

**REPORT OF THE DIRECTORS AND
GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007
FOR
A4E LTD**

THURSDAY



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COMPANIES HOUSE

A4E LTD

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FOR THE YEAR ENDED 31 MARCH 2007**

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A4E LTD

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2007**

DIRECTORS:

E L Harrison
M Lovell
N M Watson
S A Boyfield
R Newey
Sir Hugh Sykes
Sir Robin Young

SECRETARY:

N M Watson

REGISTERED OFFICE.

Bessemer Road
Attercliffe
Sheffield
South Yorkshire
S9 3XN

REGISTERED NUMBER.

02631340 (England and Wales)

AUDITORS.

PricewaterhouseCoopers LLP
1 East Parade
Sheffield
South Yorkshire
S1 2ET

BANKERS.

National Westminster Bank Plc
244 Fulwood Road
Broomhill
Sheffield
S10 3AA

A4E LTD

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2007

The directors present their report with the financial statements of the company and the group for the year ended 31 March 2007

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was the management and delivery of front line public services. The customers – or end users – of A4e's services include individual consumers, businesses and voluntary, community and faith organisations. Across all our services, A4e enables its customers to more effectively access public services and support. With a focus on customers who are 'hard to reach' and often marginalised from the services they are entitled to, A4e continues to innovate in market making to help customers engage with their public services and get the very best from them.

A4e's business is the provision of public services on behalf of the public sector and governments. A4e's operational and development activity with government departments and agencies in the UK includes work with JobCentre Plus, Regional Development Agencies, local Learning and Skills Councils, Local Authorities, the Department for Work and Pensions, the Department for Education and Skills, the Department for Communities and Local Government, the Department for Constitutional Affairs, the Legal Services Commission, the Department for Trade and Industry and the Department for Culture Media and Sport. Overseas, A4e holds contracts with central government departments or agencies in Israel, Germany and France.

REVIEW OF BUSINESS

The results for the year and financial position of the company and the group are as shown in the annexed financial statements. Following extensive investment through 2005 and 2006, specifically in maintaining the front line services and investment in expert staff across a range of business areas, the business has secured strong growth in 2006/07. The decision to invest considerable amounts of funding on core markets, which saw a reduction in profits in 2005/06, has been a success, with improved profit performance in 2006/07 and excellent potential for 2007/08 from new business.

More importantly, A4e increased market share in core markets, coupled with careful diversification into new service areas to extend the ability to support socially excluded individuals, and organisations working on the most disadvantaged areas of the UK. This strategy has seen significant extension of A4e's work in skills, educational services, welfare reform, employment and financial exclusion services. In addition, the group has extended its work in the provision of advice services, support to offenders and access to legal aid. Internationally, the first stage of export strategy, using the expansion into Israel as a platform for further overseas work, has gone well with offices opening in France and Germany.

On 1 April 2006 the company acquired the remaining 51% interest in the issued share capital of Business Improvement Solutions (A4e) Ltd to take its holding to 100%.

On 29 March 2007 the company acquired the remaining 25% interest in the issued share capital of A4e Wales Limited to take its holding to 100%.

ISSUE OF SHARES

On 29 March 2007, the company issued 105,042 ordinary shares of 5p each (note 15).

PRINCIPLE RISKS AND UNCERTAINTIES

Risk mitigation has been a key strategic priority over the last seven years as the group continues to diversify its business and reduce dependency on any one government department and increasingly any one national government. As a group, whose main business is the provision of services to the public sector, A4e continues to monitor changes in government policy and elections in the countries where it operates. The continuing strategic contribution to the policy agenda of governments across all A4e's operations remains a priority in achieving the group's mission to 'Improve People's Lives'. Putting customers at the heart of the policy and services design of all A4e's services is the core of the group's business model.

DIVIDENDS

Dividends paid during the year are set out in note 8 to the financial statements. The directors do not recommend payment of a final dividend.

A4E LTD

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2007

FUTURE DEVELOPMENTS

With a change of Prime Minister and a range of White Papers due in the UK around key areas of work in response to reports to government by advisors such as Leitch, Harker, Freud, Wanless and Quirk, there is extensive opportunity for continued growth and development of A4e's services. A4e's services can broadly be characterised across four core markets

- Exclusion, welfare and employment
- Education, skills and learning
- Entrepreneurship, business support and enterprise
- Export and international public service reform

Ahead of a Comprehensive Spending Review in 2007 in the UK, A4e has substantial potential to continue to capitalise on its growth strategy. The group's core operating model of working collaboratively with the public, private and voluntary/community and faith sectors to tackle difficult areas of public service reform, management and delivery is well placed to contribute to the national and international market for effective, high quality, value for money, public services. With international governments increasingly recognising the strength of many aspects of UK social policy, A4e's role at the heart of many of these global leading services provides opportunity for international expansion. Equally, the UK's continuing thirst for improvement of its public services is enabling A4e's learning from high quality overseas delivery to be imported back in a strong two way process that enhances services across the group.

