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Company number: 03851074

CLEARSPRINGS (MANAGEMENT) LIMITED
DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2012

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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	Grant Thornton UK LLP Crown House Crown Street Ipswich IP1 3HS
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 2012

Principal activities

The group is an established provider of outsourced services to the public and private sector, offering a wide range of housing, support, cleaning and IT services

Review of the business and future developments

For the company's accommodation and support activities, which trade as Clearsprings Ready Homes ("CRH"), this was a year of improved profitability, despite reduced but stable volumes. This was achieved through embracing more efficient working methods, and implementation of new IT systems. In March 2012 the group, through a newly formed subsidiary Clearel Ltd, was awarded new five year contracts with UKBA for provision of asylum accommodation and support services for London and the south of England, and for Wales.

Softwerx, the IT division, had a difficult year in 2012. Actions are in hand to restructure and re-focus the business on more profitable activities. Softwerx has established itself as a capable partner for organisations wishing to avail themselves of the benefits of Cloud computing, and is well placed to develop this business further in 2013. Since the year end, closure of the Sri Lanka operation has been set in train.

CSS, the cleaning and support services division, made excellent progress in 2012 and expanded rapidly both by acquisition and organic growth, to become a significant force in its chosen market. Operations are mainly in the south of England including London, but the business aspires to build a more national profile over time.

Through careful management of working capital, and the sale of thirteen properties no longer required for operations, the group was able to fund the acquisitions entirely from its own cash resources. It was also able to repay the remaining £700,000 of the borrowing secured on some of the properties retained.

Operating profit on sales improved to 3.0% compared with 1.5% in the previous year. Return on capital employed was 13.0% in the year, compared with 6.5% in the previous year. Liquidity ratio was maintained at 1.8 in 2012, reflecting the underlying financial strength of the business.

Events after balance sheet date

On 16 March 2012 the group signed five year contracts for asylum services with UKBA in Wales and the south of England. A performance bond was provided by Barclays Bank plc, secured by charges on certain freehold property and a debenture on the assets of Clearsprings (Management) Limited.

On 15 June 2012 the group acquired the entire share capital of Downie Consulting Engineers Limited for a consideration of £425,000 plus assets £271,179.

Principal risks and mitigation

- The group manages its exposure to the normal credit risk and cash flow risk associated with credit sales through credit control procedures. UK government departments account for a significant proportion of debtors. The nature of the group's financial instruments and significant cash balances means that they are not currently subject to price or liquidity risk.

The risk to the group of losing business is countered by an ongoing programme to reduce costs through use of technology and an operating model using home-based staff where possible, an approach which maintains the ability to win contracts on price without sacrificing quality. All group operations are accredited to ISO 9001, ISO 14001, OHSAS 18001 and ISO 27001 standards.

Clearsprings (Management) Limited

**Directors' Report
for the year ended 31 January 2012 (continued)**

Dividends

A dividend of £300,000 was paid during the year (2011 £300,000)

Directors

The following directors have held office during the year

G King
J Vyvyan-Robinson MBE
R Slatter

Corporate social responsibility

The group operates a targeted programme to reduce carbon emissions, to minimise adverse impacts on the environment, and to promote good conditions for workers throughout its supply chain. The group takes part in the Home Office CAESER (Corporate Assessment of Environmental, Social and Economic Responsibility) programme, and achieved an 80% rating in the year, up 4% on the previous year.

Charitable donations

	2012 £	2011 £
During the year the company made the following charitable donations	3,151	2,761

Employee involvement

Employees are kept informed of the progress of, and issues affecting, the group through regular newsletters and briefing sessions which include the opportunity to ask questions and suggest ideas. Employees are encouraged to take an interest in all aspects of the group's financial and operational performance.

Payment of suppliers

The group aims to pay all suppliers within 30 days of invoice date.

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

During the year Baker Tilly UK Audit LLP resigned as auditor. Following their resignation Grant Thornton UK LLP were appointed as auditor. Grant Thornton UK LLP, Chartered Accountants, have indicated their willingness to continue in office.

Market value of land and buildings

Land and buildings are held in the financial statements at market value. As such, there is no difference between the net book value and market value of land and buildings. See note 9 for more details.

