Registered number 02631340 (England and Wales)

A4E Limited

Annual report and consolidated financial statements for the year ended 31 March 2013

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A4E Limited

Annual report and consolidated financial statements for the year ended 31 March 2013

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A4E Limited

Directors and advisers for the year ended 31 March 2013

Directors
S A Boyfield
A M Dutton
M Lovell
M Stevens
Sir H R Sykes
Sir R U Young

Company Secretary
S Sullivan

Registered Office
Queens House
Queen Street
Sheffield
South Yorkshire
S1 1GN

Independent Auditor
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
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South Yorkshire
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Bankers
National Westminster Bank Plc
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Sheffield
South Yorkshire
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Registered Number
02631340

A4E Limited

Chairman's statement for the year ended 31 March 2013

2012/13 has been a year of considerable progress for A4e

Following the challenges of last year, when we began work under our Work Programme and OLASS 4 contracts, during a period of intense public scrutiny, this report shows that our substantial investment into the business enabled us to improve the delivery of services for the benefit of ever-increasing numbers of customers and, as a result, although our full year results show a loss, we moved into profitability in the final quarter of the year As we continue to improve performance on all our contracts, we expect to sustain this success throughout 2013/14 and beyond

Achieving this position has required intense focus and dedication from our 3,500 employees and I would like to thank them for their exceptional efforts In my first year as Chairman I set out three priorities and I can report good progress under each

First was assuring the financial strength of the business The significant working capital requirements needed to deliver the Government's flagship payment by results Work Programme had a direct impact on our ability to generate profit in the first part of the year, and this is something we anticipated We invested prudently a significant proportion of the £27 5m credit facility we had with our banks and our shareholders and we retain a strong relationship with both Our current credit facility has been revised and extended and is sufficient for our needs The closure of our businesses in France and Germany opened new opportunities to consolidate investment in our operations in Australia Additionally this allowed us to make a strategic investment into the potential opening of the Spanish Welfare to Work market, and in India on delivering a 'not for profit' programme to assist people into work, enabling us to learn about this fast growing country and its work training requirements

In last year's Annual Report and Consolidated Financial Statements I said that no dividend would be paid in the financial year to March 2013, and this has been the case

My second priority was re-establishing A4e as a strong partner to Government and one the public and funders can trust A4e is acutely aware that organisations delivering public services must meet the highest standards In response to serious allegations in February 2012, we appointed the international law firm White & Case, to review our control system At the same time, audits by the Department for Work and Pensions (DWP) and the Skills Funding Agency (SFA) confirmed they had identified no evidence of fraud in relation to any audit completed on the contracts they hold with us

These audits laid the groundwork for our rigorous approach to compliance and I can confirm that all of the White & Case recommendations have now been fully implemented

The work we have done to drive improvements has culminated in a number of very positive endorsements from our funders These include

- The expansion of our contracts to deliver OLASS 4 in 25 prisons across London and the East of England We were the only private company to secure OLASS 4
- Recognition of the improved delivery of our welfare contracts by the DWP's Provider Assurance Team
- Recognition by the Skills Funding Agency of the improved delivery of our skills contracts
- The award of a 'very good' rating by the Education and Training Inspectorate in Northern Ireland

A4e has also responded to the demand for greater transparency in how we deliver our services Our open-door policy has already seen more than 100 MPs, Assembly Members and MSPs from all political parties visit our offices in their constituencies over the past year, and we have been encouraged by their positive support

A4E Limited

Chairman's statement for the year ended 31 March 2013 (continued)

Our customers, as well as our staff, are at the forefront of these visits, in line with our continued commitment to give our customers a voice in the delivery of our services

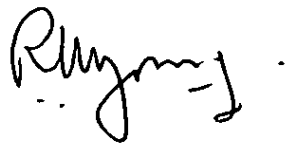
This policy has also inspired a regional newspaper campaign called 'We Want to Work' and, thanks to the valuable support of a number of regional titles, dozens of our customers have found a platform to appeal directly to employers in their community through the front pages of their local paper – and many have been offered jobs as a result

Finally, I was determined to set the business up for strong future growth and performance. There has never been greater focus on government outsourcing and on the performance of private companies delivering public services We are now looking forward to a year of continuous improvement in the delivery of services to our customers and, thus, to sustained profitability in 2013/14 as we move into the third year of operation of the Work Programme, as our OLASS 4 delivery becomes established and as our Australian business continues to win new contracts

We have also started to plan for the next phase of the Work Programme and for significant opportunities in the provision of probation services

A great deal of work lies ahead, but we have established strong foundations for growth

I would again like to thank A4e's staff for their dedication and hard work over the past year and am confident that under the leadership of Andrew Dutton, CEO, and his team, the business can look forward to a successful future



Sir Robin Young
Chairman

A4E Limited

Directors' report for the year ended 31 March 2013

The Directors present their annual report and the audited consolidated financial statements of the Company and the Group for the year ended 31 March 2013

Overview
Tackling high levels of unemployment remains a top priority for the Government In the financial year to 31 March 2013, more than 86,600 jobseekers were assigned to A4e's Work Programme

For A4e, the ongoing welfare and probation service reforms have meant a year of investment, primarily to meet the contract start-up of the Government's Work Programme and to respond to the change to outcome-based payment mechanisms

During the year, our focus on transforming our skills delivery in the UK has strengthened our position to tackle youth unemployment through the delivery of apprenticeships and vocational training This includes the introduction of a team to provide central monitoring and support to improve teaching, learning and share best practice across all skills areas

Overseas, in line with our strategy to focus our efforts on markets where we can have a significant position, progress has been made to expand our operations in Australia, with the acquisition of the Tracy Group of companies in the prior year The integration of the businesses is now largely complete and we are now achieving organic growth through the combined businesses

A4e leadership also changed during the financial year, including the appointment of Tracy Ellison, as Executive Director - Welfare Tracy's appointment means women now make up 50% of the Management Board

Principal activities
A4e is a leading public service provider, serving thousands of people across three continents – Europe, Australasia and Asia We work in partnership with governments (local and central), public sector organisations, private sector companies and voluntary and community groups to deliver a range of front line public services Our key areas of business during the financial year ended 31 March 2013 remained as follows

- **Welfare** - A4e is a Prime Provider of the UK Government's Work Programme in five geographical areas in the UK, and a subcontractor in a further five During the second year of operation of the Work Programme, we worked with 48 major partners (both private and third sector) and many specialist organisations to support more than 50,000 customers on the Work Programme find a job, a figure that is steadily growing as the programme develops In Australia, we deliver the Government's Job Services Australia programme in seven service areas across two States and in a further 11 employment service areas through the delivery of training, labour hire, justice programmes and indigenous services

- **Education and Skills** - A4e was the only private company to be awarded OLASS 4 contracts with the Skills Funding Agency (SFA) in two areas – London and the East of England – and we provide education, training and advice to offenders in 25 prisons Outside of OLASS 4, our wide range of skills and training opportunities are available to young people, the recently redundant, employed individuals that wish to up-skill, and those who are long-term unemployed We do this in the UK, India and Australia We also offer workplace apprenticeships across a variety of sectors in the UK As part of the transformation of the division over 2012, our success rates in our vocational training centres (Vox Centres) and classroom unemployed provision are now above national average

- **Enterprise** - We help people set up their own businesses, and therefore into self-employment, through a range of initiatives including the New Enterprise Allowance scheme, Adult Skills Budget, enterpriseGY, and Starting Your Own Business under the Work Programme A4e helped its customers set up nearly 3,530 new businesses by March 2013, 80% of which were still running at 26 weeks

Principal activities (continued)

- **Advice** - We have marked our second year of delivery of the face-to-face element of the Money Advice Service in England and Northern Ireland, providing free and unbiased financial advice to more than 80,000 people so far Over 70% of our Money Advice Service customers are classed as vulnerable Service delivery in this area goes from strength to strength, exceeding the contractual expectation of the Money Advice Service

Review of business

As we predicted last year, the significant investment into the Work Programme to facilitate the shift to outcome-based payment mechanisms under the Work Programme continued in 2012/13

However, the £27 5 million credit facility we secured with our banks and shareholders enabled us to create joined-up services and support packages for customers to help them into work without affecting the quality of our work on either the Work Programme or within other contracts Our current credit facility has been revised and extended and is sufficient for our needs

The payment by results model under the Work Programme is one that A4e has long championed and evidence demonstrates that good progress is being made in terms of performance

Overseas, the acquisition of the Tracy Group of Companies in Australia last year enabled us to enter a new state, Victoria, to provide Federal Government Employment Services through the Job Services Australia contract, in addition to our operations in New South Wales The acquisition also allowed us to deliver pre-vocational training and qualifications in the state of Victoria and provide further opportunities for the unemployed through our Labour Hire services business, with a particular emphasis on helping people secure work in the construction and food processing industries

In India, we have become an established and valued partner to the Ministry of Rural Development to deliver its Skills for Work initiative by supporting 8,370 young people across six states in India to train and find entry-level jobs in hospitality, retail and health care To date, 62% of the individuals we have trained so far have been placed into employment

With our decision to close our operations in France and Germany and the successful completion of our projects in Poland, we continue to monitor the European markets In particular, on-the-ground activity in Spain continues to position A4e to engage in future welfare reforms

The business will continue to balance its work across markets that operate management fees and outcome funding in relation to the services provided

Our continued investment into our front line customer service centre (Customer Connect) has directly benefitted our customers and staff through improved customer relationship management Further investment is being made in delivering a new IT system, Connect4Work, which we expect to go-live in 2013/14

Directors' report for the year ended 31 March 2013 (continued)

Going concern
The financial statements have been prepared on a going concern basis The consolidated financial statements show a net liability position as at 31 March 2013, due to the investment into the Work Programme, however, as the Work Programme matures, the Group is forecast to return to profit in 2013-14 with improved profitability also forecast in 2014-15 and 2015-16

Subsequent to the year-end, the banking facility with RBS & Co-op Bank was revised and extended through to December 2015 with an associated facility of £17m that gives the Group sufficient headroom

The facility with Thornbridge Ltd was also revised and extended through to January 2016, with an associated facility of £5m