Having achieved a long standing objective of moving through the threshold of £100m turnover, continuing to strategically and operationally strengthen the business will be a priority over the next year. Organisationally, the company will continue to structure the business to capitalise on its strength and tackle areas of improvement. Ensuring that A4e is 'easy to do business with' for our stakeholders as well as easy access for customers is a priority. With an increasing international business landscape, the appointment of influential local business leaders as 'Country Chairs' to support the strategic development of business units will continue, as will ensuring that A4e is well placed to work with devolved governments and stakeholders across the United Kingdom with an appropriately structured business.

Overseas markets for Active Labour Market Policies in particular, continue to be buoyant. Work throughout 2006/07 on due diligence in a number of countries will provide opportunity in up to four new countries over the next 12 months. In addition the extension of our existing operations in Israel, France and Germany and new operations in Poland is progressing well and the next year is anticipated to see solid growth in all markets. 2007/08 will also mark the start of the diversification of our service offer overseas, with the intention that our initial work around welfare to work will begin to expand into business support and offender services in particular.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2006 to the date of this report

E L Harrison
M Lovell
N M Watson
S A Boyfield
R Newey
Sir Hugh Sykes
Sir Robin Young (Appointed 1 January 2007)

CHARITABLE DONATIONS

During the course of delivering its services A4e works with many charitable, voluntary and community sector organisations. Formal donations for charitable purposes during the course of the year amounted to £81,090 (2006 £60,086)

A4E LTD

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2007

EQUALITY, DIVERSITY AND ENGAGEMENT continued

Core to A4e's business model is the recruitment and retention of staff that reflect the demographic of the communities and countries within which the business operates. The strategy of recruiting staff from the locality where delivery sites are based is critical to the effective integration of services at all levels and underpins the company's international expansion. Ensuring A4e is a business whose staff reflect the diversity of the communities within which it operates is a priority and is reflected throughout the policies the company operates.

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

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

EMPLOYEE INVOLVEMENT

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group 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,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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

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

A4E LTD

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2007 continued**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

During the year, Rees Wallis resigned as auditors and the directors appointed PricewaterhouseCoopers LLP in their place

PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'E L Harrison', written over a horizontal line.

E L Harrison - Director

Date

06-09-07

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A4E LTD

We have audited the group and parent company financial statements (the "financial statements") of A4e Ltd for the year ended 31 March 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 March 2007 and of the group's profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.


PricewaterhouseCoopers LLP

1 East Parade
Sheffield
South Yorkshire
S1 2ET

Date

20 September 2007

A4E LTD**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2007**

	Notes	2007 £	2006 £
TURNOVER – Continuing operations	2	101,018,457	77,878,316
Operating costs		<u>97,901,973</u>	<u>76,154,378</u>
OPERATING PROFIT BEFORE EXCEPTIONAL ITEM		3,116,484	1,723,938
Exceptional loss on a major contract	5	<u>652,508</u>	-
OPERATING PROFIT	4	2,463,976	1,723,938
Share of operating profit in associate		<u>-</u>	<u>60,008</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST, DIVIDENDS AND TAXATION		2,463,976	1,783,946
Interest receivable		52,374	63,164
Interest payable and similar charges	7	254,417	292,173
Dividends – redeemable shares	8	<u>39,500</u>	<u>1,538,796</u>
Profit on ordinary activities before taxation		2,222,433	16,141
Tax on profit on ordinary activities	9	<u>870,278</u>	<u>688,042</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		1,352,155	(671,901)
Minority interest - equity		<u>38,952</u>	<u>41,972</u>
PROFIT/(DEFICIT) FOR THE YEAR FOR THE GROUP	24	<u>1,313,203</u>	<u>(713,873)</u>

The notes form part of these financial statements

A4E LTD

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2007**

	2007	2006
	£	£
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	1,313,203	(713,873)
Unrealised surplus on revaluation of freehold land and buildings	-	154,188
Currency translation differences on foreign currency net investments	<u>517</u>	<u>(334)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>1,313,720</u>	<u>(560,019)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

