Company Registration No. 03943980 (England and Wales)

SHARED INTELLIGENCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005



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SHARED INTELLIGENCE LIMITED

COMPANY INFORMATION

Directors	L Shostak S Charteris C. Duffill
Secretary	E Holyhead
Company number	03943980
Registered office	1 Fitzroy Square London W1T 5HE
Auditors	Goodman Jones LLP 29/30 Fitzroy Square London W1T 6LQ

SHARED INTELLIGENCE LIMITED

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SHARED INTELLIGENCE LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2005

We are pleased to submit our Report and Financial Statements for the year ended 31 March 2005.

Principal activities and review of the business

Shared Intelligence had an extremely successful year. Our total turnover for 2004/05 was £2,140,955; this represented 22.1% increase by comparison with the previous year. Our profit on ordinary activities before tax was £270,688; this was a 53.8% increase over the prior year.

The principal activities of the Company are developing learning networks and providing consultancy services in regeneration, economic development and modernising government.

Our learning networks continue to serve members from all of the English regions. On behalf of the Office of Deputy Prime Minister, we are operating the National Network for Neighbourhood Management. On behalf of the Government Office for London, we are operating networks for New Deal for Community Partnerships, London's Local Strategic Partnerships, and for Community Engagement Networks. We have a joint venture with IDEA to operate a network for officials preparing Local Area Agreements. We are also operating learning networks on behalf of the Departments for Health, and the Department of Trade and Industry.

We are continuing to work regularly with consultancy clients, in London, the North East, the Midlands, the South East, the South West, Wales and Scotland. During the year, we undertook assignments for several Government departments, the Scottish Executive, several Regional Development Agencies, over forty local authorities and public-private partnerships and several voluntary organisations.

We led the team which prepared "The Northern Way," a development strategy for the three Northern English Regions. We undertook an innovative programme of action learning sets for Police Officers engaged in High Crack Areas, for the Home Office, and a prototype Peer Review of the Museums Libraries and Archive Body for the Department of Culture Media and Sport. We were commissioned to evaluate Yorkshire Forward's cluster development programmes in bioscience and digital media. We started the process of developing strategies for city region partnerships in Birmingham and Edinburgh.

During the year we were awarded Investors in People status.

Prospects for 2005/2006 are excellent. We are confident that income, and profits, from both our learning network and consultancy activities will grow. We will recruit senior professionals to lead our neighbourhood renewal and evaluation teams. We will expand our management team and move to new offices in Fitzroy Square, London and larger offices in Tower House, York.

Our success will continue to depend on the commitment, skills, knowledge, and enthusiasm of all who work at Shared Intelligence.

Results and dividends

The results for the year are set out on page 5.

Interim dividends of £142,672 have been declared during the year. The directors do not recommend payment of a final ordinary dividend.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

Directors
The following directors have held office since 1 April 2004:

L Shostak
S Charteris
C. Duffill

Directors' interests
The directors' interests in the shares of the company were as stated below:

	Ordinary class 'A' of £ 1 each	
	31 March 2005	**1 April 2004**
L Shostak	-	-
S Charteris	300	300
C. Duffill	-	-

	Ordinary class 'B' of £ 1 each	
	31 March 2005	**1 April 2004**
L Shostak	300	300
S Charteris	-	-
C. Duffill	-	-

	Ordinary class 'C' of £ 1 each	
	31 March 2005	**1 April 2004**
L Shostak	-	-
S Charteris	-	-
C. Duffill	100	100

Taxation status
The company was a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Auditors
In accordance with section 385 of the Companies Act 1985, a resolution proposing that Goodman Jones LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

SHARED INTELLIGENCE LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

-*select suitable accounting policies and then apply them consistently*;
-make judgements and estimates that are reasonable and prudent;
-prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

On behalf of the board

Z A Shaw

Joint Managing Directors

Date: 11 Nov 05

11 Nov 05

SHARED INTELLIGENCE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SHARED INTELLIGENCE LIMITED

We have audited the financial statements of Shared Intelligence Limited on pages 5 to 14 for the year ended 31 March 2005. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditor

21/Nov/2005

Goodman Jones LLP
29/30 Fitzroy Square
London
W1T 6LQ

SHARED INTELLIGENCE LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 £	2004 £
Turnover	2	2,140,995	1,753,728
Cost of sales		(1,426,741)	(1,102,870)
Gross profit		714,254	650,858
Administrative expenses		(450,403)	(475,743)
Operating profit	3	263,851	175,115
Other interest receivable and similar income	4	7,047	1,396
Interest payable and similar charges	5	(210)	(466)
Profit on ordinary activities before taxation		270,688	176,045
Tax on profit on ordinary activities	6	(62,543)	(33,712)
Profit on ordinary activities after taxation		208,145	142,333
Dividends	7	(142,672)	(68,374)
Retained profit for the year	14	65,473	73,959

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

There are no recognised gains and losses other than those passing through the profit and loss account.