Future developments
Despite the complex environment in which we operate, next year holds plenty of promise for A4e

In August 2013, the Department for Work and Pensions launched a consultation to inform its 2013 Commissioning Strategy, which will be the framework for the procurement of all future welfare to work services including Work Programme We expect to be in a strong position for the future evolution of WP, when the current contract ends in March 2016

In Australia, there will hopefully be significant opportunity to grow the business through the Employment Services Procurement Process to provide employment services under Job Services Australia as well as expanding into the new skills market It is envisaged that the tender submissions will be made in late 2014 and the business is confident that it is able to strengthen its geographical coverage and service capabilities

Next year, 2014, the Ministry of Justice's Transforming Rehabilitation programme will see 70% of current Probation Service activity delivered by the private and voluntary sector These Transforming Rehabilitation contracts will see new providers become responsible for supervising low and medium risk offenders in the community, with new targets to measure reoffending rates

Internally, A4e has devoted considerable resource to focus on performance, including the Active Manager Programme, to further develop front line and middle managers, Information Strategy and delivery of Connect4Work

Directors' report for the year ended 31 March 2013 (continued)

Managing and mitigating risk
As expected, A4e continues to manage and mitigate risk at both a strategic level, which impact on our corporate and strategic objectives, and within the operational activities of the business, through governance and controls

We have implemented all White & Case's suggestions for improvements to our control framework and compliance systems, which means we have a robust internal control process

Our delivery of the Work Programme has required strong controls and high quality management information, which we have delivered in a range of ways including, as previously explained, investment into new IT systems, Connect4Work and Customer Connect

The business will continue to balance its work across markets that operate management fees and outcome funding in relation to the services provided We are also planning to generate commercial, alongside, public revenue streams Our focus remains, as ever, on the strength of our customer relationships – including enhancements to the ways in which we respond to customer complaints

Results and dividends
The Group made an operating loss of £10 3m (year ended 31 March 2012 £1 7m) and an EBITDA loss of £5 8m (year ended 31 March 2012 profit of £4m) in the year This includes £2 9m of exceptional operating expenses (see note 19) The Group's loss before income tax for the year is shown on page 13 The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs)

Dividends paid during the prior year are set out in note 24 to the financial statements The directors are unable to recommend payment of any dividend for the year ended 31 March 2013

Pay and remuneration
To restore parity among pay grades, A4e carried out a pay review in this financial year and awarded increases to staff recognised to be at the lower end of the pay scale

A4e externally benchmarks Executive pay on an annual basis and this information is considered by the Remuneration Committee in determining Executive rewards As stated in the Hutton Review of Fair Pay, "public trust in public services can only be maintained if senior public servants' pay is fair and seen to be fair" Whilst A4e is clearly a private sector business, we have chosen to work under the spirit of Hutton's recommendations and therefore, in line with Hutton's recommendations, the ratio of the A4e Chief Executive's total remuneration to the median adult full time salary compares favourably with the maximum ration of 20x, which Hutton set out

Directors
The directors who held office during the year and up to the date of signing the financial statements (unless otherwise stated) are given below

M Lovell
S A Boyfield
Sir Hugh Sykes
Sir Robin Young
J Blundell (resigned 13 September 2012)
A Dutton
M Stevens (appointed 24 July 2012)

Directors' report for the year ended 31 March 2013 (continued)

Principal risks and uncertainties
A4e, like all businesses, faces risks and uncertainties as we conduct our operations that could affect short and long-term performance

We place great importance on internal control and risk management, which is promoted and encouraged throughout the Group We have a robust risk management process, which is designed to identify, manage and mitigate risk

This section highlights the principle risks and uncertainties that affect the Group, but is not an exhaustive list of all risks

- External factors
The economic environment continues to be a cause for concern for our Welfare business, especially with regard to the nature and availability of job vacancies To mitigate this risk A4e continues to develop strong and productive relationships with employers both in the UK and internationally

The increasing use of 'Payment by results' as a funding mechanism by UK and Australian governments places a greater working capital requirement on the Group In response we have developed and established ways of working that deliver sustainable outcomes for all our customers and drive revenue for the Group Additionally we have established and developed strong working relationships with our shareholders and banking partners

- Internal factors
The delivery of good quality customer service is central our strategy The successful implementation of our new customer management and secure information management systems is pivotal to driving market leading customer service

Our code of conduct, which applies to all our employees and partners, sets out our commitment to trustworthiness and transparency Failure to follow these principles could harm our reputation, damage our brand and affect our operational performance and financial position A combination of awareness training and focused controls, particularly relating to fraud, is in place to ensure and check compliance with these principles

Post balance sheet events
Subsequent to the year-end, the banking facility with RBS & Co-op Bank was revised and extended through to December 2015 with an associated facility of £17m

The facility with Thornbridge Ltd was also revised and extended through to January 2016, with an associated facility of £5m

Qualifying third party indemnity provisions
A qualifying third party indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force for the benefit of each of the directors and the company secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law In respect of those liabilities for which directors may not be indemnified, the group maintained a directors' and officers' liability insurance policy throughout the financial year

Branches within the EU
A4e operates from 2 branches within the EU (outside of the UK), which are Spain and Poland

Directors' report for the year ended 31 March 2013 (continued)

Charitable donations
During the course of delivering its services A4e works with many charitable, voluntary and community sector organisations and in particular assists small charities through the Foundation For Social Improvement (FSI)

The total of formal donations for charitable purposes during the course of the year amounted to £94,850 (2012 £131,538), which included a £93,750 donation to the FSI

Equality, diversity and engagement
At A4e we are committed to being a fair and responsible employer Putting our staff first has been one of the cornerstones of our strategy for 20 years, and as a Board we are committed to developing policies and procedures to ensure A4e offers an excellent work environment for all its employees We are also committed to training at all levels, to ensure that staff development is maintained alongside the core requirements we have under our contracts with regards to performance, quality and compliance

Employee involvement
We are grateful for the loyalty and dedication of our staff, which saw us through a difficult period last year The launch of Employee Voice, A4e's new employee-led forum, has given employees a key role in shaping the future of the business by sharing their ideas and best practice with the leadership team The creation of Employee Voice ambassadors will also see staff representing their colleagues at national and local forums

Now in its third year, the A4e Superstars scheme recognises outstanding company-wide efforts made by our staff This scheme rewards people and teams who go 'above and beyond' their everyday remit and who 'achieve extraordinary things'

We continue to invest in a range of communications channels, which includes our staff tabloid newspaper A4e VOICE, local media activity, video blogs and surveys

A4e continues to adhere to the UK policy for giving full and fair consideration to applications for employment that disabled people make to the company, the policy for employment, training, career development and promotion of disabled people and for the continuing employment and training of employees who have become disabled while employed by the company

Financial risk management
The group's financial risk management objectives and policies are described in note 2 to the financial statements

A4E Limited

Directors' report for the year ended 31 March 2013 (continued)

Statement of directors' responsibilities
The directors are responsible for preparing the annual 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 prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 these financial statements, the directors are required to

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

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

Directors' statement pursuant to the Disclosure and Transparency Rules
Each of the directors, whose names and functions are listed in the directors' section of the Directors' report confirm that, to the best of each person's knowledge and belief

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the group and company, and
- the Directors' report contained in the annual report includes a fair review of the development and performance of the business and the position of the company and group

Statement of disclosure of information to auditor
So far as the directors are aware, there is no relevant audit information of which the group's auditor is 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 auditor is aware of that information

Independent auditor
PricewaterhouseCoopers LLP will remain in office in accordance with Section 487 of the Companies Act 2006

On behalf of the Board

A Dutton
Director
9 January 2014

A4E Limited

Independent auditor's report to the members of A4E Limited

We have audited the group and parent company financial statements (the "financial statements") of A4E Limited for the year ended 31 March 2013 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Company balance sheet, the Consolidated statement of cash flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 10, 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 and express an opinion on 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 Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report and consolidated financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on 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 March 2013 and of the group's loss and group's and parent company's cash flows for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Independent auditor's report to the members of A4E Limited (continued)

Opinion on other matter 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

Arif Ahmad

Arif Ahmad (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
Sheffield
10 January 2014

A4E Limited

Consolidated income statement for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Continuing operations			
Revenue	3	**167,088**	194,118
Operating expenses		**(174,457)**	(194,015)
Exceptional operating expenses	19	**(2,932)**	(1,795)
Total operating expenses	18	**(177,389)**	(195,810)
Operating loss		**(10,301)**	(1,692)
Finance income	22	**63**	163
Finance costs	22	**(1,288)**	(585)
Finance costs – net	22	**(1,225)**	(422)
Loss before income tax		**(11,526)**	(2,114)
Income tax credit/(expense)	23	**1,647**	(1,383)
Loss for the year		**(9,879)**	(3,497)
(Loss)/profit attributable to:			
Owners of the parent	11	**(9,871)**	(3,580)
Non-controlling interests		**(8)**	83
		(9,879)	(3,497)

As permitted by Section 408 of the Companies Act 2006, the income statement 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 24) for the financial year was £7,365,000 (2012 £1,007,000)

The notes on pages 22 to 65 are an integral part of these consolidated financial statements

A4E Limited

Consolidated statement of comprehensive income for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Loss for the year		**(9,879)**	(3,497)
Other comprehensive income:			
Currency translation differences	10	**(282)**	81
Actuarial losses on post employment benefit assets	16	**(22)**	(105)
Movement on deferred tax in relation to actuarial losses	15	**5**	25
Other comprehensive (loss)/income for the year, net of tax		**(299)**	1
Total comprehensive loss for the year		**(10,178)**	(3,496)
Comprehensive (loss)/income attributable to:			
Owners of the parent		**(10,170)**	(3,579)
Non-controlling interests		**(8)**	83
Total comprehensive loss for the year		**(10,178)**	(3,496)

The notes on pages 22 to 65 are an integral part of these consolidated financial statements