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

The notes form part of these financial statements

A4E LTD

**CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2007**

	Notes	2007 £	2006 £
FIXED ASSETS			
Intangible assets	11	471,152	-
Tangible assets	12	5,421,965	4,717,181
Investment in associate	14	-	55,236
		<u>5,893,117</u>	<u>4,772,417</u>
CURRENT ASSETS			
Debtors	16	19,187,549	14,852,483
Cash at bank and in hand		<u>2,312,879</u>	<u>840,483</u>
		21,500,428	15,692,966
CREDITORS			
Amounts falling due within one year	17	<u>22,074,087</u>	<u>17,981,722</u>
NET CURRENT LIABILITIES		<u>(573,659)</u>	<u>(2,288,756)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,319,458	2,483,661
CREDITORS			
Amounts falling due after more than one year	18	(2,916,665)	(402,559)
PROVISIONS FOR LIABILITIES AND CHARGES	21	-	(9,100)
MINORITY EQUITY INTERESTS	22	<u>(80,927)</u>	<u>(42,000)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		2,321,866	2,030,002
PENSION LIABILITY	25	<u>(15,959)</u>	-
NET ASSETS INCLUDING PENSION LIABILITY		<u>2,305,907</u>	<u>2,030,002</u>
CAPITAL AND RESERVES			
Called up share capital	23	105,252	100,000
Revaluation reserve	24	342,165	349,557
Own shares	24	(2,480,000)	(2,480,000)
Merger reserve	24	456,933	-
Profit and loss reserve	24	<u>3,881,557</u>	<u>4,060,445</u>
SHAREHOLDERS' FUNDS	28	<u>2,305,907</u>	<u>2,030,002</u>

The financial statements were approved by the Board of Directors on its behalf by



E L Harrison - Director

06-09-07

and were signed on

The notes form part of these financial statements

A4E LTD

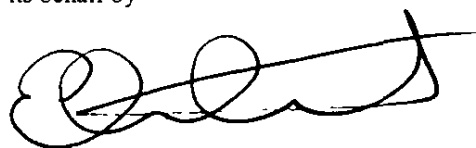
**COMPANY BALANCE SHEET
31 MARCH 2007**

	Notes	2007 £	2006 £
FIXED ASSETS			
Tangible assets	12	3,865,354	3,064,239
Investments	13	<u>77,569</u>	<u>185</u>
		3,942,923	3,064,424
CURRENT ASSETS			
Debtors	16	13,918,860	7,799,975
Cash at bank and in hand		<u>183,005</u>	<u>40,505</u>
		14,101,865	7,840,480
CREDITORS			
Amounts falling due within one year	17	<u>13,756,696</u>	<u>8,462,770</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>345,169</u>	<u>(622,290)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,288,092	2,442,134
CREDITORS			
Amounts falling due after more than one year	18	<u>(2,916,665)</u>	<u>(315,588)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		1,371,427	2,126,546
PENSION LIABILITY	25	<u>(15,959)</u>	-
NET ASSETS INCLUDING PENSION LIABILITY		<u>1,355,468</u>	<u>2,126,546</u>
CAPITAL AND RESERVES			
Called up share capital	23	105,252	100,000
Revaluation reserve	24	342,165	349,557
Own shares	24	(2,480,000)	(2,480,000)
Profit and loss reserve	24	<u>3,388,051</u>	<u>4,156,989</u>
SHAREHOLDERS' FUNDS	28	<u>1,355,468</u>	<u>2,126,546</u>

The financial statements were approved by the Board of Directors on its behalf by

06-09-07

and were signed on



E L Harrison - Director

The notes form part of these financial statements

A4E LTD

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007**

	Notes	£	2007	£	£	2006	£
Net cash inflow from operating activities	1			6,444,777		3,746,384	
Returns on investments and servicing of finance	2			(241,543)		(1,833,030)	
Taxation				(526,745)		(1,586,611)	
Capital expenditure	2			(3,077,072)		(1,762,041)	
Acquisitions and disposals	2			(35,218)		(4,900)	
Equity dividends paid				<u>(1,500,000)</u>		-	
				1,064,199		(1,440,198)	
Financing	2			<u>2,930,143</u>		<u>(1,399,068)</u>	
Increase/(decrease) in cash in the period				<u>3,994,342</u>		<u>(2,839,266)</u>	
<hr/>							
Reconciliation of net cash flow to movement in net debt	3						
Increase/(decrease) in cash in the period			3,994,342		(2,839,266)		
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing			<u>(2,983,447)</u>		<u>2,001,409</u>		
Change in net debt resulting from cash flows				<u>1,010,895</u>		<u>(837,857)</u>	
Movement in net debt in the period				1,010,895		(837,857)	
Net debt at 1 April				<u>(3,297,464)</u>		<u>(2,459,607)</u>	
Net debt at 31 March				<u>(2,286,569)</u>		<u>(3,297,464)</u>	

