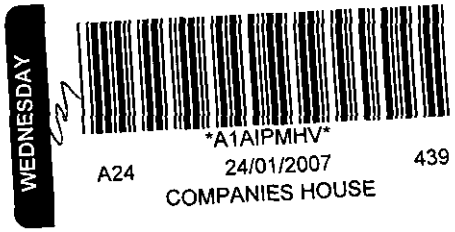
REGISTERED NUMBER: 02631340 (England and Wales)

# REPORT OF THE DIRECTORS AND

# *FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006*

# FOR

# A4E LTD



A4E LTD

*CONTENTS OF THE FINANCIAL STATEMENTS*
FOR THE YEAR ENDED 31 MARCH 2006


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# COMPANY INFORMATION
## FOR THE YEAR ENDED 31 MARCH 2006

| | |
|---|---|
| **DIRECTORS:** | E L Harrison<br>M Lovell<br>N M Watson<br>S A Boyfield<br>R Newey<br>Sir Hugh Sykes |
| **SECRETARY:** | N M Watson |
| **REGISTERED OFFICE:** | Bessemer Road<br>Attercliffe<br>Sheffield<br>South Yorkshire<br>S9 3XN |
| **REGISTERED NUMBER:** | 02631340 (England and Wales) |
| **AUDITORS:** | Rees Wallis<br>Chartered Certified Accountants<br>Registered Auditors<br>Cathedral Chambers<br>18-24 Campo Lane<br>Sheffield<br>S1 2EF |
| **BANKERS:** | National Westminster Bank Plc<br>244 Fulwood Road<br>Broomhill<br>Sheffield<br>S10 3AA |

## REPORT OF THE DIRECTORS
## FOR THE YEAR ENDED 31 MARCH 2006

The directors present their report with the financial statements of the company and the group for the year ended 31 March 2006.

### CHANGE OF NAME
The group passed a special resolution on 13 October 2005 changing its name from Action for Employment Limited to A4e Ltd.

### PRINCIPAL ACTIVITY
The principal activity of the group (A4e) in the year under review was the management and delivery of front line public services. A4e provides outsourced services to the commercial and public sectors. A4e's operational and development activity with government departments and agencies includes work with JobCentre Plus, Regional Development Agencies, Local Learning and Skills Councils, local authorities, the Department for Work and Pensions, the Department for Education and Skills, the Department for Communities and Local Government, the Department for Constitutional Affairs, the Department for Trade and Industry and the Department for Culture Media and Sport.

### REVIEW OF BUSINESS
The results for the year and financial position of the company and the group are as shown in the annexed financial statements.

A4e remains committed to a strategy of geographical and service diversification, by utilising transferable skill sets in new markets. This supports our development of new business opportunities with long term revenue and growth potential. The company and the group continue to introduce operations across the business where the ability to deliver high quality services that drive social change can make a significant impact for customers and clients.

Excellent positioning has taken place this year to support high levels of revenue and profit growth for 2007/08. The financial year for 2005/06 characterised a need for careful maintenance of investment in the company's front line and delivery infrastructure. Slower than usual policy implementation following general elections in the UK resulted in a reduction in headline profit and revenue growth as government restructured areas of supply in which A4e is involved. This investment was coupled with exceptionally strong new business wins and the re-award of significant proportions of existing business on new contracts. This creates an excellent foundation for revenue and profit growth - both in the UK and overseas - over the next 3 to 5 years.

### DIVIDENDS
Dividends paid during the year are set out in note 6 to the financial statements.

### FUTURE DEVELOPMENTS
Throughout 2005/06 A4e has made significant investment in bidding opportunities and the development of its operational infrastructure to support government priorities for service delivery. This applies to our work in the UK and new and existing overseas markets where the export of A4e's approach to public service reform is opening up considerable market opportunities. This investment will result in a strong upward movement in revenues in 2006/07 and an increase in profit return. Continued working capital will be required throughout 2006/07 to continue to build on these new contracts with continued returns flowing for a 3 to 5 year period.

There is a strong growth in A4e sales and development activity and business opportunities continue to grow in A4e's current government markets - employment, welfare, training, regeneration, business support, education, workforce development, financial inclusion and managing agency services. The new international markets provide opportunities for both geographical and service expansion, building on the business methodology applied in the UK. In the UK markets, the local government services are an increasing part of A4e's portfolio, coupled with opportunities in community health, prison and offender services and the legal services sector. These opportunities, combined, make for excellent growth prospects over the medium term.

## REPORT OF THE DIRECTORS
## FOR THE YEAR ENDED 31 MARCH 2006

### DIRECTORS

The names of the directors who held office during the year and their interests in the shares of the company are shown below:

| | 31 March 2006 | | | |
|---|---|---|---|---|
| | | 5p ordinary redeemable | | |
| | 5p ordinary | 'A' | 'B' | 'D' |
| E L Harrison | 1,800,000 | 2,000 | - | - |
| M Lovell | - | - | 1,220 | - |
| N M Watson | - | - | - | 880 |
| S A Boyfield | - | - | - | - |
| R Newey | - | - | - | - |
| Sir Hugh Sykes (appointed 7/7/05) | - | - | - | - |

| | 31 March 2005 | | | |
|---|---|---|---|---|
| | | 5p ordinary redeemable | | |
| | 5p ordinary | 'A' | 'B' | 'D' |
| E L Harrison | 1,800,000 | 2,000 | - | - |
| M Lovell | - | - | 1,220 | - |
| N M Watson | - | - | - | 880 |
| S A Boyfield | - | - | - | - |
| R Newey | - | - | - | - |

In addition to the above beneficial interests in the company's shares, the directors are regarded for Companies Act purposes as having non-beneficial interests in 200,000 5p ordinary shares of the company held by The Action For Employment Limited Employee Share Trust. The purposes of the trust include the granting of options over the shares in order to promote wider employee share ownership in the company. Consequently, all employees (including directors) are potential beneficiaries of the trust, which is referred to in Note 26 to the Financial Statements.

### CHARITABLE DONATIONS

During the course of delivering its services A4e works with thousands of charitable, voluntary and community sector organisations. Formal donations for charitable purposes during the course of the year amounted to £60,086 and A4e is developing formal relations with the NSPCC as A4e's 'sponsored charity' on a national basis.

### DISABLED PEOPLE AND DIVERSITY

The group's policy is to ensure that every individual applying to and working within A4e is judged solely on their aptitude and ability in relation to their role. A4e holds the 'Positive about Disabled People' award and the 'Investor in People' standard and is proactive in supporting staff with specific training requirements. In its UK and international work A4e continues to recruit local people reflecting the demographic of the localities in which it operates.

A4e has a core set of values about the positive contribution people bring to their work. This is based on the fundamental belief that to deliver successful services, the business needs to be able to enthuse, empathise and energise the communities within which A4e operates. This can only be accomplished if the workforce reflects the communities it serves. A4e's directors are firmly committed to ensuring that a diverse workforce, reflecting its values, is employed across the business.