A4E Limited

Registered number 02631340

Consolidated balance sheet as at 31 March 2013

	Note	2013 £'000	2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	4	**9,471**	10,144
Intangible assets	5	**5,923**	6,526
Deferred income tax assets	15	**1,814**	701
Retirement benefit assets	16	**493**	146
		17,701	17,517
Current assets			
Trade and other receivables	7	**21,234**	17,325
Current income tax assets		**103**	-
Cash and cash equivalents	8	**7,312**	4,023
		28,649	21,348
Total assets		**46,350**	38,865
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	9	**1,053**	1,053
Other reserves	10	**(1,411)**	(1,129)
Retained earnings	11	**(6,680)**	3,208
		(7,038)	3,132
Non-controlling interests		**32**	40
Total equity		**(7,006)**	3,172

A4E Limited

Registered number 02631340

Consolidated balance sheet as at 31 March 2013 (continued)

	Note	2013 £'000	2012 £'000
Liabilities			
Non-current liabilities			
Borrowings	13	**25,000**	5,000
Deferred income tax liabilities	15	**113**	35
		25,113	5,035
Current liabilities			
Trade and other payables	12	**25,878**	23,289
Current income tax liabilities		**-**	103
Borrowings	13	**5**	5
Provisions for other liabilities and charges	14	**2,360**	7,261
		28,243	30,658
Total liabilities		**53,356**	35,693
Total equity and liabilities		**46,350**	38,865

The notes on pages 22 to 65 are an integral part of these consolidated financial statements

The financial statements on pages 13 to 65 were authorised for issue by the Board of Directors on 9 January 2014 and were signed on its behalf by

Director Andrew Dutton

Consolidated statement of changes in equity for the year ended 31 March 2013

	Note	Attributable to owners of the parent				Non-controlling interest	Total equity
		Share capital	Other reserves	Retained earnings	Total		
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2011		1,053	(1,210)	8,357	8,200	(43)	8,157
(Loss)/profit for the year		-	-	(3,580)	(3,580)	83	(3,497)
Other comprehensive income							
Currency translation differences	10	-	81	-	81	-	81
Actuarial losses on post employment benefit assets	16	-	-	(105)	(105)	-	(105)
Deferred tax in relation to actuarial losses	15	-	-	25	25	-	25
Total other comprehensive income		-	81	(80)	1	-	1
Total comprehensive income		**-**	**81**	**(3,660)**	**(3,579)**	**83**	**(3,496)**
Transactions with owners							
Dividends	24	-	-	(1,489)	(1,489)	-	(1,489)
Transactions with owners		**-**	**-**	**(1,489)**	**(1,489)**	**-**	**(1,489)**
Balance at 31 March 2012		**1,053**	**(1,129)**	**3,208**	**3,132**	**40**	**3,172**

Consolidated statement of changes in equity for the year ended 31 March 2013 (continued)

		Attributable to owners of the parent					
		Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012		1,053	(1,129)	3,208	3,132	40	3,172
Loss for the year		-	-	(9,871)	(9,871)	(8)	(9,879)
Other comprehensive income							
Currency translation differences	10	-	(282)	-	(282)	-	(282)
Actuarial losses on post employment benefit assets	16	-	-	(22)	(22)	-	(22)
Deferred tax in relation to actuarial losses	15	-	-	5	5	-	5
Total other comprehensive income		-	(282)	(17)	(299)	-	(299)
Total comprehensive income		**-**	**(282)**	**(9,888)**	**(10,170)**	**(8)**	**(10,178)**
Balance at 31 March 2013		**1,053**	**(1,411)**	**(6,680)**	**(7,038)**	**32**	**(7,006)**

Company balance sheet as at 31 March 2013

	Note	2013 £'000	2012 £'000
Non-current assets			
Property, plant and equipment	4	**8,483**	8,555
Intangible assets	5	**-**	-
Investments	6	**992**	537
Deferred income tax assets	15	**1,814**	696
Retirement benefit assets	16	**493**	146
		11,782	9,934
Current assets			
Trade and other receivables	7	**39,568**	30,459
Current income tax assets		**-**	252
Cash and cash equivalents	8	**4,331**	2,136
		43,899	32,847
Total assets		**55,681**	42,781
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	9	**1,053**	1,053
Other reserves	10	**(1,447)**	(1,447)
Retained earnings	11	**4,789**	12,171
Total equity		**4,395**	11,777

Company balance sheet as at 31 March 2013 (continued)

	Note	2013 £'000	2012 £'000
Liabilities			
Non-current liabilities			
Borrowings	13	**25,000**	5,000
Deferred income tax liabilities	15	**113**	35
		25,113	5,035
Current liabilities			
Trade and other payables	12	**24,184**	20,340
Borrowings	13	**5**	5
Provisions for other liabilities and charges	14	**1,984**	5,624
		26,173	25,969
Total liabilities		**51,286**	31,004
Total equity and liabilities		**55,681**	42,781

The notes on pages 22 to 65 are an integral part of these consolidated financial statements

The financial statements on pages 13 to 65 were authorised for issue by the Board of Directors on 9 January 2014 and were signed on its behalf by

Director Andrew Dutton

A4E Limited

Consolidated statement of cash flows for the year ended 31 March 2013

	Note	Group		Company	
		2013	2012	**2013**	2012
		£'000	£'000	**£'000**	£'000
Cash flows from operating activities					
Cash used in operations	25	**(13,093)**	(32,786)	**(13,936)**	(30,042)
Interest paid		**(1,288)**	(38)	**(1,285)**	(36)
Income tax received/(paid)		**410**	(3,400)	**750**	(3,019)
Net cash used in operating activities		**(13,971)**	(36,224)	**(14,471)**	(33,097)
Cash flows from investing activities					
Purchase of property, plant and equipment (PPE)	4	**(3,068)**	(5,452)	**(2,945)**	(6,836)
Proceeds from sale of PPE	25	**265**	1,891	**1**	1,653
Purchase of subsidiary including intangible assets		**-**	(3,973)	**(455)**	(1,796)
Interest received		**63**	163	**65**	170
Net cash used in investing activities		**(2,740)**	(7,371)	**(3,334)**	(6,809)
Cash flows from financing activities					
Proceeds of borrowings		**20,000**	5,000	**20,000**	5,000
Repayment of borrowings		**-**	(166)	**-**	-
Dividends paid to company's shareholders	24	**-**	(1,489)	**-**	(1,489)
Dividends paid to holders of redeemable preference shares	24	**-**	(546)	**-**	(546)
Net cash generated from financing activities		**20,000**	2,799	**20,000**	2,965
Net increase/(decrease) in cash and cash equivalents		**3,289**	(40,796)	**2,195**	(36,941)
Cash and cash equivalents at beginning of year		**4,023**	44,819	**2,136**	39,077
Cash and cash equivalents at end of year	8	**7,312**	4,023	**4,331**	2,136

The notes on pages 22 to 65 are an integral part of these consolidated financial statements

A4E Limited

Notes to the financial statements for the year ended 31 March 2013

1 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below These policies have been applied consistently to all years presented, unless otherwise stated

1.1 Basis of preparation

The consolidated financial statements of A4E Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the group's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1 25

1.2 Going concern

The financial statements have been prepared on a going concern basis The consolidated financial statements show a net liability position as at 31 March 2013, due to the investment into the Work Programme and the associated payment by results methodology, however, as the Work Programme matures, the Group is forecast to return to profit in 2013-14 with improved profitability also forecast in 2014-15 and 2015-16

In December 2011, the group put in place new banking facilities with the Royal Bank of Scotland & Co-op Bank in the form of a £22 5m facility extending through to June 2014 This facility was fully drawn as at March 2013 Subsequent to the year-end the facility was amended including an extension through to December 2015 with £17m being the adjusted value of the facility The financial forecasts demonstrate that the step downs proposed in the revised facility can be met with sufficient headroom

In addition to the bank facility a £5m facility was secured with Thornbridge Ltd in September 2012 £2 5m of the facility was drawn as at March 2013 with a further £0 5m drawn in October 2013 Subsequent to the year end this facility was amended including an extension of the £5m facility to January 2016

1 3 Changes in accounting policy and disclosures

a) New and amended standards adopted by the group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2012 that would be expected to have a material impact on the group The group has not early adopted any new standards, amendments or interpretations

1 Significant accounting policies (continued)

1.3 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2012, and have not been applied in preparing these consolidated financial statements None of these are expected to have a significant effect on the consolidated financial statements of the group, except the following set out below

IAS 19, 'Employee benefits', was amended in June 2011 The impact on the group will be as follows to immediately recognise all past service costs, and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the defined benefit asset The group is yet to assess the full impact of this amendment

1.4 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity Subsidiaries are fully consolidated from the date on which control is transferred to the group They are de-consolidated from the date that control ceases

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income (note 1 8)

Investments in subsidiaries are accounted for at cost less impairment Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments Cost also includes direct attributable costs of investment

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated Unrealised losses are also eliminated Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group

1 Significant accounting policies (continued)

1.4 Consolidation (continued)

(b) Transactions and non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity

When the group ceases to have control or significant influence, any retained interest in the entity is revalued to its fair value, with the change in carrying amount recognised in profit or loss The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss

If the ownership interest in an associate is reduced and significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit and loss where appropriate

1 5 Segmental reporting

The group operates in one operating segment This segment is reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM") The CODM, who is responsible for allocating resources and assessing performance of this segment, has been identified as the Chief Executive Officer

1 6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the company operates ("the functional currency") The consolidated financial statements are presented in pounds sterling (£), which is the company's functional and the group's presentation currency

(b) Transactions and balances

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction All differences on exchange are taken to the income statement

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,

1 Significant accounting policies (continued)

1.6 Foreign currency translation (continued)

(c) Group companies (continued)

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and

(iii) all resulting exchange differences are recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

1.7 Property, plant and equipment

Freehold property comprise of the operating facilities and offices Freehold property is shown at fair value, frozen as at 1 April 2009, less subsequent depreciation The fair value at 1 April 2009 is deemed to be equal to the cost Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset All other property, plant and equipment is stated at historical cost less depreciation Historical cost includes expenditure that is directly attributable to the acquisition of the items

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably The carrying amount of the replaced part is derecognised All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred

Increases in the carrying amount arising on revaluation of freehold property are credited to other comprehensive income and shown as other reserves in shareholders' equity Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity, all other decreases are charged to the income statement