The notes form part of these financial statements

A4E LTD

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007**

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

	2007 £	2006 £
Operating profit	2,463,976	1,723,938
Depreciation charges	2,409,334	2,281,902
Loss on disposal of fixed assets	22,069	112,807
Decrease/(increase) in amounts owed by associated undertakings	100,000	(100,000)
Decrease in Government grants	(223,386)	(264,107)
(Increase)/decrease in debtors	(4,137,592)	5,526,484
Increase/(decrease) in creditors	5,787,578	(5,534,640)
Increase in pension liability	22,798	-
Net cash inflow from operating activities	<u>6,444,777</u>	<u>3,746,384</u>

2 ANALYSIS OF CASH FLOWS

	2007 £	2006 £
Returns on investments and servicing of finance		
Interest received	52,374	63,164
Interest paid	(253,738)	(287,763)
Interest element of finance lease payments	(679)	(4,410)
Dividends paid on redeemable shares	(39,500)	(1,604,021)
Net cash outflow for returns on investments and servicing of finance	<u>(241,543)</u>	<u>(1,833,030)</u>
Capital expenditure		
Purchase of tangible fixed assets	(3,101,906)	(1,951,498)
Sale of tangible fixed assets	24,834	189,457
Net cash outflow for capital expenditure	<u>(3,077,072)</u>	<u>(1,762,041)</u>
Acquisitions and disposals		
Acquisition of associate	-	(4,900)
Purchase of subsidiary undertaking	(66,482)	-
Cash in subsidiary at acquisition	31,264	-
Net cash outflow for acquisitions and disposals	<u>(35,218)</u>	<u>(4,900)</u>

The notes form part of these financial statements

A4E LTD

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007**

2 ANALYSIS OF CASH FLOWS - continued

	2007 £	2006 £
Financing		
New loans in year	5,000,000	-
Loan repayments in year	(1,823,682)	(1,826,341)
Redemption of shares	(150)	-
Redeemable share issue	-	50
Finance lease repayments in year	(196,025)	(175,118)
Amount introduced by directors	-	50,000
Amount withdrawn by directors	(50,000)	-
Government grants received	-	552,341
Net cash inflow/(outflow) from financing	<u><u>2,930,143</u></u>	<u><u>(1,399,068)</u></u>

3 ANALYSIS OF CHANGES IN NET DEBT

	At 1.4.06 £	Cash flow £	At 31.3.07 £
Net cash			
Cash at bank and in hand	840,483	1,472,396	2,312,879
Bank overdraft	<u>(2,521,946)</u>	<u>2,521,946</u>	<u>-</u>
	<u>(1,681,463)</u>	<u>3,994,342</u>	<u>2,312,879</u>
Debt			
Finance leases	(203,799)	192,721	(11,078)
Debts falling due within one year	(1,123,688)	(548,017)	(1,671,705)
Debts falling due after one year	<u>(288,514)</u>	<u>(2,628,151)</u>	<u>(2,916,665)</u>
	<u>(1,616,001)</u>	<u>(2,983,447)</u>	<u>(4,599,448)</u>
Total	<u><u>(3,297,464)</u></u>	<u><u>1,010,895</u></u>	<u><u>(2,286,569)</u></u>

The notes form part of these financial statements

A4E LTD**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007****4 ACQUISITION OF SUBSIDIARY COMPANIES**

	£
Business Improvement Solutions (A4e) Ltd:	
Net assets acquired	
Tangible fixed assets	59,115
Debtors	297,474
Cash at bank and in hand	31,264
Creditors	(271,823)
Hire purchase creditor	<u>(3,304)</u>
	112,726
Goodwill	<u>8,992</u>
	121,718
Group investment as an associate at 31 March 2006	<u>(55,236)</u>
	<u>66,482</u>
Satisfied by	
Cash	<u>66,482</u>

The subsidiary company acquired during the year contributed £151,000 to the groups net operating cash flows, paid £26,000 in respect of taxation and utilised £35,000 for capital expenditure

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007**

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared, on the going concern basis, under the historical cost convention as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom

The principle accounting policies are set out below

Basis of consolidation

The consolidated financial statements include the results of the company and all its subsidiary undertakings. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of their disposal. Intra-group sales and profits are eliminated fully on consolidation.

