to also come from the product provider market where we have agreed terms with a major provider to licence our technology for use by their clients and we are in discussions with a number of other providers covering a broad range of solutions With the opportunities that we are currently negotiating, I am confident that we will sustain continued growth in our business this year with an accruing improvement in our profit and loss position To that end we have agreed with Herald GPII Limited to extend the period of our preference share redemption and accrued interest for a further three year period so that we remain properly capitalised to take advantage of the future growth we anticipate I am grateful to Herald Ventures for their agreement to to this and their continuing support of our business for the future

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 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

G Jarvis
R J Guy FCA
P J Hollingdale
J D S Booth
J W Wiley

G Jarvis was appointed as a director on 18 September 2009

J W Wiley retired as a director on 31 December 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

Menzies LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006

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 C Butt
Company Secretary

Approved by the directors on 18/3/11

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF STAFFCARE LIMITED

YEAR ENDED 30 JUNE 2010

We have audited the financial statements of Staffcare Limited for the year ended 30 June 2010 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 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 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 2010 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

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

Ashcombe House
5 The Crescent
Leatherhead
Surrey
KT22 8DY

23 March 2011

STAFFCARE LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2010

	Note	2010 £	2009 £
TURNOVER		1,884,906	1,723,903
Cost of sales		261,212	215,042
GROSS PROFIT		1,623,694	1,508,861
Administrative expenses		1,734,347	1,915,973
OPERATING LOSS	3	(110,653)	(407,112)
Interest receivable		107	5,849
Interest payable and similar charges	5	(86,248)	(86,251)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(196,794)	(487,514)
Tax on loss on ordinary activities		(2,378)	(75,000)
LOSS FOR THE FINANCIAL YEAR		(194,416)	(412,514)

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 2010

	2010 £	2009 £
Loss for the financial year attributable to the shareholders	(194,416)	(412,514)
Total recognised gains and losses relating to the year	(194,416)	(412,514)
Prior year adjustment	-	(209,396)
Total gains and losses recognised since the last annual report	(194,416)	(621,910)

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

STAFFCARE LIMITED

BALANCE SHEET

30 JUNE 2010

	Note	2010 £	2010 £	2009 £	2009 £
FIXED ASSETS					
Intangible assets	6		–		21,667
Tangible assets	7		26,098		20,645
			26,098		42,312
CURRENT ASSETS					
Debtors	8	365,577		303,776	
Cash at bank and in hand		250,192		268,208	
		615,769		571,984	
CREDITORS: Amounts falling due within one year	9	550,677		568,727	
NET CURRENT ASSETS			65,092		3,257
TOTAL ASSETS LESS CURRENT LIABILITIES			91,190		45,569
CREDITORS: Amounts falling due after more than one year	10		1,881,895		1,795,647
			(1,790,705)		(1,750,078)
CAPITAL AND RESERVES					
Called-up equity share capital	13		164		157
Share premium account	14		1,057,670		903,888
Profit and loss account	15		(2,848,539)		(2,654,123)
DEFICIT			(1,790,705)		(1,750,078)

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 18/03/11, and are signed on their behalf by

R J Guy FCA

Company Registration Number 05104223

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

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 £1,881,895 within Creditors amounts falling due after more than one year This amount represents preference shares, preference shares not redeemed and converted to loan and accrued dividend/interest on preference shares Of the preference shares £250,000 were redeemable on 31 December 2008, £250,000 were redeemable on 31st December 2009 and £1,000,000 were redeemable on 31 December 2010 None of these shares have been redeemed on the appropriate dates although since the year end, the rights attached to the shares have been amended and the shares now have a revised redemption date of 31 December 2013 and the accrued interest has been converted to new preference shares with the same redemption date of 31 December 2013 All the preference shares are held by Herald GPII Limited who are a long term supportive venture capital investor in Staffcare Limited with the additional right to warrants exercisable over 85,100 ordinary shares in the company It has therefore been agreed by all parties that no amounts are due within twelve months of approving the financial statements and therefore the amounts are correctly shown as falling due after more than one year and accordingly the directors believe that it is appropriate to prepare these financial statements on a going concern basis

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

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

2. **ACCOUNTING POLICIES** *(continued)*

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal 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 assets 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

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

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

3. **OPERATING LOSS**

Operating loss is stated after charging

	2010 £	2009 £
Staff pension contributions	28,599	32,492
Amortisation of intangible assets	21,667	30,000
Depreciation of owned fixed assets	17,705	24,602
Auditor's fees	6,725	6,725

4. **DIRECTORS' REMUNERATION**

The directors' aggregate remuneration in respect of qualifying services were

	2010 £	2009 £
Aggregate remuneration	269,825	211,467
Value of company pension contributions to money purchase schemes	5,898	13,341
	275,723	224,808