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'

1 Significant accounting policies (continued)

1.7 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate cost or revalued amounts to residual values over estimated useful lives, as follows

• Freehold property	50 years
• Short-term leasehold improvements	Over the lease term
• Fixtures and fittings	5-10 years
• Motor vehicles	3-10 years
• Computer equipment	3-5 years

The assets residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1 9)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating expenses in the income statement

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings

1.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition Goodwill on acquisitions of subsidiaries is included in 'intangible assets' Goodwill is allocated to cash generating units ("CGU's") for the purposes of impairment testing, and is tested annually for impairment and carried at cost less accumulated impairment losses Impairment losses on goodwill are not reversed Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold

(b) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation Amortisation is calculated using the straight-line method over the expected life of the customer relationship

(c) Brand and intellectual property

Brand and intellectual property acquired in a business combination are recognised at fair value at the acquisition date Brand & Intellectual property are deemed to have a finite useful life and are carried at cost less accumulated amortisation Amortisation is calculated using the straight line method over the expected life of the brand and intellectual property

1 Significant accounting policies (continued)

1.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date

1.10 Financial assets

1.10.1 Classification

The group has one classification of financial assets, loans and receivables Management determines the classification of its financial assets at initial recognition

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They are included in current assets, except for maturities greater than 12 months after the end of the reporting period These are classified as non-current assets The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet

1.10.2 Recognition and measurement

Loans and receivables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method less provision for impairment

1.10.3 Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement

1 Significant accounting policies (continued)

1.10 Financial assets (continued)

1.10.3 Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement

Impairment testing of trade receivables is described in note 7

1.11 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business If collection is expected in one year or less, they are classified as current assets If not, they are presented as non-current assets

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment

1 12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less

1.13 Share capital

Ordinary shares are classified as equity Mandatorily redeemable preference shares are classified as liabilities

1.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers Accounts payable are classified as current liabilities if payment is due within one year or less If not, they are presented as non-current liabilities

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

1.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down In this case, the fee is deferred until the draw-down occurs To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates

1 Significant accounting policies (continued)

1 15 Borrowings (continued)

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends of these preference shares are recognised in the income statement as interest expenses

1 16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity In this case the tax is also recognised in other comprehensive income or directly in equity, respectively

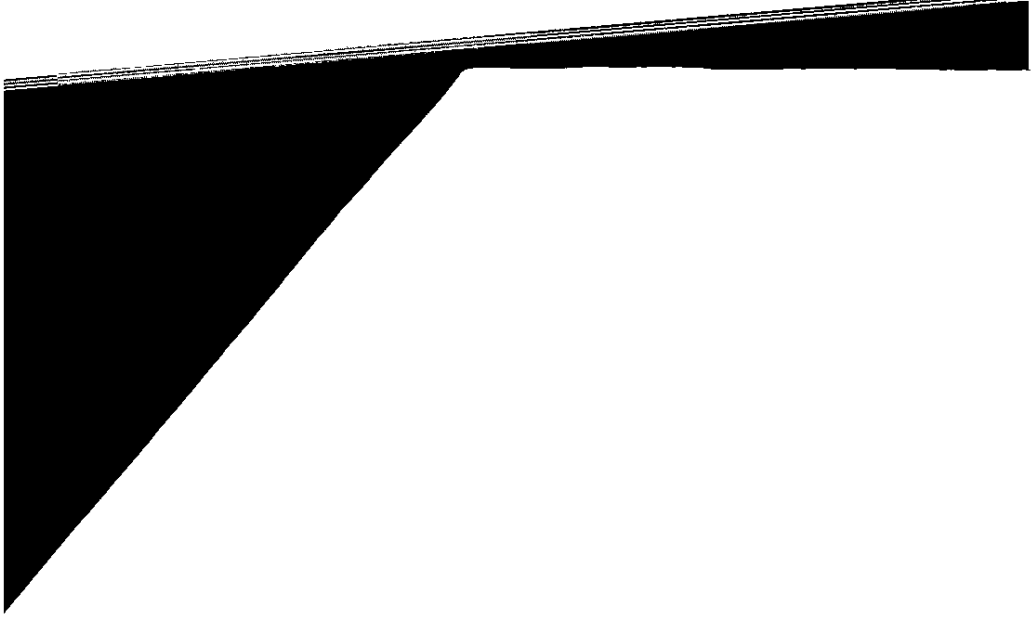
The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group's subsidiaries and associates operate and generate taxable income Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis



1 Significant accounting policies (continued)

1.17 Employee benefits

(a) Pension obligations

The group contributes to a number of pension arrangements The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations The group has both defined benefit and defined contributions plans A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods A defined benefit plan is a pension plan that is not a defined contribution plan Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation

The asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligations

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period) In this case, the past service costs are amortised on a straight-line basis over the vesting period

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis The group has no further payment obligations once the contributions have been paid The contributions are recognised as employer benefit expense when they are due Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available

(b) Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation

1 Significant accounting policies (continued)

1.18 Employee share option plan

On 7 March 2002, the company established The Action for Employment Limited Share Trust The company is deemed to have control of the assets, liabilities, income and costs of the trust The ordinary shares of the company held by the trust are shown as a deduction from equity of the market value of the shares at the date of acquisition less any amounts written off in respect of any permanent diminution in value of the investments

1.19 Share-based payments

The group operates a cash-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the group The fair value of the employee services received in exchange for the grant of the options is recognised as an expense The total amount to be expensed is determined by reference to the fair value of the options granted

- including any market performance conditions (for example, the share price),
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity

The social security contributions payable in connection with the grant of the share options are considered an integral part of the grant itself and the charge will be treated as a cash settled transaction

1.20 Provisions

Provisions for remedial contract provisions, vacant property obligations and restructuring costs are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated Restructuring provisions comprise employee termination payments Provisions are not recognised for future operating losses

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small

1 Significant accounting policies (continued)

1.20 Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation The increase in the provision due to passage of time is recognised as interest expense

1 21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the group's activities Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the group

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities In general, revenue is recognised in accordance with the terms of the underlying contract

Advance payments received prior to full service commencement on the achievement of agreed contract delivery milestones are recognised as turnover when earned and treated as deferred income

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management

1.22 Exceptional operating expenses

Exceptional operating expenses are material items which fall outside the ordinary activities of the group and which need to be disclosed by virtue of their size or incidence Such items are included within operating loss unless they represent profit or loss on the sale or termination of an operation, cost of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the group's operations, profit or loss on the disposal of fixed assets, or provisions in respect of such items In these cases separate disclosure is provided on the face of the income statement after operating loss

1.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease

1 24 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividend is approved by the company's shareholders

1 Significant accounting policies (continued)

1.25 Critical accounting estimates and assumptions

The preparation of the group's financial statements in accordance with IFRS requires decisions and estimates for some items, which might have an effect on their recognition and measurement in the balance sheet and income statement The actual amounts realised may differ from these estimates

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1 8 The recoverable amounts of cash-generating units have been determined based on value-in-use calculations These calculations require the use of estimates

Estimates are required for the measurement of current corporation tax and the recognition of deferred tax assets, however, in the opinion of the directors there is no significant risk of these estimates resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year

The company has used the Black-Scholes option pricing model to determine the fair value of employee share options Any changes to the volatility and assumptions made by the directors will impact the valuation As at 31 March 2013 the liability outstanding was £128,000 (2012 £341,000) Please see note 17 for additional information

The directors have used estimates based on recent experience to provide for, (i) the cost of work required to restore its leased properties back to their original condition as required under the leases, (ii) the leased estates which are unused, (iii) closure costs of overseas subsidiaries, (iv) redundancies of staff, (v) claims on contracts and (vi) other termination costs The provision and estimates are reviewed annually At 31 March 2013 the provision was £2,360,000 (2012 £7,261,000) Please see note 14 for additional information

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions Any changes in these assumptions will impact the carrying amount of retirement benefit obligations The pension asset at 31 March 2013 was £493,000 (2012 £146,000) Please see note 16 for additional information

2 Financial risk management

2.1 Financial risk factors

The group's activities expose it to a variety of financial risks namely market risk and credit risk The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance

Risk management is carried out by Group Finance under policies approved by the board of directors Group Finance identifies and evaluates financial risks and provides written principles The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity

2 Financial risk management (continued)

2.1 Financial risk factors (continued)

(a) Market risk

Revenue that is recognised in the income statement is primarily generated from job outcome fees and sustained employment fees or completion of an NVQ qualification by a client No 'work in progress' is calculated on any contracts with revenue recognition only based on a factual event As such the group is not considered to be exposed to any risk variables that may subsequently impact on the value of the revenue recognised in the 12 months to 31 March 2013

The organisation does not trade across borders and as such is not exposed to foreign currency for such matters (see also capital risk management section below)

(b) Credit risk

Cash

UK Cash reserves are held in UK interest bearing accounts of varying levels and accessibility Overseas subsidiaries only hold cash with the bank that deals with their day to day banking requirements No exposure to credit risk is considered to be applicable to any of these balances as at the financial year end

Trade debtors

A high percentage of the group's trade debtors at the financial year end were with government organisations, primarily in the UK, and as such low exposure to credit risk is considered to be applicable Note 7 to the financial statements evidences the ageing of the trade debtor balances as at the financial year end

2.2 Capital risk management

The working capital required to develop and grow the group's overseas subsidiaries is provided by A4E (UK) Ltd, resulting in balances due to A4E UK from the overseas subsidiary undertakings These balances are susceptible to exchange rate movements, therefore the group enters into foreign exchange contracts as appropriate to reduce the exposure

3 Segmental information

The Board considers the business from a geographic perspective Geographically the Board considers the performance of the UK, Continental Europe, Australia and Rest of the World as the business currently operates in these geographical areas

The revenue, loss for the year, total assets and total liabilities are attributable to the principal activities of the group as described in the Directors' report on page 4

Notes to the financial statements for the year ended 31 March 2013 (continued)