### EMPLOYEE INVOLVEMENT

A4e's mission is to 'Improve People's Lives'. This applies equally to the people to whom we deliver services, those on whose behalf we deliver those services and the tremendous people within A4e who take those services to market.

The directors are committed to achieving the highest standards in the workplace. There will be continued development of our policies and procedures to ensure A4e offers a superb work environment for its employees. As a large business, communication continues to be a top priority ensuring everyone in the business is well informed. The extension of consultation processes with staff across the entire business will continue to be a key development.

## REPORT OF THE DIRECTORS
## FOR THE YEAR ENDED 31 MARCH 2006

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

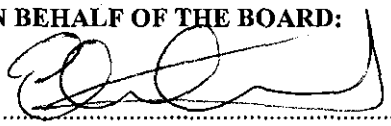
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**ON BEHALF OF THE BOARD:**



.....

E L Harrison - Director

Date: 13-1-07

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF A4E LTD

We have audited the financial statements of A4e Ltd for the year ended 31 March 2006 on pages seven to thirty five. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page four.

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

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

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

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

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

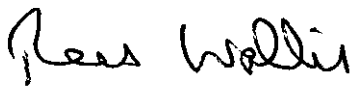
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF A4E LTD

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and the group as at 31 March 2006 and of the loss of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.



Rees Wallis
Chartered Certified Accountants
Registered Auditors
Cathedral Chambers
18-24 Campo Lane
Sheffield
S1 2EF

23 January 2007

A4E LTD

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

| | Notes | 2006 £ | 2005 £ |
|---|---|---|---|
| **TURNOVER** | 2 | **77,878,316** | 75,715,073 |
| Cost of sales | | **21,468,714** | 20,787,854 |
| **GROSS PROFIT** | | **56,409,602** | 54,927,219 |
| Administrative expenses | | **54,692,011** | 50,410,363 |
| | | **1,717,591** | 4,516,856 |
| Other operating income | | **6,347** | 9,101 |
| **OPERATING PROFIT** | 4 | **1,723,938** | 4,525,957 |
| Share of operating profit in associate | | **60,008** | - |
| Pre-contract costs | 5 | **-** | (352,686) |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST, DIVIDENDS AND TAXATION** | | **1,783,946** | 4,173,271 |
| Interest receivable and similar income | | **63,164** | 27,900 |
| | | **1,847,110** | 4,201,171 |
| Interest payable and similar charges | 7 | **292,173** | 213,430 |
| | | **1,554,937** | 3,987,741 |
| Dividends - redeemable shares | 6 | **1,538,796** | 1,388,725 |
| Profit on ordinary activities before taxation | | **16,141** | 2,599,016 |
| Tax on profit on ordinary activities | 8 | **688,042** | 1,683,857 |
| **(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION** | | **(671,901)** | 915,159 |
| Minority interest - equity | | **41,972** | - |
| **(DEFICIT)/RETAINED PROFIT FOR THE YEAR FOR THE GROUP** | | **(713,873)** | 915,159 |

**CONTINUING OPERATIONS**

None of the group's activities were acquired or discontinued during the current year or previous year.

The notes form part of these financial statements

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2006

| | 2006 £ | 2005 £ |
|---|---|---|
| **(LOSS)/PROFIT FOR THE FINANCIAL YEAR** | **(713,873)** | 915,159 |
| Unrealised surplus on revaluation of freehold land and buildings | **154,188** | 200,070 |
| Currency translation differences on foreign currency net investments | **(334)** | - |
| **TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR** | **(560,019)** | 1,115,229 |

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material.

The notes form part of these financial statements

**A4E LTD**

**CONSOLIDATED BALANCE SHEET**
**31 MARCH 2006**

| | Notes | 2006 £ | 2006 £ | 2005 £ | 2005 £ |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Tangible assets | 10 | | **4,422,600** | | 5,195,660 |
| Investment in associates | 12 | | **55,236** | | - |
| | | | **4,477,836** | | 5,195,660 |
| **CURRENT ASSETS** | | | | | |
| Debtors | 13 | **14,852,483** | | 20,278,969 | |
| Cash at bank and in hand | | **840,483** | | 1,681,083 | |
| | | **15,692,966** | | 21,960,052 | |
| **CREDITORS** | | | | | |
| Amounts falling due within one year | 14 | **15,016,775** | | 21,570,023 | |
| **NET CURRENT ASSETS** | | | **676,191** | | 390,029 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | **5,154,027** | | 5,585,689 |
| **CREDITORS** | | | | | |
| Amounts falling due after more than one year | 15 | | **(328,914)** | | (1,602,096) |
| **PROVISIONS FOR LIABILITIES** | 19 | | **(9,100)** | | - |
| **ACCRUALS AND DEFERRED INCOME** | 20 | | **(2,744,011)** | | (1,393,543) |
| **MINORITY INTERESTS** | | | **(42,000)** | | (29) |
| **NET ASSETS** | | | **2,030,002** | | 2,590,021 |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 21 | | **100,000** | | 100,000 |
| Revaluation reserve | 22 | | **349,557** | | 200,070 |
| Own shares | 22 | | **(2,480,000)** | | (2,480,000) |
| Profit and loss account | 22 | | **4,060,445** | | 4,769,951 |
| **SHAREHOLDERS' FUNDS** | 25 | | **2,030,002** | | 2,590,021 |

The financial statements were approved by the Board of Directors on 17-1-07 and were signed on its behalf by:

.....

E L Harrison - Director

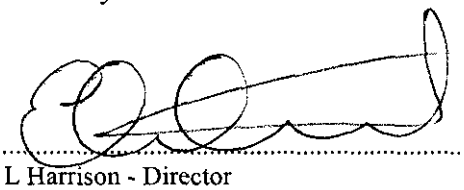
The notes form part of these financial statements

A4E LTD

## COMPANY BALANCE SHEET
## 31 MARCH 2006

| | Notes | 2006 £ | 2006 £ | 2005 £ | 2005 £ |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Tangible assets | 10 | | **3,064,239** | | 3,921,329 |
| Investment in associate | 11 | | **185** | | 185 |
| | | | **3,064,424** | | 3,921,514 |
| **CURRENT ASSETS** | | | | | |
| Debtors | 13 | **7,799,975** | | 8,452,511 | |
| Cash at bank and in hand | | **40,505** | | 1,670,676 | |
| | | **7,840,480** | | 10,123,187 | |
| **CREDITORS** | | | | | |
| Amounts falling due within one year | 14 | **8,462,770** | | 10,049,875 | |
| **NET CURRENT (LIABILITIES)/ASSETS** | | | **(622,290)** | | 73,312 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | **2,442,134** | | 3,994,826 |
| **CREDITORS** | | | | | |
| Amounts falling due after more than one year | 15 | | **(315,588)** | | (1,531,399) |
| **ACCRUALS AND DEFERRED INCOME** | 20 | | - | | (133,501) |
| **NET ASSETS** | | | **2,126,546** | | 2,329,926 |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 21 | | **100,000** | | 100,000 |
| Revaluation reserve | 22 | | **349,557** | | 200,070 |
| Own shares | 22 | | **(2,480,000)** | | (2,480,000) |
| Profit and loss account | 22 | | **4,156,989** | | 4,509,856 |
| **SHAREHOLDERS' FUNDS** | 25 | | **2,126,546** | | 2,329,926 |