Clearsprings (Management) Limited

**Directors' Report
for the year ended 31 January 2012 (continued)**

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 group and the company and of the profit or loss of the group for that period

In preparing those financial statements, the directors are required to

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

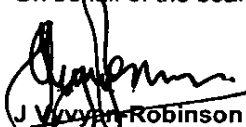
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements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

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

On behalf of the board


J. V. Robinson
Director

31 July 2012

Clearsprings (Management) Limited

**Independent Auditors' Report to the members of Clearsprings (Management) Limited
for the year ended 31 January 2012**

We have audited the financial statements of Clearsprings (Management) Limited for the year ended 31 January 2012 which comprise the group profit and loss account, the group and company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses, the group note of historical cost profits and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

JAMES BROWN (Senior Statutory Auditor)
For and on behalf of GRANT THORNTON UK LLP, Statutory Auditor
Chartered Accountants
Crown House
Crown Street
Ipswich IP1 3HS

6 August 2012

Clearsprings (Management) Limited

**Consolidated Profit and Loss Account
for the year ended 31 January 2012**

		2012 £	2011 £
	Notes		
Turnover			
	Continuing operations	26,699,128	31,950,592
	Acquisitions	<u>1,268,252</u>	<u>-</u>
	2 Group turnover	<u>27,967,380</u>	<u>31,950,592</u>
Cost of sales		<u>(21,121,151)</u>	<u>(24,633,663)</u>
Gross profit		6,846,229	7,316,929
Administrative expenses		<u>(5,992,809)</u>	<u>(6,849,046)</u>
Operating profit			
	Continuing operations	812,158	467,883
	Acquisitions	<u>41,262</u>	<u>-</u>
	3 Group operating profit	<u>853,420</u>	<u>467,883</u>
Other interest receivable and similar income	4	8,038	7,013
Interest payable and similar charges	5	<u>(29,208)</u>	<u>(30,585)</u>
Profit on ordinary activities before taxation		<u>832,250</u>	<u>444,311</u>
Taxation	7	<u>(669,865)</u>	<u>(371,535)</u>
Profit on ordinary activities after taxation	17	<u><u>162,385</u></u>	<u><u>72,776</u></u>

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2012 £	2011 £
Profit for the financial year	162,385	72,776
Movements on foreign exchange	36	<u>(2,022)</u>
Total gains and losses recognised since last annual report	<u><u>162,421</u></u>	<u><u>70,754</u></u>

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2012 £	2011 £
Reported profit on ordinary activities before taxation	832,250	444,311
Realisation of property revaluation gains of prior years	150,915	193,707
Difference between actual and historical cost depreciation charge	2,334	-
Historical cost profit on ordinary activities before taxation	<u><u>985,499</u></u>	<u><u>638,018</u></u>
Historical cost profit/(loss) for the financial year retained after taxation and dividends	<u><u>15,634</u></u>	<u><u>(33,517)</u></u>

The notes on pages 10 to 20 form part of these financial statements

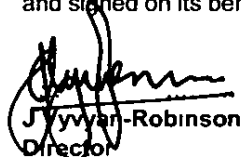
Clearsprings (Management) Limited

Company number 03851074

Consolidated Balance Sheet
as at 31 January 2012

	Notes	£	2012 £	£	2011 £
Fixed assets					
Intangible assets	8		1,472,254		1,358,466
Tangible assets	9		<u>2,249,120</u>		<u>3,092,488</u>
			<u>3,721,374</u>		<u>4,450,954</u>
Current assets					
Stock	11	40,359		65,920	
Debtors	12	4,194,397		3,477,405	
Cash at bank and in hand		2,015,020		2,642,050	
			<u>6,249,776</u>	<u>6,185,375</u>	
Creditors amounts falling due within one year	13	(3,394,125)		(3,421,459)	
Net current assets			<u>2,855,651</u>	<u>2,763,916</u>	
Total assets less current liabilities			<u>6,577,025</u>	<u>7,214,870</u>	
Creditors amounts falling due after more than one year	13		-	(500,000)	
Provisions for liabilities	14		(2,227)	(2,493)	
			<u>6,574,798</u>	<u>6,712,377</u>	
Capital and reserves					
Called up share capital	16		100		100
Revaluation reserve	17		133,703		286,952
Other reserves	17		1		1
Profit and loss account	17		<u>6,440,994</u>		<u>6,425,324</u>
Shareholders' funds (equity interests)	18		<u>6,574,798</u>		<u>6,712,377</u>