Associated undertakings

Investments in undertakings where the group has a participating interest, where the investment is held for the long-term and where the group exercises significant influence, are treated as associates. Associated undertakings have been accounted for using the equity accounting method. Investments in associates are stated in the group balance sheet at the group's share of net assets, together with any attributable unamortised goodwill. The group's share of profits less losses of associates is included in the group profit and loss account.

Turnover

Turnover, which excludes value-added tax where applicable, and sales between group companies, represents the invoiced value of goods and services supplied. Funding received in advance of services performed is carried forward as deferred income and recognised in the period in which the services are delivered.

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

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of cost of acquisition over the fair value of the Group's share of the net assets acquired. Goodwill is amortised through the profit and loss account in equal instalments over its estimated useful life.

Tangible fixed assets

Tangible fixed assets are included at cost less accumulated depreciation except for freehold buildings, which are included at a valuation. Properties included at a valuation are subject to a full revaluation every 5 years in accordance with FRS15. Details of the valuations performed are provided in note 12.

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

Useful economic lives are principally as follows

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007**

1 ACCOUNTING POLICIES - continued

Tangible fixed assets continued

Costs incurred in establishing a new or changed operation or branch, which meet the criteria for recognition as tangible fixed assets under FRS15 'Tangible Fixed Assets', are capitalised as short term leasehold improvements. Such costs are amortised over the life of the asset or the related property lease, whichever is the shorter. Those costs which do not meet the criteria set out in FRS15, such as the repair element of establishing a new branch are recognised as an expense in the period when they are incurred.

Deferred tax

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Employee share option plan

On 7 May 2002 the company established The Action for Employment Limited Employee Share Trust. The company is deemed to have control of the assets, liabilities, income and costs of the trust. In accordance with UITF38 'Accounting for ESOP Trusts' the ordinary shares of the company held by the trust are shown as a deduction from shareholders' funds at the market value of the shares at the date of acquisition less any amount written off in respect of any permanent diminution in the value of the investments.

Foreign currencies

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

Hire purchase and leasing commitments

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

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

Pensions

The group contributes to a number of pension arrangements which require contributions to be made to separately administered funds.

Final salary pension scheme – the A4e Retirement Benefit Scheme

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit.

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in other finance costs. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of related deferred tax.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007**

1 ACCOUNTING POLICIES - continued

Pensions continued

Defined contribution pension arrangements

Costs of defined contribution pension arrangements represent the amounts payable in the year and are charged in the profit and loss account as they fall due

Government grants

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

Grants related to expenditure on tangible assets by the Israeli subsidiary were deducted from the purchase price of the related assets in the previous year. During this year, an adjustment has been made to show the grant and related expenditure gross on the balance sheet. The comparative figures have been adjusted accordingly.

Pre-contract costs

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

Redeemable shares

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

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

2 TURNOVER

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

The group operates in the United Kingdom and over 90% of its turnover is to the United Kingdom market.

The gross value of sales throughput receivable by the group during the year as agent under certain contractual arrangements was £15,102,054 (2006: £22,513,581) of which £2,289,900 (2006: £4,603,448) are managing agent fees which have been recognised in turnover in accordance with the accounting policy for turnover (note 1).

A4E LTD**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007****3 STAFF COSTS**

	2007	2006
	£	£
Wages and salaries	42,271,848	33,391,568
Social security costs	3,420,833	2,836,180
Other pension costs	1,033,456	743,708
	<u>46,726,137</u>	<u>36,971,456</u>

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

	2007	2006
Management	234	184
Administration	<u>1,725</u>	<u>1,355</u>
	<u>1,959</u>	<u>1,539</u>

4 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2007	2006
	£	£
Depreciation - owned assets	2,250,026	2,114,495
Depreciation - assets on finance leases	159,307	167,406
Loss on disposal of fixed assets	22,069	112,807
Auditors' remuneration - company audit work	59,000	24,000
Auditors' remuneration - subsidiary audit work	27,000	31,000
Auditors' remuneration - other services	86,000	12,544
Auditors' remuneration - taxation work	-	14,700
Foreign exchange losses	2,306	-
Operating leases - land & buildings	4,991,264	4,878,879
Operating leases - plant & machinery	386,318	198,422
Release of government grant	<u>(223,386)</u>	<u>(264,107)</u>