The financial statements were approved by the Board of Directors on 13-1-07 and were signed on its behalf by:



E L Harrison - Director

The notes form part of these financial statements

**A4E LTD**

**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 31 MARCH 2006**

| | Notes | 2006 £ | 2006 £ | 2005 £ | 2005 £ |
|---|---|---|---|---|---|
| **Net cash inflow from operating activities** | 1 | | **3,746,384** | | 4,426,674 |
| **Returns on investments and servicing of finance** | 2 | | **(1,833,030)** | | (2,333,280) |
| **Taxation** | | | **(1,586,611)** | | (677,673) |
| **Capital expenditure** | 2 | | **(1,209,700)** | | (2,770,558) |
| **Acquisitions and disposals** | 2 | | **(4,900)** | | - |
| | | | **(887,857)** | | (1,354,837) |
| **Financing** | 2 | | **(1,951,409)** | | 1,106,524 |
| **Decrease in cash in the period** | | | **(2,839,266)** | | (248,313) |

| | Notes | | | | |
|---|---|---|---|---|---|
| **Reconciliation of net cash flow to movement in net debt** | 3 | | | | |
| Decrease in cash in the period | | **(2,839,266)** | | (248,313) | |
| Cash outflow/(inflow) from decrease/(increase) in debt and lease financing | | **2,001,409** | | (1,106,495) | |
| Change in net debt resulting from cash flows | | | **(837,857)** | | (1,354,808) |
| New finance leases | | | - | | (410,499) |
| ***Movement in net debt in the period*** | | | **(837,857)** | | (1,765,307) |
| **Net debt at 1 April** | | | **(2,459,607)** | | (694,300) |
| **Net debt at 31 March** | | | **(3,297,464)** | | (2,459,607) |

The notes form part of these financial statements

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

### 1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2006 | 2005 |
|---|---|---|
| | £ | £ |
| Operating profit | 1,723,938 | 4,525,957 |
| Depreciation charges | 2,135,158 | 1,658,284 |
| Loss on disposal of fixed assets | 1,791 | 4,146 |
| Exceptional items (note 5) | - | (352,686) |
| Amounts owed by participating interests | (100,000) | - |
| Government grants | (6,347) | (9,101) |
| Decrease/(Increase) in debtors | 5,526,484 | (10,329,767) |
| (Decrease)/Increase in creditors | (5,534,640) | 8,929,841 |
| ***Net cash inflow from operating activities*** | 3,746,384 | 4,426,674 |

### 2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

| | 2006 | 2005 |
|---|---|---|
| | £ | £ |
| **Returns on investments and servicing of finance** | | |
| Interest received | 63,164 | 27,900 |
| Interest paid | (287,763) | (213,430) |
| Interest element of finance lease payments | (4,410) | - |
| Dividends paid on redeemable shares | (1,604,021) | (2,147,750) |
| **Net cash outflow for returns on investments and servicing of finance** | (1,833,030) | (2,333,280) |
| **Capital expenditure** | | |
| Purchase of tangible fixed assets | (1,399,157) | (3,076,046) |
| Sale of tangible fixed assets | 189,457 | 305,488 |
| **Net cash outflow for capital expenditure** | (1,209,700) | (2,770,558) |
| **Acquisitions and disposals** | | |
| Acquisition of associate | (4,900) | - |
| **Net cash outflow for acquisitions and disposals** | (4,900) | - |
| **Financing** | | |
| New loans in year | - | 1,662,262 |
| Loan repayments in year | (1,826,341) | (524,185) |
| Minority interest | - | 29 |
| Redeemable share issue | 50 | - |
| Capital repayments in year | (175,118) | (31,582) |
| Amount introduced by directors | 50,000 | - |
| **Net cash (outflow)/inflow from financing** | (1,951,409) | 1,106,524 |

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 31 MARCH 2006**

3. **ANALYSIS OF CHANGES IN NET DEBT**

| | At 1.4.05 £ | Cash flow £ | Other non-cash changes £ | At 31.3.06 £ |
|---|---|---|---|---|
| Net cash: | | | | |
| Cash at bank and in hand | 1,681,083 | (840,600) | | 840,483 |
| Bank overdraft | (523,280) | (1,998,666) | | (2,521,946) |
| | 1,157,803 | (2,839,266) | | (1,681,463) |
| Debt: | | | | |
| Finance leases | (378,917) | 175,118 | - | (203,799) |
| Debts falling due within one year | (1,851,693) | 1,826,291 | (1,098,286) | (1,123,688) |
| Debts falling due after one year | (1,386,800) | - | 1,098,286 | (288,514) |
| | (3,617,410) | 2,001,409 | - | (1,616,001) |
| Total | (2,459,607) | (837,857) | - | (3,297,464) |

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

## 1. ACCOUNTING POLICIES

**Basis of preparation**
The financial statements are prepared under the historical cost convention as modified by the revaluation of certain assets and in accordance with applicable accounting standards.

**Basis of consolidation**
The group financial statements consolidate the financial statements of the company and all its subsidiary undertakings drawn up to 31 March each year. Inter-company sales are eliminated on consolidation so that the group financial statements relate to external transactions only.

The profits and losses of subsidiary undertakings are consolidated from the date of acquisition to the date of disposal.

Associates are accounted for under the equity method from the date of acquisition to the date of disposal whereby the group's profit and loss account includes its share of their profits and losses and the group's balance sheet includes its share of their net assets.

***Turnover***
Turnover, excluding VAT where applicable, is recognised during the period in which funding is received or invoices are raised in respect of work and training programmes and trainee placements, unless the amounts concerned are in respect of services to be delivered in a later accounting period. In such cases revenue received in advance is carried forward as deferred income and released in the subsequent accounting period in which the services are delivered and the related costs are incurred.

In accordance with FRS5 Application Note G68, turnover includes managing agent fees received or receivable in return for the performance of duties as agent under certain contractual arrangements. Amounts received or receivable from the customer which are payable to or on behalf of the principal under these arrangements are not included in turnover.

**Tangible fixed assets**
Tangible fixed assets are included at cost less accumulated depreciation.

Depreciation is provided on tangible fixed assets on a straight line or reducing balance basis over their estimated useful economic lives or, if held under a finance lease, over the lease term, whichever is the shorter.