The financial statements on pages 5 to 20 were approved by the Board and authorised for issue on 31 July 2012 and signed on its behalf by


J. J. Ryan-Robinson
Director

The notes on pages 10 to 20 form part of these financial statements

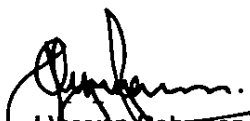
Clearsprings (Management) Limited

Company number 03851074

Company Balance Sheet
as at 31 January 2012

	Notes	£	2012 £	£	2011 £
Fixed assets					
Intangible assets	8		689,188		357,318
Tangible assets	9		2,112,762		2,954,373
Investments	10		<u>965,086</u>		<u>2,260,839</u>
			3,767,036		5,572,530
Current assets					
Stock	11	40,359		65,920	
Debtors	12	3,241,118		2,842,462	
Cash at bank and in hand		<u>1,738,168</u>		<u>2,220,546</u>	
		5,019,645		5,128,928	
Creditors amounts falling due within one year	13	(3,052,254)		(2,924,177)	
Net current assets			<u>1,967,391</u>		<u>2,204,751</u>
Total assets less current liabilities			5,734,427		7,777,281
Creditors amounts falling due after more than one year	13		-		(500,000)
			<u>5,734,427</u>		<u>7,277,281</u>
Capital and reserves					
Called up share capital	16		100		100
Revaluation reserve	17		133,703		286,952
Other reserves	17		1		1
Profit and loss account	17		5,600,623		6,990,228
Shareholders funds (equity interests)	18		<u>5,734,427</u>		<u>7,277,281</u>

The financial statements on pages 5 to 20 were approved by the Board and authorised for issue on 31 July 2012 and signed on its behalf by


J. Wynn-Robinson
Director

The notes on pages 10 to 20 form part of these financial statements

Clearsprings (Management) Limited

**Consolidated Cash Flow Statement
as at 31 January 2012**

	£	2012 £	£	2011 £
Net cash inflow from operating activities (note 1)		1,106,863		2,062,918
Returns on investments and servicing of finance				
Interest received	8,038		7,013	
Interest paid	(29,208)		(30,585)	
Net cash outflow for returns on investments and servicing of finance		(21,170)		(23,572)
Taxation		(487,208)		(501,836)
Capital expenditure and financial investment				
Payments to acquire tangible assets	(64,399)		(119,059)	
Receipts from sales of tangible assets	675,324		568,937	
		610,925		449,878
Acquisitions				
Purchase of subsidiary undertakings for cash	(613,396)		(415,682)	
Cash acquired with subsidiary undertaking	303,456		63,609	
Purchase of trade and assets for cash	(526,500)		(446,648)	
		(836,440)		(798,721)
Net cash outflow for capital expenditure and financial investment		(225,515)		(348,843)
Equity dividends paid		(300,000)		(300,000)
Net cash inflow before management of liquid resources and financing		72,970		888,667
Financing				
Decrease in short term loans	(700,000)		(200,000)	
Repayment of finance lease	-		(624)	
Net cash outflow from financing		(700,000)		(200,624)
(Decrease)/increase in cash in the year (note 2)		(627,030)		688,043

The notes on pages 10 to 20 form part of these financial statements

Clearsprings (Management) Limited

**Notes to the Consolidated Cash Flow Statement
for the year ended 31 January 2012**

1	Reconciliation of operating profit to net cash inflow from operating activities	2012	2011
		£	£
	Operating profit	853,420	467,883
	Depreciation of tangible assets	160,315	260,201
	Amortisation of intangible assets	672,712	515,412
	Exchange differences	531	(3,645)
	Loss/(profit) on disposal of tangible assets	105,933	(641)
	Decrease/(increase) in stock	27,871	(3,524)
	(Increase)/decrease in debtors	(636,082)	1,778,552
	Decrease in creditors within one year	<u>(77,837)</u>	<u>(951,320)</u>
	Net cash inflow from operating activities	<u>1,106,863</u>	<u>2,062,918</u>

2	Analysis of net funds	1 February 2011	Cash flow	Other non- cash changes	31 January 2012
		£	£	£	£
	Cash at bank and in hand	<u>2,642,050</u>	<u>(627,030)</u>	-	<u>2,015,020</u>
	Debt due after 1 year	(500,000)	500,000	-	-
	Debt due within 1 year	(200,000)	200,000	-	-
		<u>(700,000)</u>	<u>700,000</u>	-	<u>-</u>
	Net funds	<u>1,942,050</u>	<u>72,970</u>	-	<u>2,015,020</u>