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

	2010 No	2009 No
Money purchase schemes	1	1

5. **INTEREST PAYABLE AND SIMILAR CHARGES**

	2010 £	2009 £
Other interest and similar charges	86,248	86,251

6. INTANGIBLE FIXED ASSETS

	Software rights £
COST	
At 1 July 2009 and 30 June 2010	150,000
AMORTISATION	
At 1 July 2009	128,333
Charge for the year	21,667
At 30 June 2010	150,000
NET BOOK VALUE	
At 30 June 2010	–
At 30 June 2009	21,667

7. TANGIBLE FIXED ASSETS

	Equipment, fixtures & fittings £
COST	
At 1 July 2009	176,816
Additions	23,158
At 30 June 2010	199,974
DEPRECIATION	
At 1 July 2009	156,171
Charge for the year	17,705
At 30 June 2010	173,876
NET BOOK VALUE	
At 30 June 2010	26,098
At 30 June 2009	20,645

8. DEBTORS

	2010 £	2009 £
Trade debtors	320,992	187,779
Directors current accounts	100	100
Corporation tax repayable	–	75,000
Other debtors	44,485	40,897
	365,577	303,776

9. CREDITORS: Amounts falling due within one year

	2010 £	2009 £
Trade creditors	72,551	107,921
Other creditors including taxation and social security		
PAYE and social security	33,133	35,471
VAT	57,414	49,982
Other creditors	5,914	–
Accruals and deferred income	381,665	375,353
	550,677	568,727

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

	2010 £	2009 £
Shares classed as financial liabilities	1,000,000	1,250,000
Preference shares not redeemed and converted to loan	500,000	250,000
Accrued dividends/interest on Preference shares	381,895	295,647
	1,881,895	1,795,647

Preference shares represent non equity interests stated at par value and are therefore shown as shares classed as financial liabilities Dividends are payable at 5 75% cumulative

Preference shares were redeemable at par in 3 installments 31 December 2008, 31 December 2009 and 31 December 2010 The company did not redeem the preference shares on the redemption date although subsequent to the year end the rights attached to the shares have been amended and the shares now have a revised redemption date of 31 December 2013 Dividends/interest continued to accrue at the rate of 5 75% per annum on all amounts outstanding and the total was then converted to preference shares on19January 2011 All the preference shares are held by Herald GPII Limited who are a long term supportive venture capital investor in Staffcare Limited with the additional rights to warrants exercisable over 85,100 ordinary shares in the company Due to the fact that the above liabilities have been replaced with new long term liabilities it is considered appropriate to include the amounts as falling due after more than one year

11. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2010 the company had aggregate annual commitments under non-cancellable operating leases as set out below

	2010 £	2009 £
Operating leases which expire		
Within 1 year	14,116	-
Within 2 to 5 years	-	84,696
	14,116	84,696

12. 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 Hollingdale throughout the year by virtue of his shareholding

13. SHARE CAPITAL

Authorised share capital:

	2010 £	2009 £
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
	1,600,000	1,600,000

Allotted and called up:

	2010 No	£	2009 No	£
163,930 Ordinary shares (2009 - 157,430) of £0 001 each	163,930	164	157,430	157
1,500,000 Preference shares of £1 each	1,500,000	1,500,000	1,500,000	1,500,000
	1,663,930	1,500,164	1,657,430	1,500,157

Amounts presented in equity:	2010 £	2009 £
163,930 Ordinary shares (2009 - 157,430) of £0 001 each	164	157
Amounts presented in liabilities:		
1,500,000 Preference shares of £1 each	1,500,000	1,500,000

During the year 6,500 ordinary shares with an aggregate nominal value of £6 50 were issued for a total consideration of £153,789

The company has a share option scheme for 4 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 01.07.09	No. Ordinary shares 30.06.10
17 April 2009	£23 66	17 04 09 to 17 04 19	9,300	4,300
14 August 2009	£23 66	14 08 09 to 14 08 19	0	4,500

The company also has 85,100 share warrants in issue, allowing the holder, Herald GPII 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

14. SHARE PREMIUM ACCOUNT

	2010 £	2009 £
Balance brought forward	903,888	883,725
Premium on shares issued in the year	153,782	20,163
Balance carried forward	1,057,670	903,888

15. PROFIT AND LOSS ACCOUNT

	2010	2009
	£	£
Balance brought forward as previously reported	(2,654,123)	(2,032,213)
Prior year adjustment	–	(209,396)
Balance brought forward restated	(2,654,123)	(2,241,609)
Loss for the financial year	(194,416)	(412,514)
Balance carried forward	(2,848,539)	(2,654,123)

The following pages do not form part of the statutory financial statements which are the subject of the independent auditor's report on pages 4 to 5