3 Segmental information (continued)

	2013 £'000	2012 £'000
Segmental revenue		
UK	**143,931**	167,126
Continental Europe	**674**	3,935
Australia	**21,849**	22,847
Rest of the World	**634**	210
Revenue from external customers	**167,088**	194,118

4 Property, plant and equipment

Group	Freehold property £'000	Short-term leasehold improvements £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
At 1 April 2011						
Cost or valuation	632	5,847	4,178	95	6,760	17,512
Accumulated depreciation	(60)	(2,398)	(2,020)	(23)	(2,909)	(7,410)
Net book amount	**572**	**3,449**	**2,158**	**72**	**3,851**	**10,102**
Year ended 31 March 2012						
Opening net book amount	572	3,449	2,158	72	3,851	10,102
Exchange differences	-	-	(16)	-	(4)	(20)
Acquisition of subsidiaries	454	-	254	415	-	1,123
Additions	99	851	432	-	4,070	5,452
Disposals	-	(546)	(537)	(50)	(500)	(1,633)
Depreciation charge	(121)	(1,513)	(851)	(67)	(2,328)	(4,880)
Closing net book amount	**1,004**	**2,241**	**1,440**	**370**	**5,089**	**10,144**
At 31 March 2012						
Cost or valuation	1,554	4,045	3,553	775	8,586	18,513
Accumulated depreciation	(550)	(1,804)	(2,113)	(405)	(3,497)	(8,369)
Net book amount	**1,004**	**2,241**	**1,440**	**370**	**5,089**	**10,144**

4 Property, plant and equipment (continued)

Group	Freehold property £'000	Short-term leasehold improvements £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Year ended 31 March 2013						
Opening net book amount	1,004	2,241	1,440	370	5,089	10,144
Exchange differences	20	-	21	19	7	67
Additions	29	319	67	-	2,653	3,068
Reclassification	(365)	-	34	-	331	-
Disposals	-	(33)	(48)	(243)	(14)	(338)
Depreciation charge	(141)	(1,027)	(500)	(55)	(1,747)	(3,470)
Closing net book amount	**547**	**1,500**	**1,014**	**91**	**6,319**	**9,471**
At 31 March 2013						
Cost or valuation	700	2,867	2,358	192	9,907	16,024
Accumulated depreciation	(153)	(1,367)	(1,344)	(101)	(3,588)	(6,553)
Net book amount	**547**	**1,500**	**1,014**	**91**	**6,319**	**9,471**

Depreciation expense of £3,470,000 (2012 £4,880,000) has been charged in 'operating expenses' in the consolidated income statement

Lease rentals amounting to £829,000 (2012 £1,297,000) and £9,419,000 (2012 £11,202,000) relating to the lease of machinery and property, respectively, are included in the income statement (note 18)

4 Property, plant and equipment (continued)

Company	Freehold property £'000	Short-term leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
At 1 April 2011					
Cost or valuation	625	5,173	2,215	4,276	12,289
Accumulated depreciation	(53)	(2,108)	(921)	(1,591)	(4,673)
Net book amount	**572**	**3,065**	**1,294**	**2,685**	**7,616**
Year ended 31 March 2012					
Opening net book amount	572	3,065	1,294	2,685	7,616
Additions	-	1,526	722	4,588	6,836
Disposals	-	(546)	(426)	(421)	(1,393)
Depreciation charge	(13)	(1,804)	(685)	(2,002)	(4,504)
Closing net book amount	**559**	**2,241**	**905**	**4,850**	**8,555**
At 31 March 2012					
Cost or valuation	625	4,045	1,880	7,159	13,709
Accumulated depreciation	(66)	(1,804)	(975)	(2,309)	(5,154)
Net book amount	**559**	**2,241**	**905**	**4,850**	**8,555**
Year ended 31 March 2013					
Opening net book amount	559	2,241	905	4,850	8,555
Additions	-	319	16	2,610	2,945
Disposals	-	(33)	(38)	(3)	(74)
Depreciation charge	(12)	(1,027)	(307)	(1,597)	(2,943)
Closing net book amount	**547**	**1,500**	**576**	**5,860**	**8,483**
At 31 March 2013					
Cost or valuation	625	2,867	1,528	8,725	13,745
Accumulated depreciation	(78)	(1,367)	(952)	(2,865)	(5,262)
Net book amount	**547**	**1,500**	**576**	**5,860**	**8,483**

Freehold property is shown at fair value, less subsequent depreciation The fair value amounting to £625,000, at 1 April 2009, is deemed to be equal to the current market value

4 Property, plant and equipment (continued)

If freehold property had not been revalued it would have been included at the following historical cost

Group	2013 £'000	2012 £'000	2011 £'000
Cost	**352**	352	253
Aggregate depreciation	**(81)**	(74)	(67)
Net book amount	**271**	278	186

Company	2013 £'000	2012 £'000	2011 £'000
Cost	**253**	253	253
Aggregate depreciation	**(77)**	(72)	(67)
Net book amount	**176**	181	186

5 Intangible assets

Group	Goodwill £'000	Contractual customer relationships £'000	Brand & intellectual property £'000	Total £'000
At 1 April 2011				
Cost	640	666	1,238	2,544
Accumulated amortisation and impairment charge	(240)	(100)	(92)	(432)
Net book amount	**400**	**566**	**1,146**	**2,112**
Year ended 31 March 2012				
Opening net book amount	400	566	1,146	2,112
Acquisition of subsidiary	-	1,845	3,427	5,272
Amortisation charge	-	(445)	(413)	(858)
Closing net book amount	**400**	**1,966**	**4,160**	**6,526**
At 31 March 2012				
Cost	640	2,511	4,665	7,816
Accumulated amortisation and impairment charge	(240)	(545)	(505)	(1,290)
Net book amount	**400**	**1,966**	**4,160**	**6,526**

5 Intangible assets (continued)

Group	Goodwill £'000	Contractual customer relationships £'000	Brand & intellectual property £'000	Total £'000
Year ended 31 March 2013				
Opening net book amount	400	1,966	4,160	6,526
Amortisation charge	-	(532)	(494)	(1,026)
Exchange differences	-	148	275	423
Closing net book amount	**400**	**1,582**	**3,941**	**5,923**
At 31 March 2013				
Cost	640	2,659	4,940	8,239
Accumulated amortisation and impairment charge	(240)	(1,077)	(999)	(2,316)
Net book amount	**400**	**1,582**	**3,941**	**5,923**

Company	Goodwill £'000
At 1 April 2011, 31 March 2012 and 31 March 2013	
Cost	215
Accumulated impairment charge	(215)
Net book amount	**-**

Impairment tests for intangible assets

In accordance with IAS 36 'impairment of assets' intangible assets are subject to an annual impairment review

The carrying value of goodwill is reduced to its recoverable amount through the recognition of an impairment charge if necessary Any such charge is included within 'operating expenses' in the income statement together with the amortisation of contractual customer relationships and brand & intellectual property The recoverable amount of goodwill is determined based on value-in-use calculations These calculations use pre-tax cash flow projections based on financial budgets approved by management

At 31 March 2013, management consider the carrying value of the goodwill to be equal to the recoverable amount As such no further impairment charges have been recognised in these financial statements

Contractual customer relationships and brand & intellectual property are amortised over the expected life of the assets

A business valuation of A4e Australia Pty was carried out in May 2013 This valuation supported the current carrying value of the contractual customer relationships and brand & intellectual property as at 31 March 2013

6 Investments

Company	2013 £'000	2012 £'000
Shares in group undertakings		
At 1 April	**537**	201
Additions	**455**	1,796
Impairment charge	**-**	(1,399)
Disposals	**-**	(61)
At 31 March	**992**	537

During the year, the company authorised capital contributions to A4E India Pvt Limited amounting to £455,000 This has resulted in an increase in the cost of investments

On 24 April 2012, Medex Training Limited, a subsidiary undertaking, was struck off The carrying value of this investment at this date was £Nil

Similarly on 29 March 2013, A4E Polska Sp z o o , a subsidiary undertaking, was struck off The carrying value of this investment at this date was £Nil

The directors believe the carrying value of the investments at the year end reflects the fair value of the investments underlying net assets, therefore an impairment charge has not been recognised this year

At 31 March 2013, the company held the equity of the following principal subsidiary undertakings

Name of undertaking and country of incorporation	Nature of business	Description of shares and proportion of nominal value of that class held
A4E Australia (Australia)	Outsourced supplier of services	Ordinary shares held of AUD1 each (100% held)
A4E Deutschland GmbH (Germany)	Dormant	Ordinary shares of €1 each (100% held)
A4E Enterprise Limited (England)	Social Welfare Services	Limited by guarantee
A4E Europe Limited (Spain)	Social Welfare Services	Ordinary shares of €1 each (100% held)
A4E France SAS (France)	Outsourced supplier of services	Ordinary shares of €1 each (100% held)
A4E India Pvt Limited (India)	Outsourced supplier of services	Ordinary shares of RS10 each (100% held)
A4E Insight Limited (England)	Dormant	Ordinary shares of £1 each (100% held)
A4E Ireland Limited (Northern Ireland)	Outsourced supplier of services	Ordinary shares of £1 each (100% held)

6 Investments (continued)

Name of undertaking and country of incorporation	Nature of business	Description of shares and proportion of nominal value of that class held
A4E Israel (Israel)	Dormant	Ordinary shares of ILS1 each (100% held)
A4E Management Limited (England)	Outsourced supplier of services	Ordinary shares of £1 each (100% held)
A4E Scotland Limited (Scotland)	Outsourced supplier of services	Ordinary shares of £1 each (100% held)
A4E Wales Limited (Wales)	Outsourced supplier of services	Ordinary shares of £1 each (100% held)
Action for Employment Trustees Limited (England)	Trustee corporation	Ordinary shares of £1 each (100% held)
Amin (a4E – Aman) Limited (Israel)	Dormant	Ordinary shares of ILS1 each (70% held)
Australian Employment and Training Solutions Pty Limited (Australia)	Social Welfare Services	Ordinary shares of AUD1 each (100% held*)
Fast Track Employees Pty Limited (Australia)*	Social Welfare Services	Ordinary shares of AUD1 each (100% held*)
Pinewood River Pty Limited (Australia)*	Social Welfare Services	Ordinary shares of AUD1 each (100% held*)