3	Reconciliation of net cash flow to movement in net funds	2012	2011
		£	£
	(Decrease)/Increase in cash in the year	(627,030)	688,044
	Cash outflow from decrease in debt	700,000	200,624
	Movement in net funds in the year	<u>72,970</u>	<u>888,668</u>
	Opening net funds	1,942,050	1,053,382
	Closing net funds	<u>2,015,020</u>	<u>1,942,050</u>

Clearsprings (Management) Limited

Notes to the Consolidated Financial Statements for the year ended 31 January 2012

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings

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. Turnover also represents the invoiced value, net of Value Added Tax, of goods sold, work carried out and services provided to customers, recognised on an accruals basis.

1.4 Basis of consolidation

The group accounts consolidate the accounts of Clearsprings (Management) Limited and its subsidiaries using the acquisition method. Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised as purchased goodwill and amortised through the profit and loss account over its estimated economic life. Provision is made for any impairment. All financial statements are made up to 31 January 2012 with the exception of Crusader Cleaners Limited for which accounts are made up to 31 December 2011. As this company ceased to trade after acquisition, the directors saw no benefit in changing the year ends. On consolidation, relevant adjustments were made to reflect the transactions up to the group year end. No profit and loss account is presented for Clearsprings (Management) Limited as provided by Section 408 of the Companies Act 2006. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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
Leasehold improvements	20% straight line
Computer equipment	33% straight line
Fixtures, fittings & equipment	20%-50% straight line
Motor vehicles	25% straight line
Office equipment	25% straight line

Freehold properties are revalued in accordance with FRS15 with a full valuation carried out by professionally qualified Chartered Surveyors on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No 4 and the guidance notes of the Royal Institute of Chartered Surveyors every five years and an interim valuation is carried out in year three.

The profit or loss on disposal of revalued properties is calculated by reference to net book value and any realised revaluation surplus is transferred to the profit and loss account through reserves.

1.6 Leasing commitments

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

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases") the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

1.7 Investments

Fixed asset investments are stated at cost. Provision is made for any impairment in the value of fixed asset investments and is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

Clearsprings (Management) Limited

Notes to the Consolidated Financial Statements for the year ended 31 January 2012 (continued)

1 8 Stock

Stock is valued at the lower of cost and net realisable value. Provision is made for obsolete items

1 9 Pensions

The group 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 group. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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 group's taxable profits and its results as stated in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in periods in which timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. 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 Housing furnishings and equipment

Housing 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.

1 12 Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Assets and liabilities of overseas subsidiaries are translated at the rate ruling at the balance sheet date and the results of overseas subsidiaries are translated at the average rate for the year. Exchange differences arising are dealt with through reserves.

1 13 Goodwill

Goodwill representing the difference between the fair value of the consideration and the fair value of assets and liabilities acquired has been capitalised, and the balance amortised over the directors' estimate of the useful economic life of 5 years on a straight line basis. The directors deem it inappropriate to amortise the goodwill over 20 years as this would not fairly reflect its value to the group. Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition, and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

1 14 Dividends

Equity dividends are recognised when paid.

1 15 Substance over form

The acquisitions by the group in the year as noted in note 25 to the financial statements were legally made in the name of Clearsprings Support Services Ltd, a subsidiary company, and were funded by the parent company of the group. However, in the view of the directors the substance of the transaction is that they were group acquisitions funded by the parent company, and therefore the investments should be shown in the accounts of Clearsprings (Management) Limited. This is further evidenced by deeds of assignment dated 29 June 2011, formally assigning the legal form of the transaction to Clearsprings (Management) Limited and confirming that they were the intended beneficiary at the date of acquisition.

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2012 (continued)**

1 16 Share based payments

The group operates a reward scheme for the senior management team which gives employees the right to acquire shares in the group which are immediately reacquired by the group for their cash value less amounts for tax. This arrangement is treated as a cash-settled share-based payment scheme. For cash-settled share-based payment transactions, the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value, measured based on historic EBITDA and price earnings ratios that are publicly available for companies in similar industries, is initially measured at the grant date and spread over the vesting period, the conditions for which are disclosed in note 26. The liability is remeasured at each balance sheet date and at the settlement date with any changes to fair value being recognised in the profit and loss account.