5 EXCEPTIONAL ITEM

During the year, the group incurred an exceptional loss of £652,508 (2006 £nil) on a major contract operated by a subsidiary company, A4e Wales Limited

A4E LTD**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007****6 DIRECTORS' EMOLUMENTS**

	2007	2006
	£	£
Aggregate emoluments	959,746	851,585
Directors' pension contributions to money purchase schemes	<u>50,264</u>	<u>43,577</u>

The number of directors to whom retirement benefits were accruing under money purchase schemes was 3 (2006 3)

Highest paid director

	2007	2006
	£	£
Total emoluments	398,008	376,814
Pension contributions to money purchase schemes	<u>18,636</u>	<u>25,000</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Bank interest	125,435	127,904
Bank loan interest	116,329	125,337
Interest on tax paid late	-	19,056
Interest on other loans	11,974	15,466
Finance lease interest	<u>679</u>	<u>4,410</u>
	<u>254,417</u>	<u>292,173</u>

8 DIVIDENDS

	2007	2006
	£	£
Interim dividends paid on redeemable shares in A4e Ltd:		
£25 per 5p ordinary 'D' redeemable shares on 1 December 2006	22,000	-
£15 909 per 5p ordinary 'D' redeemable shares on 1 December 2006	17,500	-
£300 per 5p ordinary 'A' redeemable shares on 28 April 2005	-	600,000
£98 214 per 5p ordinary 'C' redeemable shares on 31 October 2005	-	110,000
Interim dividends paid on redeemable shares in A4e Management Ltd:		
£16,500 per £1 ordinary 'A' redeemable share on 28 April 2005	-	825,000
£50 10 per £1 ordinary 'C' redeemable share on 3 May 2005	-	2,505
£25 82 per £1 ordinary 'C' redeemable share on 6 July 2005	-	1,291
	<u>39,500</u>	<u>1,538,796</u>
Interim dividends paid on equity shares.		
£0 83 per 5p ordinary share on 8 April 2006	<u>1,500,000</u>	-

The holders of 200,000 5p ordinary shares waived their rights to receive the dividend paid on 8 April 2006

A4E LTD**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007****9 TAXATION**

	2007 £	2006 £
Current tax		
UK corporation tax on profits of the year	832,450	677,888
Adjustment in respect of prior years	(11,091)	(85,756)
Share of taxation of associate	-	9,672
Overseas taxation	<u>64,858</u>	<u>77,138</u>
Total current tax	886,217	678,942
Deferred taxation		
Pension scheme liability (note 25)	(6,839)	-
Origination and reversal of timing differences	<u>(9,100)</u>	<u>9,100</u>
Tax on profit on ordinary activities	<u><u>870,278</u></u>	<u><u>688,042</u></u>

UK corporation tax has been charged at 30% (2006 30%)

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2007 £	2006 £
Profit on ordinary activities before tax	<u>2,222,433</u>	<u>16,141</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	666,730	4,842
Effects of		
Expenses not deductible for tax purposes	84,176	115,828
Depreciation for period in excess of capital allowances	131,833	178,694
Adjustment in respect of prior years	(11,091)	(85,756)
Dividends - redeemable shares	11,850	461,639
Adjustments in respect of foreign tax rates	6,449	12,025
Adjustments in respect of associate	-	(8,330)
Small companies marginal rate relief	<u>(3,730)</u>	<u>-</u>
Current tax charge	<u><u>886,217</u></u>	<u><u>678,942</u></u>

10 PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit, after dividends paid on redeemable shares (note 8) for the financial year was £723,670 (2006 £357,568 loss)

A4E LTD

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2007

11 INTANGIBLE FIXED ASSETS

Group	Goodwill £
COST	
At 1 April 2006	-
Additions	<u>471,152</u>
At 31 March 2007	<u>471,152</u>
NET BOOK VALUE	
At 31 March 2007	<u>471,152</u>

Goodwill consists of £462,160 arising on the acquisition of the remaining 25% interest in A4e Wales Limited and £8,992 arising on the acquisition of Business Improvement Solutions (A4e) Ltd (note 15)