Useful economic lives are principally as follows:

| | |
|---|---|
| Freehold land & buildings | - 50 years |
| Short-term leasehold improvements | - over the lease term |
| Fixtures & fittings | - 5-10 years |
| Motor vehicles & plant | - 6-10 years |
| Computer equipment & software | - 3-5 years |

Costs incurred in establishing a new or changed operation or branch, following the award of a contract but before delivery of the outsourced service, which meet the criteria for recognition as tangible fixed assets under FRS15 'Tangible Fixed Assets' are capitalised as tangible fixed assets. Such costs are amortised over the life of the asset, in order to match these costs against the associated contract revenues. Those costs which do not meet the criteria set out in FRS15, such as the repair element of establishing a new branch are recognised as an expense in the period when they are incurred.

***Deferred tax***
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

**Own shares**
Own shares held in employee benefit trusts are included within reserves.



continued...

1. ACCOUNTING POLICIES - continued

**Foreign currencies**
On consolidation, the results of overseas subsidiaries are translated into sterling at the average exchange rate for the year and their assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

**Hire purchase and leasing commitments**
Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

**Pensions**
The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

**Government grants**
Grants related to expenditure on tangible assets in the United Kingdom are credited to profit at the same rate as the depreciation on the assets to which the grants relate. The amounts shown in the balance sheet in respect of grants consist of the total grants receivable to date, less the amounts so far credited to profit. Grants of a revenue nature are credited to income in the period to which they relate.

Grants related to expenditure on tangible assets by the Israeli subsidiary are deducted from the purchase price of the related assets.

**Repairs and renewals**
Expenditure on repairs and renewals is written off in the period during which the expense is incurred. Expenditure on new branches and new or changed operations which meets the criteria for recognition as tangible fixed assets under FRS 15 'Tangible Fixed Assets' is capitalised as tangible fixed assets in accordance with the accounting policy for tangible fixed assets

**Pre-contract costs**
Pre-contract costs are recognised as expenses as incurred, except that directly attributable costs are recognised as an asset when the asset recognition criteria specified in UITF Abstract 34, pre-contract costs, are met. Such costs are subsequently written off over the operating period of the contract.

**Redeemable shares**
In accordance with FRS25 'Financial Instruments: Disclosure and Presentation', redeemable shares have been presented as a liability where the company is contractually obliged to repay the principal amount.

Dividends on redeemable shares are charged to the profit and loss account as an expense deductible from the profit on ordinary activities.

2. TURNOVER

The turnover, profit after taxation and net assets are attributable to the principal activities of the group as described on page 2.

The group operates mainly in the United Kingdom and over 90% of its turnover during the year was to the United Kingdom market.

The gross value of sales throughput receivable by the group during the year as agent under certain contractual arrangements was £22,513,581 (2005: £18,874,281) of which £4,603,448 (2005: £2,608,898) are managing agent fees which have been recognised in turnover in accordance with the accounting policy for turnover (note 1).



continued...

## 3. STAFF COSTS

| | 2006 | 2005 |
|---|---|---|
| | £ | £ |
| Wages and salaries | **33,391,568** | 28,829,964 |
| Social security costs | **2,836,180** | 2,857,843 |
| Other pension costs | **743,708** | 478,360 |
| | **36,971,456** | 32,166,167 |

The average monthly number of employees during the year was as follows:

| | 2006 | 2005 |
|---|---|---|
| Management | **184** | 180 |
| Administration | **1,355** | 1,214 |
| | **1,539** | 1,394 |

## 4. OPERATING PROFIT

The operating profit is stated after charging:

| | 2006 | 2005 |
|---|---|---|
| | £ | £ |
| Depreciation - owned assets | **1,856,735** | 1,626,592 |
| Depreciation - assets on finance leases | **167,406** | 31,690 |
| Loss on disposal of fixed assets | **1,791** | 4,146 |
| Auditors' remuneration | **55,000** | 48,600 |
| Auditors' remuneration for non audit work | **27,244** | 25,450 |
| Operating leases - land and buildings | **4,610,638** | 4,419,064 |
| Operating leases - plant & machinery | **198,422** | 62,992 |
| Release of government grant | **(6,347)** | (9,109) |
| Directors' emoluments | **869,054** | 821,802 |
| Directors' pension contributions to money purchase schemes | **44,627** | 42,073 |

The number of directors to whom retirement benefits were accruing was as follows:

| | | |
|---|---|---|
| Money purchase schemes | **4** | 3 |

Information regarding the highest paid director is as follows:

| | 2006 | 2005 |
|---|---|---|
| | £ | £ |
| Emoluments etc | **376,814** | 392,143 |
| Pension contributions to money purchase schemes | **25,000** | 24,000 |



continued...

## 5. EXCEPTIONAL ITEMS

During the previous year the company incurred irrecoverable pre-contract costs of £352,686 prior to the incorporation of an overseas subsidiary. These costs were recognised as an expense in accordance with the accounting policy referred to in note 1. No significant tax effect is expected to arise in connection with these costs.

## 6. DIVIDENDS - REDEEMABLE SHARES

| | 2006 £ | 2005 £ |
|---|---|---|
| **Redeemable shares, shown as liabilities (note 16):** | | |
| **Company** | | |
| **Interim dividends paid on non-equity shares:** | | |
| £300 per 5p ordinary 'A' redeemable shares on 28 April 2005 | **600,000** | - |
| £98.214 per 5p ordinary 'C' redeemable shares on 31 October 2005 | **110,000** | - |
| £300 per 5p ordinary 'A' redeemable shares on 30 July 2004 | - | 600,000 |
| £69.672 per 5p ordinary 'B' redeemable shares on 3 September 2004 | - | 85,000 |
| £.74.795 per 5p ordinary 'B' redeemable shares on 14 January 2005 | - | 91,250 |
| £22.50 per 5p ordinary 'C' redeemable shares on 14 January 2005 | - | 34,875 |
| £11.25 per 5p ordinary 'E' redeemable shares on 14 January 2005 | - | 12,375 |
| | **710,000** | 823,500 |
| **Proposed final dividends on non-equity shares:** | | |
| £32.085 per 5p ordinary 'C' redeemable share | - | 35,935 |
| £19.22 per 5p ordinary 'D' redeemable share | - | 16,915 |
| £11.25 per 5p ordinary 'E' redeemable share | - | 12,375 |
| | - | 65,225 |
| | **710,000** | 888,725 |

**A4e Management Limited**

| | 2006 £ | 2005 £ |
|---|---|---|
| **Interim dividends paid on non-equity shares:** | | |
| £16,500 per £1 ordinary 'A' redeemable share on 28 April 2005 | **825,000** | |
| £50.10 per £1 ordinary 'C' redeemable share on 3 May 2005 | **2,505** | |
| £25.82 per £1 ordinary 'C' redeemable share on 6 July 2005 | **1,291** | |
| £10,000 per £1 ordinary 'A' redeemable share on 30 July 2004 | - | 500,000 |
| | **828,796** | 500,000 |
| **Group total** | **1,538,796** | 1,388,725 |



continued...