SHARED INTELLIGENCE LIMITED

BALANCE SHEET
AS AT 31 MARCH 2005

	Notes	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible assets	8		33,088		64,628
Current assets					
Debtors	9	485,669		546,607	
Cash at bank and in hand		409,186		178,160	
		894,855		724,767	
Creditors: amounts falling due within one year	10	(650,813)		(575,221)	
Net current assets			244,042		149,546
Total assets less current liabilities			277,130		214,174
Provisions for liabilities and charges	11		-		(2,517)
			277,130		211,657
Capital and reserves					
Called up share capital	13		700		700
Share premium account	14		22,634		22,634
Profit and loss account	14		253,796		188,323
Shareholders' funds - equity interests	15		277,130		211,657

The financial statements were approved by the Board on ..... 1 Nov 05

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Director

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Director

SHARED INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005

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1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. All Turnover is attributable to the United Kingdom.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Database development	33% Straight line
Computer equipment	50% p.a. straight line
Fixtures, fittings & equipment	25% p.a. straight line

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.6 *Long term contracts*

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

1.7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.8 *Deferred taxation*

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

3	**Operating profit**	**2005**	**2004**
		£	**£**
	Operating profit is stated after charging:		
	Depreciation of tangible assets	56,528	52,526
	Loss on disposal of tangible assets	-	965
	Auditors' remuneration	6,750	6,000

4	**Investment income**	**2005**	**2004**
		£	**£**
	Bank interest	7,047	1,396

5	**Interest payable**	**2005**	**2004**
		£	**£**
	On bank loans and overdrafts	36	168
	Hire purchase interest	174	298
		210	466

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

6	**Taxation**	**2005**	**2004**
		£	**£**
	Domestic current year tax		
	U.K. *corporation tax*	65,060	37,123
	Deferred tax		
	Deferred tax charge/credit current year	(2,517)	(3,411)
		62,543	33,712
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	270,688	176,045
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 19.00%)	81,206	33,449
	Effects of:		
	Non deductible expenses	7,223	447
	Depreciation add back	16,958	9,980
	Capital allowances	(7,603)	(6,753)
	Other tax adjustments	(32,724)	-
		(16,146)	3,674
	Current tax charge	65,060	37,123

7	**Dividends**	**2005**	**2004**
		£	**£**
	Ordinary interim paid 31 October 2004	24,669	19,187
	Ordinary interim paid 31 January 2005	24,670	49,187
	Ordinary interim paid 31 March 2005	93,333	-
		142,672	68,374

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

8 Tangible fixed assets

	Database development	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 April 2004	130,930	58,945	3,896	193,771
Additions	15,400	9,588	-	24,988
At 31 March 2005	146,330	68,533	3,896	218,759
Depreciation				
At 1 April 2004	84,942	42,427	1,774	129,143
Charge for the year	40,741	14,899	888	56,528
At 31 March 2005	125,683	57,326	2,662	185,671
Net book value				
At 31 March 2005	20,647	11,207	1,234	33,088
At 31 March 2004	45,988	16,518	2,122	64,628

9 Debtors

	2005	2004
	£	£
Trade debtors	418,188	419,141
Amounts recoverable on long term contracts	52,195	107,160
Prepayments and accrued income	15,286	20,306
	485,669	546,607

10 Creditors: amounts falling due within one year	2005 £	2004 £
Payments received on account	124,468	41,060
Net obligations under hire purchase contracts	-	1,032
Trade creditors	104,229	69,135
Corporation tax	65,060	37,123
Other taxes and social security costs	138,541	126,118
Other creditors	61,750	101,511
Accruals and deferred income	156,765	199,242
	650,813	575,221
Net obligations under hire purchase contracts		
Repayable within one year	-	1,206
Finance charges and interest allocated to future accounting periods	-	(174)
	-	1,032

11 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 April 2004	2,517
Profit and loss account	(2,517)
Balance at 31 March 2005	-

Deferred taxation movements in the financial statements are as follows:

	2005 £	2004 £
Accelerated capital allowances	-	2,517

12 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2005 £	2004 £
Contributions payable by the company for the year	22,874	18,431
Contributions payable to the fund at the year end and included in creditors	(216)	(953)

13 Share capital

	2005 £	2004 £
Authorised		
300 Ordinary class 'A' of £1 each	300	300
300 Ordinary class 'B' of £1 each	300	300
400 Ordinary class 'C' of £1 each	400	400
	1,000	1,000
Allotted, called up and fully paid		
300 Ordinary class 'A' of £1 each	300	300
300 Ordinary class 'B' of £1 each	300	300
100 Ordinary class 'C' of £1 each	100	100
	700	700

Each class of share ranks pari passu with the other classes of share.

14 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 April 2004	22,634	188,323
Retained profit for the year	-	65,473
Balance at 31 March 2005	22,634	253,796

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

15 Reconciliation of movements in shareholders' funds	2005 £	2004 £
Profit for the financial year	208,145	142,333
Dividends	(142,672)	(68,374)
Net addition to shareholders' funds	65,473	73,959
Opening shareholders' funds	211,657	137,698
Closing shareholders' funds	277,130	211,657

16 Directors' emoluments	2005 £	2004 £
Emoluments for qualifying services	209,990	258,720

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	80,000	80,000

17 Transactions with directors

During the year the Company incurred rent totalling £42,000 (2004 : £42,000) on the property occupied by the Company and owned by L Shostak and S Charteris. The amounts were charged on an arms length basis. At the year end £nil (2004 : £3,500) was owed to them for the rent of this building.

18 Employees

Number of employees

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

	2005 Number	2004 Number
Administration	4	4
Sales	24	25
	28	29

Employment costs

	£	£
Wages and salaries	877,210	775,496
Social security costs	87,727	79,524
Other pension costs	22,874	18,431
	987,811	873,451

19 Control

The company is controlled by L. Shostak and S. Charteris.