12 TANGIBLE FIXED ASSETS

Group	Freehold property £	Short-term leasehold improvements £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST OR VALUATION						
At 1 April 2006 - as restated	608,000	1,966,683	2,726,240	145,287	4,205,941	9,652,151
Additions	-	1,107,939	519,164	180,426	1,294,377	3,101,906
Additions on acquisition of subsidiaries	-	-	13,035	-	46,080	59,115
Disposals	-	(174,094)	(115,094)	(30,815)	(647,612)	(967,615)
At 31 March 2007	<u>608,000</u>	<u>2,900,528</u>	<u>3,143,345</u>	<u>294,898</u>	<u>4,898,786</u>	<u>11,845,557</u>
DEPRECIATION						
At 1 April 2006 - as restated	8,736	993,260	1,450,689	106,366	2,375,919	4,934,970
Charge for year	10,134	716,995	489,554	13,685	1,178,965	2,409,333
Eliminated on disposal	-	(155,458)	(101,705)	(20,968)	(642,580)	(920,711)
At 31 March 2007	<u>18,870</u>	<u>1,554,797</u>	<u>1,838,538</u>	<u>99,083</u>	<u>2,912,304</u>	<u>6,423,592</u>
NET BOOK VALUE						
At 31 March 2007	<u>589,130</u>	<u>1,345,731</u>	<u>1,304,807</u>	<u>195,815</u>	<u>1,986,482</u>	<u>5,421,965</u>
At 31 March 2006 - as restated	<u>599,264</u>	<u>973,423</u>	<u>1,275,551</u>	<u>38,921</u>	<u>1,830,022</u>	<u>4,717,181</u>

A4E LTD
**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007**
12 TANGIBLE FIXED ASSETS continued
Group

Cost or valuation at 31 March 2007 is represented by

	Freehold property £	Short-term leasehold improvements £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
Valuation in 2004	388,000	-	-	-	-	388,000
Valuation in 2005	220,000	-	-	-	-	220,000
Cost	-	2,900,528	3,143,345	294,898	4,898,786	11,237,557
	<u>608,000</u>	<u>2,900,528</u>	<u>3,143,345</u>	<u>294,898</u>	<u>4,898,786</u>	<u>11,845,557</u>
Company						
	Freehold property £	Short-term leasehold improvements £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST OR VALUATION						
At 1 April 2006	608,000	1,292,665	1,903,934	145,287	2,605,978	6,555,864
Additions	-	925,824	322,644	180,426	916,801	2,345,695
Disposals	-	(176,675)	(105,272)	(30,815)	(522,763)	(835,525)
At 31 March 2005	<u>608,000</u>	<u>2,041,814</u>	<u>2,121,306</u>	<u>294,898</u>	<u>3,000,016</u>	<u>8,066,034</u>
DEPRECIATION						
At 1 April 2006	8,736	708,809	1,116,262	106,366	1,551,452	3,491,625
Charge for year	10,134	472,455	317,311	13,685	674,524	1,488,105
Eliminated on disposal	-	(156,869)	(86,210)	(20,968)	(515,007)	(779,052)
At 31 March 2007	<u>18,870</u>	<u>1,024,395</u>	<u>1,347,363</u>	<u>99,083</u>	<u>1,710,969</u>	<u>4,200,680</u>
NET BOOK VALUE						
At 31 March 2007	<u>589,130</u>	<u>1,017,419</u>	<u>773,943</u>	<u>195,815</u>	<u>1,289,047</u>	<u>3,865,354</u>
At 31 March 2006	<u>599,264</u>	<u>583,856</u>	<u>787,672</u>	<u>38,921</u>	<u>1,054,526</u>	<u>3,064,239</u>

A4E LTD**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007****12 TANGIBLE FIXED ASSETS - continued****Company**

Cost or valuation at 31 March 2007 is represented by

	Freehold property £	Short-term leasehold improvements £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
Valuation in 2004	388,000	-	-	-	-	388,000
Valuation in 2005	220,000	-	-	-	-	220,000
Cost	-	2,041,814	2,121,306	294,898	3,000,016	7,458,034
	<u>608,000</u>	<u>2,041,814</u>	<u>2,121,306</u>	<u>294,898</u>	<u>3,000,016</u>	<u>8,066,034</u>

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

Group and company

	2007 £	2006 £
Cost	<u>281,794</u>	<u>281,794</u>
Aggregate depreciation	<u>37,923</u>	<u>32,289</u>
Net book amount	<u>243,871</u>	<u>249,505</u>

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

A4E LTD**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007****12 TANGIBLE FIXED ASSETS - continued****Group**