## 7. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2006 | 2005 |
|---|---|---|
| | £ | £ |
| Bank interest | **127,904** | 45,343 |
| Bank loan interest | **125,337** | 161,808 |
| Interest on tax paid late | **19,056** | 1,744 |
| Interest on other loans | **15,466** | 4,535 |
| Hire purchase interest | **4,410** | - |
| | **292,173** | 213,430 |

## 8. TAXATION

**Analysis of the tax charge**
The tax charge on the profit on ordinary activities for the year was as follows:

| | 2006 | 2005 |
|---|---|---|
| | £ | £ |
| Current tax: | | |
| UK corporation tax | **677,888** | 1,645,000 |
| Adjustment in respect of prior years | **(85,756)** | 54,157 |
| Overseas taxation | **77,138** | - |
| | **669,270** | 1,699,157 |
| Share of taxation of associate | **9,672** | - |
| Total current tax | **678,942** | 1,699,157 |
| Deferred taxation | **9,100** | (15,300) |
| Tax on profit on ordinary activities | **688,042** | 1,683,857 |

UK corporation tax has been charged at 30%

**Factors affecting the tax charge**
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2006 | 2005 |
|---|---|---|
| | £ | £ |
| Profit on ordinary activities before tax | **16,141** | 2,599,016 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%) | **4,842** | 779,705 |
| Effects of: | | |
| Expenses not deductible for tax purposes | **115,828** | 241,484 |
| Depreciation for period in excess of capital allowances | **178,694** | 207,194 |
| Adjustment in respect of prior years | **(85,756)** | 54,157 |
| Dividends - redeemable shares | **461,639** | 416,617 |
| Adjustments in respect of foreign tax rates | **12,025** | - |
| Adjustments in respect of associate | **(8,330)** | - |
| Current tax charge | **678,942** | 1,699,157 |



continued...

## 9. PROFIT AND LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss, after dividends paid on redeemable shares (note 6) for the financial year was £357,568 (2005 - £894,878 profit).

## 10. TANGIBLE FIXED ASSETS

**Group**

| | Freehold property £ | Short-term leasehold improvements £ | Fixtures and fittings £ |
|---|---|---|---|
| **COST OR VALUATION** | | | |
| At 1 April 2005 | **543,970** | **1,638,783** | **2,670,860** |
| Additions | **8,292** | **325,794** | **282,167** |
| Disposals | **(94,374)** | **(210,681)** | **(321,250)** |
| Revaluations | **150,112** | **-** | **-** |
| At 31 March 2006 | **608,000** | **1,753,896** | **2,631,777** |
| ***DEPRECIATION*** | | | |
| At 1 April 2005 | **2,679** | **451,198** | **1,186,773** |
| Charge for year | **10,133** | **549,667** | **491,855** |
| Eliminated on disposal | **-** | **(106,905)** | **(272,022)** |
| Revaluation adjustments | **(4,076)** | **-** | **-** |
| At 31 March 2006 | **8,736** | **893,960** | **1,406,606** |
| **NET BOOK VALUE** | | | |
| At 31 March 2006 | **599,264** | **859,936** | **1,225,171** |
| At 31 March 2005 | 541,291 | 1,187,585 | 1,484,087 |



continued...

10. **TANGIBLE FIXED ASSETS - continued**

**Group**

| | Motor vehicles £ | Computer equipment £ | Totals £ |
|---|---|---|---|
| **COST OR VALUATION** | | | |
| At 1 April 2005 | 203,991 | 3,768,841 | 8,826,445 |
| Additions | - | 782,904 | 1,399,157 |
| Disposals | (58,704) | (590,895) | (1,275,904) |
| Revaluations | - | - | 150,112 |
| At 31 March 2006 | 145,287 | 3,960,850 | 9,099,810 |
| **DEPRECIATION** | | | |
| At 1 April 2005 | 150,155 | 1,839,980 | 3,630,785 |
| Charge for year | 9,450 | 963,036 | 2,024,141 |
| Eliminated on disposal | (53,239) | (541,474) | (973,640) |
| Revaluation adjustments | - | - | (4,076) |
| At 31 March 2006 | 106,366 | 2,261,542 | 4,677,210 |
| **NET BOOK VALUE** | | | |
| At 31 March 2006 | 38,921 | 1,699,308 | 4,422,600 |
| At 31 March 2005 | 53,836 | 1,928,861 | 5,195,660 |

Cost or valuation at 31 March 2006 is represented by:

| | Freehold property £ | Short-term leasehold improvements £ | Fixtures and fittings £ |
|---|---|---|---|
| Valuation in 2004 | 388,000 | - | - |
| Valuation in 2005 | 220,000 | - | - |
| Cost | - | 1,753,896 | 2,631,777 |
| | 608,000 | 1,753,896 | 2,631,777 |

| | Motor vehicles £ | Computer equipment £ | Totals £ |
|---|---|---|---|
| Valuation in 2004 | - | - | 388,000 |
| Valuation in 2005 | - | - | 220,000 |
| Cost | 145,287 | 3,960,850 | 8,491,810 |
| | 145,287 | 3,960,850 | 9,099,810 |



continued...

10. **TANGIBLE FIXED ASSETS - continued**

**Group**

If freehold land and buildings had not been revalued they would have been included at the following historical cost:

| | 2006 | 2005 |
|---|---|---|
| | £ | £ |
| Cost | **281,794** | 367,876 |
| Aggregate depreciation | **32,289** | 26,655 |

Freehold land and buildings consist of a property revalued at £388,000 on the basis of open market value for existing use on 1 December 2004 by J C Lovelle Consultancy and a 40% beneficial interest in a property included at £220,000, being the relevant proportion of the open market value for existing use of the whole building revalued by PPH Commercial Chartered Surveyors on 8 March 2005.

Fixed assets, included in the above, which are held under finance leases are as follows:

| | Computer equipment |
|---|---|
| | £ |
| **COST OR VALUATION** | |
| At 1 April 2005 and 31 March 2006 | **410,499** |
| **DEPRECIATION** | |
| At 1 April 2005 | **31,690** |
| Charge for year | **167,406** |
| At 31 March 2006 | **199,096** |
| **NET BOOK VALUE** | |
| At 31 March 2006 | **211,403** |
| At 31 March 2005 | 378,809 |



continued...