2 Turnover

In the year to 31 January 2012 0.0% (2011 0.2%) of the group's turnover was to markets outside the United Kingdom.

The analysis of turnover and profit before taxation by class of business and the geographical analysis of turnover has not been given as in the opinion of the directors such disclosures would be seriously prejudicial to the interests of the group.

3 Operating profit

Operating profit is stated after charging/(crediting)

Group	2012 £	2011 £
Depreciation of tangible assets	160,315	260,201
Loss/(profit) on disposal of tangible assets	105,933	(641)
Amortisation of goodwill	672,712	515,412
Operating lease rentals		
- Land and buildings	7,202,611	10,891,593
Auditors' remuneration - audit services	24,000	32,000
Auditors' remuneration - taxation services	4,000	4,000
(Auditors' remuneration for 2011 relates to the predecessor auditors)		
Share option charge	-	61,878
Directors' remuneration	480,446	1,041,893
Foreign exchange (gain)/loss	(36)	2,022
Defined contribution pension cost	95,266	116,465
	<u>95,266</u>	<u>116,465</u>

4 Investment income

	2012 £	2011 £
Bank interest	<u>8,038</u>	<u>7,013</u>

5 Interest payable

	2012 £	2011 £
On bank loans and overdrafts	21,204	24,833
On overdue taxation	8,004	5,752
	<u>29,208</u>	<u>30,585</u>

6 Dividends

	2012 £	2011 £
Ordinary		
Interim paid - £0.30 (2011 £0.30) per share	<u>300,000</u>	<u>300,000</u>

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2012 (continued)**

7	Taxation	2012	2011
		£	£
	Domestic current year tax		
	UK corporation tax	519,520	441,988
	Adjustment for prior periods	(4,165)	(116,304)
	Provision for tax under s 455 Corporation Tax Act 2010	133,277	-
	Current tax charge	<u>648,632</u>	<u>325,684</u>
	Deferred tax		
	Deferred tax charge current year	21,232	45,851
		<u>669,865</u>	<u>371,535</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>832,250</u>	<u>444,311</u>
	Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 26.3% (2011 28%)	219,076	124,407
	Effects of		
	Non deductible expenses/non taxable income	279,630	298,989
	Difference between capital allowances and depreciation	(5,550)	11,357
	Capital gain on disposal of property	49,369	45,727
	Indexation allowance	(23,902)	(22,196)
	Difference between UK tax rate and overseas tax rate	(141)	400
	Lower rate of UK corporation tax	1,038	(16,696)
	Adjustments to tax charge in respect of previous periods	(4,165)	(116,304)
		<u>296,279</u>	<u>201,277</u>
	Provision for tax under s 455 Corporation Tax Act 2010	133,277	-
	Current tax charge	<u>648,632</u>	<u>325,684</u>
8	Intangible fixed assets - Goodwill		
		Group	Company
		£	£
	Cost		
	At 1 February 2011	2,577,058	446,648
	Additions	786,500	526,500
	At 31 January 2012	<u>3,363,558</u>	<u>973,148</u>
	Amortisation		
	At 1 February 2011	1,218,592	89,330
	Charge for the year	672,712	194,630
	At 31 January 2012	<u>1,891,304</u>	<u>283,960</u>
	Net book value		
	At 31 January 2012	<u>1,472,254</u>	<u>689,188</u>
	At 31 January 2011	<u>1,358,466</u>	<u>357,318</u>

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2012 (continued)**

9 Tangible fixed assets - Group

	Freehold land and buildings £	Computer equipment and software £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost/Valuation					
At 1 February 2011	3,216,209	526,874	245,444	120,651	4,109,178
Additions	-	19,546	35,806	9,047	64,399
Assets acquired	-	-	12,710	21,590	34,300
Disposals	(870,500)	(135,892)	(9,574)	(83,345)	(1,099,311)
Exchange differences	-	(677)	(278)	-	(955)
At 31 January 2012	<u>2,345,709</u>	<u>409,851</u>	<u>284,108</u>	<u>67,943</u>	<u>3,107,611</u>
Depreciation					
At 1 February 2011	298,817	444,584	174,138	99,151	1,016,690
On disposals	(89,272)	(135,891)	(9,545)	(83,345)	(318,053)
Charge for the year	46,914	54,180	48,018	11,203	160,315
Exchange differences	-	(358)	(102)	-	(460)
At 31 January 2012	<u>256,459</u>	<u>362,515</u>	<u>212,509</u>	<u>27,009</u>	<u>858,492</u>
Net book value					
At 31 January 2012	<u>2,089,250</u>	<u>47,336</u>	<u>71,599</u>	<u>40,934</u>	<u>2,249,119</u>
At 31 January 2011	<u>2,917,392</u>	<u>82,290</u>	<u>71,306</u>	<u>21,500</u>	<u>3,092,488</u>