*Indirectly held

7 Trade and other receivables

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Current				
Trade receivables	**10,635**	8,372	**9,186**	6,523
Less provision for impairment	**(358)**	(46)	**(266)**	(42)
Trade receivables – net	**10,277**	8,326	**8,920**	6,481
Prepayments and accrued income	**9,919**	7,530	**8,508**	4,794
Receivables from related parties	**-**	-	**21,103**	17,319
Other debtors	**1,038**	1,469	**1,037**	1,865
Total trade and other receivables	**21,234**	17,325	**39,568**	30,459

The fair values of trade and other receivables are equivalent to the carrying amounts

7 Trade and other receivables (continued)

As of 31 March 2013, trade receivables of £1,382,000 (2012 £1,364,000) (company - 2013 £738,000 (2012 £614,000)), were past due but not impaired These relate to a number of customers for whom there is no history of default The ageing analysis of these trade receivables is as follows

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Up to 3 months	**1,329**	1,285	**593**	539
3 – 6 months	**-**	20	**-**	17
Over 6 months	**53**	59	**145**	58
	1,382	1,364	**738**	614

As of 31 March 2013, trade receivables of £358,000 (2012 £46,000) (company - 2013 £266,000 (2012 £42,000)) were impaired and provided for in full There is no indication that any of this debt will be settled The ageing analysis of these trade receivables is as follows

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Up to 3 months	**-**	46	**-**	42
Over 6 months	**358**	-	**266**	-
	358	46	**266**	42

The carrying amounts of trade and other receivables are denominated in the following currencies

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
UK sterling	**19,989**	15,415	**39,568**	30,459
Euro	**146**	182	**-**	-
Australian dollar	**1,099**	1,725	**-**	-
Other currencies	**-**	3	**-**	-
	21,234	17,325	**39,568**	30,459

7 Trade and other receivables (continued)

Movements on the provision for impairment of trade receivables are as follows

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
At 1 April	**46**	636	**42**	581
Provision for receivables impairment	**358**	42	**266**	42
Receivables written off during the year as uncollectable	**(46)**	(632)	**(42)**	(581)
At 31 March	**358**	46	**266**	42

The creation and release of the provision for impaired receivables has been included in 'operating expenses' in the income statement The provision for impairment is not discounted as the effect of this is not material Amounts charged to the allowance account are generally written off where there is no expectation of recovery of additional cash

The other classes within trade and other receivables do not contain impaired assets

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above Neither the group nor the company hold collateral as security

8 Cash and cash equivalents

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Cash at bank and in hand	**3,118**	1,989	**140**	157
Short term bank deposits	**4,194**	2,034	**4,191**	1,979
Cash and cash equivalents	**7,312**	4,023	**4,331**	2,136

9 Share capital

Group and company	**Number of shares (thousands)**	**Ordinary shares £'000**
At 31 March 2012 and 31 March 2013	**21,050**	**1,053**

10 Other reserves

Group	Translation reserve £'000	Own shares £'000	Merger reserve £'000	Total £'000
At 1 April 2011	(220)	(1,447)	457	(1,210)
Currency translation differences	81	-	-	81
At 31 March 2012	**(139)**	**(1,447)**	**457**	**(1,129)**
At 1 April 2012	(139)	(1,447)	457	(1,129)
Currency translation differences	(282)	-	-	(282)
At 31 March 2013	**(421)**	**(1,447)**	**457**	**(1,411)**

Company	Own shares £'000	Total £'000
At 1 April 2011, 31 March 2012 and 31 March 2013	**(1,447)**	**(1,447)**

Own shares are held by The Action For Employment Limited Employee Share Trust

11 Retained earnings

	Group £'000	Company £'000
At 1 April 2011	8,357	14,747
Loss for the year	(3,580)	(1,007)
Dividends paid (note 24)	(1,489)	(1,489)
Actuarial losses on post employment benefit assets (note 16)	(105)	(105)
Deferred tax in relation to actuarial losses (note 15)	25	25
At 31 March 2012	**3,208**	**12,171**

11 Retained earnings (continued)

	Group	Company
	£'000	£'000
At 1 April 2012	3,208	12,171
Loss for the year	(9,871)	(7,365)
Actuarial losses on post employment benefit assets (note 16)	(22)	(22)
Deferred tax in relation to actuarial losses (note 15)	5	5
At 31 March 2013	**(6,680)**	**4,789**

12 Trade and other payables

	Group		Company	
	2013 £'000	2012 £'000	**2013** £'000	2012 £'000
Current				
Trade payables	**4,386**	3,560	**4,079**	3,297
Amounts due to related parties	**-**	10	**3,023**	2,751
Social security and other taxes	**5,722**	3,981	**4,680**	2,315
Accrued expenses	**11,553**	12,436	**9,247**	9,795
Deferred income	**1,554**	1,651	**496**	535
Other payables	**2,663**	1,651	**2,659**	1,647
Total trade and other payables	**25,878**	23,289	**24,184**	20,340

Amounts due to related parties bear interest at 1 5% above the Bank of England base rate They are unsecured, have no fixed repayment date and are repayable on demand

13 Borrowings

	Group		Company	
	2013 £'000	2012 £'000	**2013** £'000	2012 £'000
Non-current				
Bank loan	**22,500**	5,000	**22,500**	5,000
Loan from related party	**2,500**	-	**2,500**	-
	25,000	5,000	**25,000**	5,000
Current				
104,200 (2012 104,200) redeemable preference shares of 5p each	**5**	5	**5**	5
Total borrowings	**25,005**	5,005	**25,005**	5,005

All group and company borrowings are denominated in UK sterling

13 Borrowings (continued)

Bank loan

The bank loan represents a revolving credit facility of £22,500,000 which expires on 30 June 2014 and is secured by a floating charge over all of the assets and liabilities of A4E Limited and its material subsidiaries Interest of Libor + 2 75% for the first £17,500,000 and Libor + 4 5% thereafter is payable on the bank revolving credit facility which is drawn down in tranches (minimum £500,000) and over periods of up to six months Commitment fees of 2 75% are due on the available facility in three monthly intervals

Loan from related party

The loan from related party represents a revolving credit facility of £5,000,000 provided by Thornbridge Limited (note 28) which expires on 31 May 2014 and is unsecured At 31 March 2013, £2,500,000 had been drawn down on this facility Interest of 6% is payable at the end of each drawdown period, which last between 3 and 6 months A further 6% of interest is accrued on the loan balance and will be paid on termination of the facility Arrangement fees of £50,000 were paid

Redeemable preference shares

Details of shares shown as liabilities are as follows

	Allotted, issued and fully paid	
Group and company	**2013 £'000**	2012 £'000
Redeemable shares:		
Ordinary 'A' of 5p each	**2**	2
Ordinary 'B' of 5p each	**1**	1
Ordinary 'D' of 5p each	**1**	1
Ordinary 'E' of 5p each	**1**	1
	5	5

Summary of class rights

The ordinary 'A', 'B', 'D', and 'E' and redeemable shares have no voting rights and no rights to dividends other than those that may be recommended by the company following approval by the remuneration committee (note 24) 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 for A4E Limited 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

14 Provisions for other liabilities and charges

Group

	Dilapidations £'000	Onerous leases £'000	Redundancy £'000	Closure of overseas subsidiaries £'000	Contract claim provision £'000	Other termination costs £'000	Total £'000
At 1 April 2012	1,919	282	263	466	2,746	1,585	7,261
Additional provisions made during year	331	42	133	296	650	-	1,452
Used during year	(1,107)	(266)	(263)	(386)	(2,746)	(1,585)	(6,353)
At 31 March 2013	**1,143**	**58**	**133**	**376**	**650**	**-**	**2,360**

Analysis of total provisions	2013 £'000	2012 £'000
Non-current	-	-
Current	2,360	7,261
	2,360	7,261

Company

	Dilapidations £'000	Onerous leases £'000	Redundancy £'000	Contract claim provision £'000	Other termination costs £'000	Total £'000
At 1 April 2012	1,919	282	263	1,575	1,585	5,624
Additional provisions made during year	331	42	133	650	-	1,156
Used during year	(1,107)	(266)	(263)	(1,575)	(1,585)	(4,796)
At 31 March 2013	**1,143**	**58**	**133**	**650**	**-**	**1,984**

Analysis of total provisions	2013 £'000	2012 £'000
Non-current	-	-
Current	1,984	5,624
	1,984	5,624

14 Provisions for other liabilities and charges (continued)

(a) Dilapidations

The dilapidations provision covers all of A4E Limited's leased estate The provision is determined based on the average dilapidations cost per property over the last 3 years and applying that average cost against the current estate A weighting is applied against each property based on length of occupation as a percentage of length of lease or period to first break date, whichever is the earlier

(b) Onerous leases

The onerous lease provision relates to all A4E Limited's leased estate that was unused as at 31 March 2013 The provision is calculated on a property by property basis and is calculated up to the next available break date or end of lease, whichever is the earlier

(c) Redundancy

This relates to redundancy provisions for staff which will be paid in the first quarter of the next financial year

(d) Closure of overseas subsidiaries

The provision for the closure of overseas subsidiaries relates to the closure of A4E Deutschland GmbH and A4E France SAS The provision is based on the expected costs involved with the closure These costs are expected to be incurred in the next financial year

(e) Contract claim provision

The contract claim provision relates to the ESF contract The provision is based on the expected costs involved with a potential claim These costs are expected to be incurred in the next financial year

15 Deferred income tax

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	**1,814**	701	**1,814**	696
Deferred tax liabilities				
Deferred tax liability to be paid after more than 12 months	**(113)**	(35)	**(113)**	(35)
Deferred tax asset (net)	**1,701**	666	**1,701**	661

15 Deferred income tax (continued)

The gross movement on the deferred income tax account is as follows

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
At 1 April	**666**	1,331	**661**	1,144
Credited/(Charged) to the income statement	**1,030**	(690)	**1,035**	(508)
Tax credit relating to components of other comprehensive income	**5**	25	**5**	25
At 31 March	**1,701**	666	**1,701**	661