10. TANGIBLE FIXED ASSETS - continued

**Company**

| | Freehold property £ | Short-term leasehold improvements £ | Fixtures and fittings £ |
|---|---|---|---|
| **COST OR VALUATION** | | | |
| At 1 April 2005 | 543,970 | 1,255,634 | 2,145,678 |
| Additions | 8,292 | 247,712 | 79,506 |
| Disposals | (94,374) | (210,681) | (321,250) |
| Revaluations | 150,112 | - | - |
| At 31 March 2006 | 608,000 | 1,292,665 | 1,903,934 |
| **DEPRECIATION** | | | |
| At 1 April 2005 | 2,679 | 395,287 | 1,064,518 |
| Charge for year | 10,133 | 420,427 | 323,766 |
| Eliminated on disposal | - | (106,905) | (272,022) |
| Revaluation adjustments | (4,076) | - | - |
| At 31 March 2006 | 8,736 | 708,809 | 1,116,262 |
| **NET BOOK VALUE** | | | |
| At 31 March 2006 | 599,264 | 583,856 | 787,672 |
| At 31 March 2005 | 541,291 | 860,347 | 1,081,160 |

| | Motor vehicles £ | Computer equipment £ | Totals £ |
|---|---|---|---|
| **COST OR VALUATION** | | | |
| At 1 April 2005 | 203,991 | 2,879,041 | 7,028,314 |
| Additions | - | 315,735 | 651,245 |
| Disposals | (58,704) | (588,798) | (1,273,807) |
| Revaluations | - | - | 150,112 |
| At 31 March 2006 | 145,287 | 2,605,978 | 6,555,864 |
| **DEPRECIATION** | | | |
| At 1 April 2005 | 150,155 | 1,494,345 | 3,106,984 |
| Charge for year | 9,450 | 598,275 | 1,362,051 |
| Eliminated on disposal | (53,239) | (541,168) | (973,334) |
| Revaluation adjustments | - | - | (4,076) |
| At 31 March 2006 | 106,366 | 1,551,452 | 3,491,625 |
| **NET BOOK VALUE** | | | |
| At 31 March 2006 | 38,921 | 1,054,526 | 3,064,239 |
| At 31 March 2005 | 53,836 | 1,384,696 | 3,921,330 |



continued...

10. **TANGIBLE FIXED ASSETS - continued**

**Company**

*Cost or valuation at 31 March 2006 is represented by:*

| | Freehold property | Short-term leasehold improvements | Fixtures and fittings |
|---|---|---|---|
| | £ | £ | £ |
| Valuation in 2004 | 388,000 | - | - |
| Valuation in 2005 | 220,000 | - | - |
| Cost | - | 1,292,665 | 1,903,934 |
| | 608,000 | 1,292,665 | 1,903,934 |

| | Motor vehicles | Computer equipment | Totals |
|---|---|---|---|
| | £ | £ | £ |
| Valuation in 2004 | - | - | 388,000 |
| Valuation in 2005 | - | - | 220,000 |
| Cost | 145,287 | 2,605,978 | 5,947,864 |
| | 145,287 | 2,605,978 | 6,555,864 |

If freehold land and buildings had not been revalued they would have been included at the following historical cost:

| | 2006 | 2005 |
|---|---|---|
| | £ | £ |
| Cost | 281,794 | 367,876 |
| Aggregate depreciation | 32,289 | 26,655 |

Freehold land and buildings consist of a property revalued at £388,000 on the basis of open market value for existing use on 1 December 2004 by J C Lovelle Consultancy and a 40% beneficial interest in a property included at £220,000, being the relevant proportion of the open market value for existing use of the whole building revalued by PPH Commercial Chartered Surveyors on 8 March 2005.



continued...

10. **TANGIBLE FIXED ASSETS - continued**

**Company**

Fixed assets, included in the above, which are held under finance leases are as follows:

| | Computer equipment £ |
|---|---|
| **COST OR VALUATION** | |
| At 1 April 2005 and 31 March 2006 | 275,406 |
| **DEPRECIATION** | |
| At 1 April 2005 | 21,105 |
| Charge for year | 110,162 |
| At 31 March 2006 | 131,267 |
| **NET BOOK VALUE** | |
| At 31 March 2006 | 144,139 |
| At 31 March 2005 | 254,301 |

11. **FIXED ASSET INVESTMENTS**

**Company**

| | Shares in group undertakings £ |
|---|---|
| **COST** | |
| At 1 April 2005 and 31 March 2006 | 185 |
| **NET BOOK VALUE** | |
| At 31 March 2006 | 185 |
| At 31 March 2005 | 185 |



continued...

11. **FIXED ASSET INVESTMENTS - continued**

The company's investments at the balance sheet date in the share capital of companies include the following:

**Subsidiaries**

**A4e Management Limited (formerly A4e Consult Ltd )**
Country of incorporation: England
Nature of business: Outsourced supplier of services

| | % |
|---|---|
| Class of shares: | holding |
| Ordinary | 100.00 |

**Action for Employment Trustees Limited**
Country of incorporation: England
Nature of business: Trustee corporation

| | % |
|---|---|
| Class of shares: | holding |
| Ordinary | 100.00 |

**A4E Wales Limited**
Country of incorporation: Wales
Nature of business: Outsourced supplier of services

| | % |
|---|---|
| Class of shares: | holding |
| Ordinary | 75.00 |

**Amin (A4e - Aman) Ltd**
Country of incorporation: Israel
Nature of business: Social welfare services

| | % |
|---|---|
| Class of shares: | holding |
| Ordinary | 70.00 |

All the above investments are unlisted.



continued...

## 12. INVESTMENT IN ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£** | £ | **£** | £ |
| Interest in associated company | **55,236** | - | **-** | - |

**Interest in associated Company**

| | **Group** |
|---|---|
| | £ |
| Addition during the year | 4,900 |
| Share of retained profits for the period ended 31 March 2006 | 50,336 |
| | **55,236** |

The above interest consists of a 49% holding in the issued ordinary share capital of Business Improvement Solutions (A4e) Ltd (formerly TheBis Limited) acquired during the year by the subsidiary company, A4e Management Ltd. The principal activity of Business Improvement Solutions (A4e) Ltd, a company incorporated in England, is that of business consultancy and grant providers.

A4e Management Ltd has acquired the remaining 51% of the issued share capital of the associated company since the balance sheet date.

## 13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£** | £ | **£** | £ |
| Trade debtors | **13,267,932** | 18,369,629 | **4,767,146** | 6,589,167 |
| Amounts owed by group undertakings | **-** | - | **2,232,375** | 786,820 |
| Amounts owed by participating interests | **100,000** | - | **-** | - |
| Other debtors | **76,364** | 61,171 | **60,000** | 60,460 |
| VAT | **-** | 334,299 | **-** | - |
| Prepayments and accrued income | **1,190,796** | 1,287,105 | **740,454** | 1,016,064 |
| Pre-contract costs | **217,391** | 226,765 | **-** | - |
| | **14,852,483** | 20,278,969 | **7,799,975** | 8,452,511 |



continued...