The freehold land and buildings used for the company's business activities were valued by David Moor Chartered Surveyors and Roger Roberts Surveys Limited on an open market basis in accordance with FRS 15 as at 31 January 2011. Following this professional valuation, which the directors considered to be in excess of market value, the directors valued the freehold land and buildings at net book value which they considered to be consistent with market value.

The historical cost of land and buildings as at the year end was £2,032,429 (2011 £2,992,182).

All other tangible assets are stated at historical cost.

Tangible fixed assets - Company

	Freehold land and buildings £	Computer equipment and software £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost/Valuation					
At 1 February 2011	3,216,209	400,725	125,958	93,854	3,836,746
Additions	-	8,885	17,356	-	26,241
Disposals	(870,500)	(87,198)	-	(77,750)	(1,035,448)
At 31 January 2012	<u>2,345,709</u>	<u>322,412</u>	<u>143,314</u>	<u>16,104</u>	<u>2,827,539</u>
Depreciation					
At 1 February 2011	298,817	373,454	116,248	93,854	882,373
On disposals	(89,272)	(87,197)	-	(77,750)	(254,219)
Charge for the year	46,914	26,527	13,182	-	86,623
At 31 January 2012	<u>256,459</u>	<u>312,784</u>	<u>129,430</u>	<u>16,104</u>	<u>714,777</u>
Net book value					
At 31 January 2012	<u>2,089,250</u>	<u>9,628</u>	<u>13,884</u>	<u>-</u>	<u>2,112,762</u>
At 31 January 2011	<u>2,917,392</u>	<u>27,271</u>	<u>9,710</u>	<u>-</u>	<u>2,954,373</u>

The freehold land and buildings used for the company's business activities were valued by David Moor Chartered Surveyors and Roger Roberts Surveys Limited on an open market basis in accordance with FRS 15 as at 31 January 2011. Following this professional valuation, which the directors considered to be in excess of market value, the directors valued the freehold land and buildings at net book value which they considered to be consistent with market value.

The historical cost of land and buildings as at the year end was £2,032,429 (2011 £2,992,182).

All other tangible assets are stated at historical cost.

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2012 (continued)**

10 Fixed asset investments - Company

	£
Balance at 1 February 2011	2,260,839
Additions (note 25)	613,496
Impairment of investment in Softwerx Ltd	(1,909,249)
Balance at 31 January 2012	<u>965,086</u>

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

Company	Country of registration or Incorporation	Class	Shares held %
Subsidiary undertaking			
Softwerx Ltd	England	Ordinary	100
Softwerx (Private) Ltd	Sri Lanka	Ordinary	99.9
Clearsprings Support Services Ltd	England	Ordinary	100
Clearsprings Energy Solutions Ltd	England	Ordinary	100
Crusader Cleaners Limited	England	Ordinary	100

The principal activities of the undertakings for the last relevant financial period are as follows

Softwerx Ltd	IT services and systems
Softwerx Lanka (Private) Ltd	IT services and systems
Clearsprings Support Services Ltd	Cleaning
Clearsprings Energy Solutions Ltd	Energy efficiency (incorporated 18 November 2011)
Crusader Cleaners Limited	Dormant

11 Stock - group and company

	2012	2011
	£	£
Finished goods and goods for resale	<u>40,359</u>	<u>65,920</u>

12 Debtors

	Group 2012	Company 2012	Group 2011	Company 2011
	£	£	£	£
Trade debtors	1,235,522	109,294	786,899	172,898
Amounts owed by subsidiary undertakings	-	353,734	-	108,329
Other debtors	147,239	103,978	57,767	10,887
Prepayments and accrued income	2,746,392	2,602,891	2,546,154	2,453,212
Deferred Tax Asset (see Note 14)	60,120	71,221	81,618	97,136
Foreign corporation tax debtor	5,124	-	4,967	-
	<u>4,194,397</u>	<u>3,241,118</u>	<u>3,477,405</u>	<u>2,842,462</u>