Deferred tax assets	Group			Company		
	Accelerated capital allowances £'000	**Other £'000**	**Total £'000**	**Accelerated capital allowances £'000**	**Other £'000**	**Total £'000**
At 31 March 2011	938	443	1,381	754	440	1,194
Charged to the income statement	(229)	(451)	(680)	(50)	(448)	(498)
At 31 March 2012	**709**	**(8)**	**701**	**704**	**(8)**	**696**
(Charged)/credited to the income statement	(157)	1,270	1,113	(152)	1,270	1,118
At 31 March 2013	**552**	**1,262**	**1,814**	**552**	**1,262**	**1,814**

Deferred tax liabilities	**Retirement benefit assets £'000**
Group and company	
At 1 April 2011	(50)
Credited to other comprehensive income	25
Charged to the income statement	(10)
At 31 March 2012	**(35)**
Credited to other comprehensive income	5
Charged to the income statement	(83)
At 31 March 2013	**(113)**

15 Deferred income tax (continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable

During the year, as a result of the changes in the UK main corporation tax rate from 24% to 23% that was substantively enacted on 3 July 2012 and was effective from 1 April 2013, the relevant deferred tax balances have been re-measured

Further reductions to the main rate are proposed to reduce the rate to 20% by 1 April 2015 These further reductions were substantially enacted in July 2013

16 Retirement benefit assets

The group operates a defined contribution stakeholder pension scheme for its staff

The total pension cost for the group was £2,778,000 (2012 £1,455,000) of which £702,000 (2012 £246,000) relates to the defined benefit scheme The pension cost relating to the defined benefit scheme is assessed in accordance with the advice of an independent qualified actuary using the Projected Unit method

An amount of £423,000 is included in accruals in respect of contributions payable at 31 March 2013 (2012 £179,000)

Group and company	**2013 £'000**	2012 £'000
Balance sheet asset for:		
Pension benefits	**493**	146
Asset in the balance sheet	**493**	146
Income statement charge for (note 21)		
Pension benefits	**702**	246
Actuarial losses recognised in the statement of other comprehensive income in the year	**(22)**	(105)
Cumulative actuarial losses recognised in the statement of other comprehensive income	**(24)**	(2)

16 Retirement benefit assets (continued)

The amounts recognised in the balance sheet are determined as follows

	2013 £'000	2012 £'000
Present value of funded obligations	**(2,604)**	(1,561)
Fair value of plan assets	**3,097**	1,707
Surplus of funded plans	**493**	146
Asset in the balance sheet	**493**	146

The movement in the defined benefit obligation over the year is as follows

	2013 £'000	2012 £'000
At 1 April	**1,561**	1,113
Current service cost	**938**	306
Interest cost	**82**	77
Actuarial gains	**(136)**	(54)
Transfer values paid in to scheme	**-**	17
Benefits paid	**(13)**	(15)
Changes in assumptions	**172**	117
At 31 March	**2,604**	1,561

The movement in the fair value of plan assets of the year is as follows

	2013 £'000	2012 £'000
At 1 April	**1,707**	1,299
Expected return on plan assets	**99**	74
Actuarial gains/(losses)	**14**	(42)
Employer contributions	**1,079**	311
Employee contributions	**219**	63
Transfer values paid in to scheme	**-**	17
Benefits paid	**(13)**	(15)
Expenses paid by scheme	**(8)**	-
At 31 March	**3,097**	1,707

16 Retirement benefit assets (continued)

The amounts recognised in the income statement are as follows

	2013 £'000	2012 £'000
Current service cost (after employee contributions)	**719**	243
Interest cost	**82**	77
Expected return on plan assets	**(99)**	(74)
Total included in employee benefit expenses (note 21)	**702**	246

The actual return on plan assets was £113,000 (2012 £32,000)

Principal actuarial assumptions

The assets of the defined benefit pension scheme are valued at market value and the liabilities have been calculated using the following principal actuarial assumptions

	2013 £'000	2012 £'000
Inflation rate	**3.3%**	2 8%
Salary increase	**3.3%**	4 3%
Discount rate	**4.4%**	4 6%
Future pension increases for leavers	**3.3%**	2 8%
Expected return on plan assets	**5.0%**	4 9%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience Mortality assumptions are based on the following mortality tables (i) PCMAOO, (ii) PCFAOO with medium cohort adjustments subject to a minimum annual improvement rate of 0 6% per annum for all members

The mortality assumptions used were as follows:	2013 years	2012 years
Longevity at age 65 for current pensioners		
- men	**22.1**	22 0
- women	**23 6**	23 5
Longevity at age 65 for future pensioners		
- men	**23.4**	23 4
- women	**24.7**	24 6

16 Retirement benefit assets (continued)

Plan assets are comprised as follows

	2013		2012	
	Long-term rate of return expected		Long-term rate of return expected	
	%	**£'000**	%	£'000
Cash	**1.0**	**274**	1 0	181
Bonds	**4.3**	**1,819**	4 6	1,024
Equities	**7.3**	**1,004**	6 8	502
		3,097		1,707

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy Expected yields on fixed interest investments are based on gross redemption yields at the end of the reporting period Expected returns on equity and property investments reflect long term real rates of return experienced in the respective markets, based on the current schedule of contributions and pensionable salaries at 31 July 2012 It is estimated that the expected contribution to be approximately £2,845,000 excluding employees' contributions for the year ending 31 March 2014

Amounts for current and previous 4 years	**2013 £'000**	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Defined benefit obligation	**(2,604)**	(1,561)	(1,113)	(779)	(366)
Plan asset	**3,097**	1,707	1,299	870	475
Surplus	**493**	146	186	91	109
Experience adjustments on scheme assets	**14**	(42)	(46)	90	(66)
Experience adjustments on scheme liabilities	**172**	117	(46)	(42)	(41)

17 Share-based payments

During the year, options were granted to certain employees of the group by A4E Limited The options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant The contractual life of an option is 3 years The company currently uses the Black-Scholes option pricing model to determine the fair value of employee share options The determination of the fair value of share-based payment awards on the date of grant using an option pricing model is affected by assumptions regarding a number of complex and subjective variables These variables include the parent company's expected share price volatility over the term of the awards, actual and projected employee option exercise behaviours, risk-free interest rate and expected dividends

The expected volatility used in the valuation model is based on the volatility of the FTSE All Share Support Services Index, which is considered to be comparable for the company The risk free rate of interest is taken to be a UK government bond with a maturity date on or around the end of the expected life of the option The dividend yield is based on the payment rate

The parent company is required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates The parent company uses historical data to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest All share-based payment awards are cash settled and amortised on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods

The fair value per option granted and the assumptions used in the calculation are as follows

		2013	2012
Share price at grant date	November 2009	**£6.84**	£6 84
	June and October 2010	**£11.26**	£11 26
	April 2011	**£1.00**	£1 00
	November 2012	**£0.70**	-
	January 2013	**£0.70**	-
Share exercise price	July 2007	**£0.44**	£0 44
	July 2008	**£0.77**	£0 77
	November 2009	**£0.68**	£0 68
	June 2010	**£1.03**	£1 03
	October 2010	**£1.04**	£1 04
	April 2011	**£1.04**	£1 04
	November 2012	**£0.70**	-
	January 2013	**£0.68**	-
Number of employees		**12**	9
Shares under option		**1,800,000**	1,495,000
Vesting period (years)		**3**	3

Notes to the financial statements for the year ended 31 March 2013 (continued)

17 Share-based payments (continued)

		2013	2012
Expected volatility	November 2009	**29 07%**	38 79%
	June 2010	**31.05%**	35 95%
	October 2010	**31.05%**	35 28%
	April 2011	**31.05%**	35 35%
	November 2012	**34 69%**	-
	January 2013	**29.07%**	-
Option life (years)		**3**	3
Expected life (years)		**1**	1
Risk free interest rate	November 2009	**0.06%**	0 29%
	June 2010	**0.22%**	0 35%
	October 2010	**0 22%**	0 43%
	April 2011	**0.22%**	0 44%
	November 2012	**0.24%**	-
	January 2013	**0 06%**	-
Expected dividends expressed as a dividend yield	November 2009	**11.08%**	11 08%
	June and October 2010	**11 08%**	11 08%
	April 2011	**11.08%**	11 08%
	November 2012	**11.08%**	-
	January 2013	**11.08%**	-
Fair value per options	November 2009	**£0.04**	£0 27
	June 2010	**£0.01**	£0 09
	October 2010	**£0.01**	£0 09
	April 2011	**£0.01**	£0 09
	November 2012	**£0.07**	-
	January 2013	**£0.04**	-

17 Share-based payments (continued)

The number and weighted average exercise price of share options are as follows

	2013		2012	
	Number	**Weighted average exercise price £**	Number	Weighted average exercise price £
Outstanding at 1 April	**1,495,000**	**0 71**	1,495,000	0 68
Granted	**720,000**	**0.70**	90,000	1 04
Exercised	**(115,000)**	**0.44**	-	-
Cancelled	**(300,000)**	**0.79**	(90,000)	0 68
Outstanding at 31 March	**1,800,000**	**0.71**	1,495,000	0 71
Exercisable at 31 March	**1,800,000**	**0.71**	1,495,000	0 71

The weighted average fair value of options granted in the year was £44,100 (2012 £7,872) The options outstanding at 31 March 2013 can be further summarised as follows

	2013		2012	
Exercise price	**Number of shares outstanding**	**Weighted average remaining contractual life (years)**	Number of shares outstanding	Weighted average remaining contractual life (years)
£0 44	**110,000**	**-**	225,000	-
£0 77	**65,000**	**-**	65,000	-
£0 68	**745,000**	**-**	955,000	-
£1 03	**160,000**	**-**	160,000	1
£1 04	**-**	**-**	90,000	2
£0 70	**510,000**	**2**	-	-
£0 68	**210,000**	**-**	-	-

The total credit for the year relating to employee share-based payment plans was £292,000 (2012 charge of £54,000), all of which related to cash settled share-based payment transactions At 31 March 2013, the group had a liability of £128,000 outstanding (2012 £341,000) included in other creditors