## 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£** | £ | **£** | £ |
| Bank loans and overdrafts (see note 16) | **3,521,946** | 1,773,280 | **4,796,980** | 1,250,000 |
| Other loans (see note 16) | **123,688** | 601,693 | **123,538** | 601,593 |
| Finance leases (see note 17) | **163,399** | 163,621 | **109,625** | 109,774 |
| Trade creditors | **5,330,392** | 9,844,466 | **1,311,525** | 2,726,804 |
| Amounts owed to group undertakings | **-** | - | **-** | 1,257,781 |
| Corporation tax | **674,636** | 1,591,977 | **454,946** | 1,100,179 |
| Other taxes & social security | **1,889,872** | 2,631,743 | **815,902** | 1,903,764 |
| Proposed dividends | **-** | 65,225 | **-** | 65,225 |
| Other creditors | **2,093,423** | 3,481,236 | **62,489** | 392,864 |
| Directors' current accounts | **50,000** | - | **50,000** | - |
| Accruals | **1,169,419** | 1,416,782 | **737,765** | 641,891 |
| | **15,016,775** | 21,570,023 | **8,462,770** | 10,049,875 |

The company meets its working capital requirements through its bank overdraft and bank loan.

On 5 January 2007 the company agreed increased group overdraft and loan facilities with its bank and expect it and its subsidiaries to operate within these facilities for at least twelve months from the date of approval of the financial statements.

## 15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£** | £ | **£** | £ |
| Bank loans (see note 16) | **250,000** | 1,250,000 | **250,000** | 1,250,000 |
| Other loans (see note 16) | **38,514** | 136,800 | **38,514** | 136,800 |
| Finance leases (see note 17) | **40,400** | 215,296 | **27,074** | 144,599 |
| | **328,914** | 1,602,096 | **315,588** | 1,531,399 |



continued...

## 16. LOANS

An analysis of the maturity of loans is given below:

| | Group | | Company | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£** | £ | **£** | £ |
| Amounts falling due within one year or on demand: | | | | |
| Bank overdrafts | **2,521,946** | 523,280 | **3,796,980** | - |
| Bank loans | **1,000,000** | 1,250,000 | **1,000,000** | 1,250,000 |
| Other loans | **123,278** | 601,277 | **123,278** | 601,277 |
| Redeemable shares | **410** | 416 | **260** | 316 |
| | **3,645,634** | 2,374,973 | **4,920,518** | 1,851,593 |

Included in redeemable shares are 150 (2005: 100) £1 ordinary redeemable shares issued by A4e Management Ltd which include 50 £1 ordinary 'A' redeemable shares held by Mrs. E L. Harrison and 50 £1 ordinary 'B' redeemable shares held by Mr M. Lovell.

| | | | | |
|---|---|---|---|---|
| Amounts falling due between one and two years: | | | | |
| Bank loans | **250,000** | 1,000,000 | **250,000** | 1,000,000 |
| Other loans - 1-2 years | **38,514** | 108,533 | **38,514** | 108,533 |
| | **288,514** | 1,108,533 | **288,514** | 1,108,533 |
| Amounts falling due between two and five years: | | | | |
| Bank loans | - | 250,000 | - | 250,000 |
| Other loans - 2-5 years | - | 28,267 | - | 28,267 |
| | - | 278,267 | - | 278,267 |



continued...

16. **LOANS - continued**

Details of shares shown as liabilities are as follows:

| | 2006 | 2005 |
|---|---|---|
| Authorised: | £ | £ |
| Redeemable shares: | | |
| 2,000 ordinary 'A' of 5p each | **100** | 100 |
| 2,000 ordinary 'B' of 5p each | **100** | 100 |
| 2,000 ordinary 'C' of 5p each | **100** | 100 |
| 2,000 ordinary 'D' of 5p each | **100** | 100 |
| 2,000 ordinary 'E' of 5p each | **100** | 100 |
| 2,000 ordinary 'F' of 5p each | **100** | 100 |
| | **600** | 600 |

| | 2006 | 2005 |
|---|---|---|
| Allotted, issued & fully paid: | £ | £ |
| Redeemable shares: | | |
| 2,000 ordinary 'A' of 5p each | **100** | 100 |
| 1,220 ordinary 'B' of 5p each | **61** | 61 |
| 1,120 ordinary 'C' of 5p each | **-** | 56 |
| 880 ordinary 'D' of 5p each | **44** | 44 |
| 1,100 ordinary 'E' of 5p each | **55** | 55 |
| | **260** | 316 |

On 3 November 2005 the company redeemed 1,120 Ordinary 'C' redeemable shares for cash at their nominal value.

*Summary of class rights*

The ordinary 'A', 'B', 'C', 'D', 'E' and 'F' redeemable shares have no voting rights and no rights to dividends other than those that may be recommended by the company in general meeting. The shares are redeemable, if fully paid, at par, at any time, at the option of the holders of 30% of the ordinary shares.

The whole of the outstanding redeemable shares will be redeemable on 1 January 2050 or as soon as possible thereafter.

In the event of a winding up of the company, the shares will not participate in the assets of the company except to the extent of par value, but repayment of these shares shall be made, in alphabetical order, in priority to the ordinary shares.



continued...

## 17. OBLIGATIONS UNDER LEASING AGREEMENTS

### Group

| | Finance leases | |
|---|---|---|
| | **2006** | 2005 |
| | **£** | £ |
| Gross obligations repayable: | | |
| Within one year | **164,041** | 164,040 |
| Between one and five years | **40,437** | 215,555 |
| | **204,478** | 379,595 |
| *Finance charges repayable:* | | |
| Within one year | **642** | 419 |
| Between one and five years | **37** | 259 |
| | **679** | 678 |
| Net obligations repayable: | | |
| Within one year | **163,399** | 163,621 |
| Between one and five years | **40,400** | 215,296 |
| | **203,799** | 378,917 |

### Company

| | Finance leases | |
|---|---|---|
| | **2006** | 2005 |
| | **£** | £ |
| Gross obligations repayable: | | |
| Within one year | **110,066** | 110,062 |
| Between one and five years | **27,099** | 144,777 |
| | **137,165** | 254,839 |
| Finance charges repayable: | | |
| Within one year | **441** | 288 |
| Between one and five years | **25** | 178 |
| | **466** | 466 |
| Net obligations repayable: | | |
| Within one year | **109,625** | 109,774 |
| Between one and five years | **27,074** | 144,599 |
| | **136,699** | 254,373 |



continued...

## 17. OBLIGATIONS UNDER LEASING AGREEMENTS - continued

The following operating lease payments are committed to be paid within one year:

**Group**

| | Land and buildings | | Other operating leases | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£** | £ | **£** | £ |
| Expiring: | | | | |
| Within one year | **661,677** | 1,074,166 | **48,583** | 9,538 |
| Between one and five years | **2,054,086** | 2,281,995 | **161,819** | 68,286 |
| | **2,715,763** | 3,356,161 | **210,402** | 77,824 |

**Company**

| | Land and buildings | | Other operating leases | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£** | £ | **£** | £ |
| Expiring: | | | | |
| Within one year | **523,686** | 811,924 | **21,656** | 9,538 |
| Between one and five years | **1,455,319** | 1,451,574 | **96,516** | 57,359 |
| | **1,979,005** | 2,263,498 | **118,172** | 66,897 |

## 18. SECURED DEBTS

The following secured debts are included within creditors:

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£** | £ | **£** | £ |
| Bank overdrafts | **2,521,946** | 523,280 | **3,796,980** | - |
| Bank loans | **1,250,000** | 2,500,000 | **1,250,000** | 2,500,000 |
| | **3,771,946** | 3,023,280 | **5,046,980** | 2,500,000 |

The bank overdraft and loans are secured by a fixed and floating charge over all current and future assets of the company and first legal charges over property held by the company.