All amounts fall due for payment within one year

Clearsprings (Management) Limited

Notes to the Consolidated Financial Statements
for the year ended 31 January 2012 (continued)

13 Creditors amounts falling due within one year

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Bank loan	-	-	200,000	200,000
Trade creditors	890,435	751,460	967,193	854,308
Amounts owed to subsidiary undertakings	-	352,707	-	87,314
Corporation tax	630,283	634,898	441,990	435,709
Other taxes and social security costs	403,982	64,183	358,992	64,943
Other creditors	44,547	6,360	26,433	-
Share options liability	61,878	61,878	61,878	61,878
Accruals and deferred income	1,363,000	1,180,768	1,364,973	1,220,025
	<u>3,394,125</u>	<u>3,052,254</u>	<u>3,421,459</u>	<u>2,924,177</u>

Creditors amounts falling due after more than one year

Bank loan	-	-	500,000	500,000
	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>

The bank loan was secured by charges on certain freehold land and buildings

Analysis of debt maturity	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Amounts payable				
In more than two years but not more than five years	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>

14 Provisions for liabilities

Group	Deferred tax asset £	Deferred tax liability £	Total provision £
Balance at 1 February 2011	81,618	(2,493)	(2,493)
Profit and loss account	<u>(21,498)</u>	<u>266</u>	<u>266</u>
Balance at 31 January 2012	<u>60,120</u>	<u>(2,227)</u>	<u>(2,227)</u>

Company	Deferred tax asset £
Balance at 1 February 2011	97,136
Profit and loss account	<u>(25,915)</u>
Balance at 31 January 2012	<u>71,221</u>

Deferred Tax

The deferred tax asset is based on decelerated capital allowances

The deferred tax liability is based on accelerated capital allowances and other timing differences

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2012 (continued)**

15 Pension costs

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Contributions payable for the year	<u>95,266</u>	<u>79,009</u>	<u>116,465</u>	<u>98,808</u>

At the balance sheet date there were outstanding contributions of £6,360 (2011 £nil)

16 Share capital

	2012 £	2011 £
Allotted, called up and fully paid		
1,000,000 ordinary A shares of £0 0001 each	<u>100</u>	<u>100</u>

17 Statement of movements on reserves

Group	Revaluation reserve	Capital redemption reserve	Profit and loss account
	£	£	£
Balance at 1 February 2011	286,952	1	6,425,324
Retained profit for the year	-	-	162,385
Movements in foreign exchange	-	-	36
Excess depreciation transferred on revalued properties	(2,334)	-	2,334
Dividend	-	-	(300,000)
Revaluation realised on disposal	(150,915)	-	150,915
	<hr/>	<hr/>	<hr/>
Balance at 31 January 2012	<u>133,703</u>	<u>1</u>	<u>6,440,994</u>
 Company			
	£	£	£
Balance at 1 February 2011	286,952	1	6,990,228
Retained loss for the year	-	-	(1,242,854)
Excess depreciation transferred on revalued properties	(2,334)	-	2,334
Dividend	-	-	(300,000)
Revaluation realised on disposal	(150,915)	-	150,915
	<hr/>	<hr/>	<hr/>
Balance at 31 January 2012	<u>133,703</u>	<u>1</u>	<u>5,600,623</u>

The company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006

The group profit includes a loss of £1,242,354 (2011 £83,433) which is dealt with in the financial results of the parent company

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2012 (continued)**

18 Reconciliation of movements in shareholders' funds

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Profit/(loss) for the financial year	162,385	(1,242,854)	72,776	(83,433)
Movements in foreign exchange	36	-	(2,022)	-
Dividend	(300,000)	(300,000)	(300,000)	(300,000)
Net reduction to shareholders' funds	(137,579)	(1,542,854)	(229,246)	(383,433)
Opening shareholders' funds	6,712,377	7,277,281	6,941,623	7,660,714
Closing shareholders' funds	6,574,798	5,734,427	6,712,377	7,277,281

19 Financial commitments

At 31 January 2011 the group and company had annual commitments under non-cancellable operating leases as follows

	Land & buildings 2012 £	Land & buildings 2011 £
Expiry date		
Between two and five years	138,746	-
More than five years	-	57,022
	138,746	57,022