18 Operating expenses

Expenses by nature

Group	2013 £'000	2012 £'000
Depreciation, amortisation and impairment charges (notes 4 and 5)	**4,496**	5,738
Loss/(profit) on disposal of property, plant and equipment	**73**	(258)
Operating lease charges (note 4)	**10,248**	12,499
Employee benefit expense (note 21)	**95,869**	106,062
Exceptional operating expenses (note 19)	**2,932**	1,795
Other expenses	**63,771**	69,974
Total operating expenses	**177,389**	195,810

19 Exceptional operating expenses

Group	2013 £'000	2012 £'000
Redundancy expenses	**249**	376
Bank facility costs	**265**	611
Legal and professional fees	**1,118**	808
Compensation for loss of office	**368**	-
Costs associated with closing division	**932**	-
Total exceptional operating expenses	**2,932**	1,795

20 Auditor's remuneration

Group	2013 £'000	2012 £'000
Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	**106**	81
Fees payable to the company's auditor for other services		
- Audit of the company's subsidiaries pursuant to legislation	**27**	32
- Other services pursuant to legislation	**136**	268
- Services relating to corporate finance transactions entered into or proposed to be entered into on behalf of the company	**-**	298
- Tax services	**65**	22
	334	701
Fees payable in respect of the A4E Limited Retirement Benefit Scheme audit	**5**	4

21 Employee benefit expense

Group	2013 £'000	2012 £'000
Wages and salaries including restructuring costs and other termination benefits	**85,660**	96,294
Social security costs	**7,723**	8,259
Pension costs – defined contribution plans	**2,076**	1,209
Pension costs – defined benefit plans (note 16)	**702**	246
Cost of employee share scheme (note 17)	**(292)**	54
	95,869	106,062

The average monthly number of employees, including executive directors, during the year was as follows

By activity	2013 Number	2012 Number
Management	**409**	464
Administration	**2,784**	3,027
	3,193	3,491

21 Employee benefit expense (continued)

Directors' emoluments

	2013 £'000	2012 £'000
Aggregate emoluments	**1,247**	1,461
Compensation for loss of office	**398**	85
Company contributions to money purchase schemes	**34**	55
	1,679	1,601

The number of directors, to whom retirement benefits were accruing under money purchase schemes was 2 (2012 7)

Highest paid director	2013 £'000	2012 £'000
Aggregate emoluments	**21**	416
Compensation for loss of office	**368**	-
Total emoluments	**389**	416

The directors' emoluments stated above includes fees for the services of Mr S A Boyfield, paid to Janrich Limited, a company controlled by Mr S A Boyfield and for the services of Sir H R Sykes, paid to Bamford Group Limited, a company controlled by Sir H R Sykes (note 28)

22 Finance income and costs

Group	2013 £'000	2012 £'000
Finance income		
Interest income on cash at bank	**61**	152
Other interest	**2**	11
Finance income	**63**	163
Interest expense		
Bank borrowings	**(1,114)**	(11)
Other borrowings	**(166)**	-
Dividends on redeemable preference shares (note 24)	**-**	(546)
Operating leases	**(8)**	(21)
Other interest	**-**	(7)
Finance costs	**(1,288)**	(585)
Net finance costs	**(1,225)**	(422)

23 Income tax expense

	2013 £'000	2012 £'000
Current tax.		
Current tax on loss for the year	**(604)**	355
Adjustments in respect of prior years	**106**	(239)
Foreign taxes		
Overseas taxation	**(116)**	364
Adjustment in respect of prior years	**(3)**	213
Total current tax	**(617)**	693
Deferred tax:		
Origination and reversal of temporary differences	**(1,240)**	201
Adjustment in respect of prior years	**217**	463
Impact of change in tax rate	**(7)**	26
Total deferred tax	**(1,030)**	690
Income tax (credit)/expense	**(1,647)**	1,383

Tax on the group's loss before tax differs from the theoretical amount that would arise using the standard tax rate applicable in the UK to profits of the consolidated entities as follows

	2013 £'000	2012 £'000
Loss before tax	**(11,526)**	(2,114)
Tax calculated at the standard rate of corporation tax in the UK of 24% (2012 26%)	**(2,766)**	(550)
Tax effects of		
Expenses not deductible for tax purposes	**299**	519
Other timing differences	**164**	192
Utilised losses	**-**	(10)
Dividends – redeemable shares	**-**	142
Re-measurement of deferred tax – change in tax rate	**7**	26
Adjustments in respect of prior years	**320**	437
Adjustments in respect of foreign tax rates	**329**	627
Income tax (credit)/expense	**(1,647)**	1,383

23 Income tax expense (continued)

Factor affecting future tax charges

A reduction in the UK main corporation tax rate from 24% to 23% was substantively enacted on 3 July 2012 and was effective from 1 April 2013

Further reductions to the main rate are proposed to reduce the rate to 20% by 1 April 2015 These further reductions were substantially enacted in July 2013

24 Dividends

	2013 £'000	2012 £'000
Interim dividends paid on redeemable shares:		
£388 53 per 5p ordinary 'B' redeemable shares on 11 April 2011	-	474
£42 96 per 5p ordinary 'D' redeemable shares 26 May 2011	-	38
£31 16 per 5p ordinary 'E' redeemable shares on 26 May 2011	-	34
	-	546
Interim dividends paid on equity shares.		
£0 02 per 5p ordinary shares on 7 April 2011	-	375
£0 08 per 5p ordinary shares on 8 April 2011	-	114
£0 02 per 5p ordinary shares on 2 June 2011	-	375
£0 02 per 5p ordinary shares on 8 September 2011	-	375
£0 14 per 5p ordinary shares on 8 December 2011	-	250
	-	1,489

25 Cash used in operations

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Loss before income tax	**(11,526)**	(2,114)	**(8,898)**	(379)
Adjustments for				
Depreciation (note 4)	**3,470**	4,880	**2,943**	4,504
Intangibles and investments impairment and amortisation charge (notes 5 and 6)	**1,026**	858	**-**	1,460
Loss/(profit) on disposal of property, plant and equipment	**73**	(258)	**73**	(260)
Share-based payment (note 17)	**292**	54	**292**	54
Difference between pension charge and cash contribution	**(369)**	(65)	**(369)**	(65)
Foreign exchange (gains)/losses	**(771)**	101	**-**	-
Finance costs – net (note 22)	**1,225**	422	**1,220**	412
Changes in working capital				
Trade and other receivables	**(3,909)**	9,601	**(9,109)**	1,870
Trade and other payables	**2,297**	(37,986)	**3,552**	(30,982)
Provisions for liabilities and charges	**(4,901)**	(8,279)	**(3,640)**	(6,656)
Cash used in operations	**(13,093)**	(32,786)	**(13,936)**	(30,042)

In the statement of cash flows, proceeds from sale of property, plant and equipment (PPE) comprise

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Net book amount (note 4)	**338**	1,633	**74**	1,393
(Loss)/profit on disposal of PPE	**(73)**	258	**(73)**	260
Proceeds from disposal of PPE	**265**	1,891	**1**	1,653

26 Operating lease commitments

The group leases various property and equipment under non-cancellable operating lease agreements The lease terms are between 12 months and 11 years and the majority of the lease agreements are renewable at the end of the lease period at market rate

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

Group	Land and buildings		Other operating leases	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
No later than 1 year	**5,005**	5,439	**341**	592
Later than 1 year and no later than 5 years	**11,230**	11,352	**402**	234
Greater than 5 years	**5,151**	6,339	**1**	-
	21,386	23,130	**744**	826

Company	Land and buildings		Other operating leases	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
No later than 1 year	**4,171**	3,870	**142**	499
Later than 1 year and no later than 5 years	**10,353**	9,440	**141**	5
Greater than 5 years	**5,151**	5,938	**-**	-
	19,675	19,248	**283**	504

27 Contingent liabilities

An unlimited inter-company composite guarantee, together with debentures between the company and its subsidiaries in the United Kingdom, provides security covering all group liabilities to the group's bankers

28 Related party disclosures

(a) Transactions and balances with related parties

Group	Transactions during the year		Balance at the year end	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Purchase of services from entities controlled by key management personnel (note 1 below)				
Andromeda Park Ltd (controlled by Mrs E L Harrison and her husband, Mr J R Harrison)	-	188	-	-
Janrich Ltd (controlled by Mr S A Boyfield)	**26**	124	-	7
Bamford Group Ltd (controlled by Sir H R Sykes)	**23**	86	-	3
Donations to entities controlled by key management personnel	**94**	100	-	-
Lease of property from entities controlled by key management personnel (note 2 below)	**86**	81	-	-
Lease of property from other related parties – Thornbridge Ltd (controlled by Mr J R Harrison)	**733**	816	-	-
Loans from other related parties – Thornbridge Ltd (controlled by Mr J R Harrison)	**2,500**	-	**2,500**	-
Total	**3,462**	1,395	**2,500**	10

Notes

(1) Services are bought from the above entities controlled by key management personnel on normal commercial terms and conditions

(2) Property leased from the Elite Pension Scheme of which Mrs E L Harrison and her husband, Mr J R Harrison, are beneficiaries

Company	Transactions during the year		Balance at the year end	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Purchase of services				
Subsidiary undertakings	-	2,751	-	2,751

Sales and purchases of goods and services are on normal commercial terms and conditions

Notes to the financial statements for the year ended 31 March 2013 (continued)

28 Related party disclosures (continued)

(b) Directors

See note 21 for details of transactions with directors

(c) Key management compensation

Key management includes directors (executive and non-executive) The compensation paid or payable to key management for employee services is shown below

	2013 £'000	2012 £'000
Salaries and other short term employee benefits	**2,201**	2,981
Compensation for loss of office	**398**	85
Post employment benefits	**61**	150
Total	**2,660**	3,216

29 Ultimate parent undertaking and controlling party

A4E Limited is the ultimate parent undertaking and is the parent undertaking of the smallest and largest group to consolidate these financial statements

The directors consider Mrs E L Harrison to be the ultimate controlling party of the A4E Limited group by virtue of her 85 51% shareholding in A4E Limited