## 19. PROVISIONS FOR LIABILITIES

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **£** | £ |
| Deferred tax | | |
| Accelerated capital allowances | **9,100** | - |



continued...

## 19. PROVISIONS FOR LIABILITIES - *continued*

**Group**

| | Deferred tax £ |
|---|---|
| Charge to profit & loss account | **9,100** |
| Balance at 31 March 2006 | **9,100** |

## 20. ACCRUALS AND DEFERRED INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£** | £ | **£** | £ |
| Deferred government grants | **2,450** | 8,797 | - | - |
| Deferred income | **2,741,561** | 1,384,746 | - | 133,501 |
| | **2,744,011** | 1,393,543 | - | 133,501 |

During the year, the group released deferred government grants of £6,347 (2005:£9,101) to the profit for the year. No government grants were received during the year.

## 21. CALLED UP SHARE CAPITAL

| | **2006** | 2005 |
|---|---|---|
| | **£** | £ |
| Authorised: | | |
| 49,988,000 ordinary shares of 5p each | **2,499,400** | 2,499,400 |

| | **2006** | 2005 |
|---|---|---|
| | **£** | £ |
| Allotted, issued & fully paid: | | |
| 2,000,000 ordinary shares of 5p each | **100,000** | 100,000 |



continued...

## 22. RESERVES

**Group**

| | Profit and loss account £ | Revaluation reserve £ | Own shares £ | Totals £ |
|---|---|---|---|---|
| At 1 April 2005 | 4,769,951 | 200,070 | (2,480,000) | 2,490,021 |
| Deficit for the year | (713,873) | - | - | (713,873) |
| Net surplus arising on revaluation of freehold land and buildings | 4,701 | 149,487 | - | 154,188 |
| Currency translation differences on foreign currency net investments | (334) | - | - | (334) |
| At 31 March 2006 | 4,060,445 | 349,557 | (2,480,000) | 1,930,002 |

**Company**

| | Profit and loss account £ | Revaluation reserve £ | Own shares £ | Totals £ |
|---|---|---|---|---|
| At 1 April 2005 | 4,509,856 | 200,070 | (2,480,000) | 2,229,926 |
| Deficit for the year | (357,568) | - | - | (357,568) |
| Net surplus arising on revaluation of freehold land and buildings | 4,701 | 149,487 | - | 154,188 |
| At 31 March 2006 | 4,156,989 | 349,557 | (2,480,000) | 2,026,546 |

## 23. PENSION COMMITMENTS

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The unpaid contributions outstanding at the year end, included in other creditors (see note 14), are £88,175 (2005:£85,957).



continued...

## 24. RELATED PARTY DISCLOSURES

**Andromeda Park Limited**

The group is provided with conference facilities and services on normal commercial terms by Andromeda Park Limited, which is controlled by Mrs E L Harrison and her husband, Mr J R Harrison, who are both directors of that company. The value of such facilities and services provided during the year was £183,320 (2005:£203,574). The balance due to Andromeda Park Limited at the balance sheet date was £nil (2004:£18,330).

During the year, the group provided Andromeda Park Limited with plant hire and other services totalling £4,723 (2005:£3,455) on normal commercial terms. The balance owed to the group by Andromeda Park Limited at the balance sheet date was £1,260 (2005:£4,060 ).

**Novantia Limited**

The group is provided with goods on normal commercial terms by Novantia Limited, of which Mrs E L Harrison's husband, Mr J R Harrison, is a shareholder and director. The value of goods provided during the year was £48,995 (2005:£9,817). The balance due to Novantia Limited at the balance sheet date was £1,126 (2005:£7,126).

**Cavendish Consultants Limited**

The group is provided with professional and consultancy services by Cavendish Consultants Limited, which is controlled by Mr S A Boyfield, who is a director of that company. The value of services provided during the year was £240,381 (2005:£405,792). The balance due to Cavendish Consultants Limited at the balance sheet date was £10,489 (2005:£42,205)

**Roy Newey Limited**

The group is provided with professional and consultancy services by Roy Newey Limited, which is controlled by Mr R Newey, who is a director of that company. The value of services provided during the year was £194,399 (2005:£207,650). The balance due to Roy Newey Limited at the balance sheet date was £25,098 (2005:£91,045).

**Improving Peoples Health Plc**

During the year, the group provided services to Improving Peoples Health Plc, of which Mrs E L Harrison is a director and major shareholder, to a value of £34,993 (2005:Nil).This amount was owed to the group by Improving Peoples Health Plc at the balance sheet date and has been written off to profit and loss account.

**Business Improvement Solutions (A4e) Ltd (formerly TheBis Limited)**

The group was provided with consultancy services by an associated company, Business Improvement Solutions (A4e) Ltd. The value of services provided during the year was £440,453. The balance due to Business Improvement Solutions (A4e) Ltd at the balance sheet date was £11,374.



continued...

## 25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

*Group*

| | 2006 | 2005 |
|---|---|---|
| | £ | £ |
| (Loss)/Profit for the financial year | (713,873) | 915,159 |
| Other recognised gains and losses relating to the year (net) | 153,854 | 200,070 |
| **Net (reduction)/addition to shareholders' funds** | (560,019) | 1,115,229 |
| Opening shareholders' funds | 2,590,021 | 1,474,792 |
| **Closing shareholders' funds** | 2,030,002 | 2,590,021 |
| Equity interests | 2,030,002 | 2,590,021 |
| | 2,030,002 | 2,590,021 |

**Company**

| | 2006 | 2005 |
|---|---|---|
| | £ | £ |
| (Loss)/Profit for the financial year | (357,568) | 894,878 |
| Other recognised gains and losses relating to the year (net) | 154,188 | 200,070 |
| **Net (reduction)/addition to shareholders' funds** | (203,380) | 1,094,948 |
| Opening shareholders' funds | 2,329,926 | 1,234,978 |
| **Closing shareholders' funds** | 2,126,546 | 2,329,926 |
| Equity interests | 2,126,546 | 2,329,926 |
| | 2,126,546 | 2,329,926 |

## 26. OWN SHARES

Consideration paid to acquire own shares is deducted in arriving at shareholders funds. No shares held by The Action for Employment Limited Employee Share Trust have vested unconditionally in employees or are under option to employees.

## 27. CONTINGENT LIABILITIES

**Performance Bond – Amin (A4e Aman) Ltd**

As security for the performance of its undertakings in the Program Contract with the Israeli Government signed on 1 February 2005, Amin (A4e-Aman) Ltd has provided the Israeli Government with an independent, autonomous and unconditional, index linked, bank guarantee in the amount of NIS 4 million (£491,000).