20 Directors' emoluments

	2012 £	2011 £
Emoluments for qualifying services	459,098	1,021,175
Pension payment for directors	21,348	20,718
	480,446	1,041,893

The number of directors for whom benefits are accruing under defined contribution schemes was 2 (2011 2) The highest paid director received aggregate remuneration during the year of £193,597 (2011 £187,011) No director received a dividend in the year Pension payments made during the year in respect of the highest paid director were £13,635 (2011 £13,238)

21 Post balance sheet events

On 16 March 2012 the group signed five year contracts for asylum services with UKBA in Wales and the south of England A performance bond was provided by Barclays Bank plc, secured by charges on certain freehold property and a debenture on the assets of Clearsprings (Management) Limited

On 15 June 2012 the group acquired the entire share capital of Downie Consulting Engineers Limited for a consideration of £425,000 plus assets £271,179

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2012 (continued)**

22 Employees

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

	2012 Number	2011 Number
Administrative staff	50	43
Accommodation and support field staff	39	60
Logistics staff	5	6
IT staff	48	51
Cleaning staff	467	122
	<u>609</u>	<u>282</u>
Employment costs	£	£
Wages and salaries	7,074,239	5,558,475
Social security costs	435,188	465,935
Other pension costs	95,266	116,465
	<u>7,604,693</u>	<u>6,140,875</u>

23 Control

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

24 Related party disclosures

The company is exempt from disclosing transactions with group entities under the provisions of FRS8, as they are wholly owned subsidiaries

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

During the year services amounting to £9,474 (2011 £35,236) were acquired from Kings Aviation Limited. At 31 January 2012, the company owed £nil to Kings Aviation Limited (2011 £11,550)

During the year the company incurred expenditure on behalf of G King amounting to £553,109. This amount has been fully provided at year end

During the year the company paid property rental to G King amounting to £22,800 (2011 £22,800)

25 Purchase of subsidiary undertakings

On 1 March 2011, the group purchased 100% of the share capital of Crusader Cleaners Limited for the consideration of £612,707 plus £789 of acquisition costs

The fair value and book value of the assets and liabilities of the company acquired as at 1 March 2011 were

	£
Tangible fixed assets	6,900
Stock	2,310
Debtors	102,251
Cash	303,456
Creditors	(62,210)
	<u>352,707</u>
Consideration paid	612,707
Goodwill arising	260,000

In the period from 1 January 2011 to the date of acquisition the company acquired made a loss of £8,889
In the year 1 January 2010 to 31 December 2010 profits were £ 9,688

Clearsprings (Management) Limited

**Notes to the Consolidated Financial Statements
for the year ended 31 January 2012 (continued)**

25 Purchase of subsidiary undertakings (continued)

On 18 March 2011, the group purchased the trade and assets of Brewster FM Limited for the consideration of £263,000 plus £7,500 of acquisition costs

The fair value and book value of the assets and liabilities acquired as at 18 March 2011 were

	£
Tangible fixed assets	12,400
Stock	10,600
	<u>23,000</u>
Consideration paid	270,500
Goodwill arising	247,500

On 1 June 2011, the group purchased the trade and assets of Paul Dyson Limited for the consideration of £40,000 plus £6,500 of acquisition costs

	£
Tangible fixed assets	-
Consideration paid	46,500
Goodwill arising	46,500

On 1 July 2011, the group purchased the trade and assets of Manor Cleaning Services Limited for the consideration of £245,000 plus £2,500 of acquisition costs

The fair value and book value of the assets and liabilities acquired as at 1 July 2011 were

	£
Tangible fixed assets	15,000
Consideration paid	247,500
Goodwill arising	232,500

26 Share options

On 20 December 2010, the company granted two directors a total of 81,081 options over 81,081 B Ordinary shares. There is no limited contractual life and there are various vesting conditions relating to profit targets for the group. The estimated fair value of each share option at the balance sheet date was £3.45. This is not considered materially different to the fair value at the date of the grant.

Further details of the option plan are as follows

	2012 Number	2011 Number
Outstanding at start of period	81,081	-
Granted	-	81,081
Outstanding at end of period	<u>81,081</u>	<u>81,081</u>
The exercise price for the scheme is £0.01		
	2012 £	2011 £
Charge arising from share option scheme	<u>-</u>	<u>61,878</u>