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

	Computer equipment £
COST	
At 1 April 2006	410,499
Transfer to owned assets	<u>(227,911)</u>
At 31 March 2007	<u>182,588</u>
DEPRECIATION	
At 1 April 2006	199,096
Charge for year	159,307
Transfer to owned assets	<u>(205,119)</u>
At 31 March 2007	<u>153,284</u>
NET BOOK VALUE	
At 31 March 2007	<u>29,304</u>
At 31 March 2006	<u>211,403</u>

Company

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

	Computer equipment £
COST	
At 1 April 2006	275,406
Transfer to owned assets	<u>(211,052)</u>
At 31 March 2007	<u>64,354</u>
DEPRECIATION	
At 1 April 2006	131,267
Charge for year	110,162
Transfer to owned assets	<u>(189,946)</u>
At 31 March 2007	<u>51,483</u>
NET BOOK VALUE	
At 31 March 2007	<u>12,871</u>
At 31 March 2006	<u>144,139</u>

A4E LTD**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007****13 FIXED ASSET INVESTMENTS**

Company	Shares in group undertakings £
COST	
At 1 April 2006	185
Additions	<u>77,384</u>
At 31 March 2007	<u>77,569</u>
NET BOOK VALUE	
At 31 March 2007	<u>77,569</u>
At 31 March 2006	<u>185</u>

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

Subsidiaries**A4e Management Ltd**

Country of incorporation England

Nature of business Outsourced supplier of services

	%
Class of shares	holding
Ordinary	100 00

Action for Employment Trustees Limited

Country of incorporation England

Nature of business Trustee corporation

	%
Class of shares	holding
Ordinary	100 00

A4E Wales Limited

Country of incorporation Wales

Nature of business Outsourced supplier of services

	%
Class of shares	holding
Ordinary	100 00

During the year, the company acquired the remaining 25% interest in the shares of A4e Wales Limited

Amin (A4e - Aman) Ltd

Country of incorporation Israel

Nature of business Social welfare services

	%
Class of shares	holding
Ordinary	70 00

A4E LTD

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2007

13 FIXED ASSET INVESTMENTS - continued

A4e Scotland Ltd

Country of incorporation Scotland

Nature of business Outsourced supplier of services

	%
Class of shares	holding
Ordinary	100 00

The group financial statements include the first trading results of A4e Scotland Ltd since its incorporation on 30 June 2006

Business Improvement Solutions (A4e) Ltd

Country of incorporation England

Nature of business Business consultancy and grant providers

	%
Class of shares	holding
Ordinary	100 00

The group financial statements include the trading results of Business Improvement Solutions (A4e) Ltd since its acquisition during the year (note 15)

A4e France SARL

Country of incorporation France

Nature of business Outsourced supplier of services

	%
Class of shares	holding
Ordinary	100 00

The group financial statements include the first trading results of A4e France SARL since its incorporation during the year

Medex Training Limited

Country of incorporation England

Nature of business Provision of training to health and care sectors

	%
Class of shares	holding
Ordinary	70 00

All subsidiary undertakings have been included in the consolidation with the exception of Medex Training Limited which has been excluded on the grounds of materiality

14 INVESTMENT IN ASSOCIATES

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Interest in associated company	-	55,236	-	-

At 31 March 2006, the group held a 49% interest in the issued share capital of Business Improvement Solutions (A4e) Ltd. On 1 April 2006, the company acquired the remaining 51% interest in the issued share capital of that company (note 15)

A4E LTD

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2007

15 ACQUISITIONS

- i On 1 April 2006, the company acquired the remaining 51% of the issued share capital of Business Improvement Solutions (A4e) Ltd for a cash consideration of £66,482, which equated to book value

The table below sets out the book values of the identifiable assets and liabilities of the company acquired as at 1 April 2006 and their fair value to the group

	Book and fair value to group £
Fixed assets	
Tangible assets	59,115
Current assets	
Debtors	297,474
Cash at bank and in hand	<u>31,264</u>
Total assets	387,853
Liabilities	
Creditors	(271,823)
Hire purchase	<u>(3,304)</u>
Net assets	<u><u>112,726</u></u>

- ii On 29 March 2007 the company acquired the remaining 25% of the issued share capital of A4e Wales Limited for a consideration comprising the issue of 105,042 ordinary shares of 5p each. The fair value of the total consideration was £462,185. In the group accounts, the excess of the fair value over the nominal value of the shares issued has been credited to a merger reserve (note 24)

16 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Trade debtors	16,685,703	13,267,932	8,834,226	4,767,146
Amounts owed by group undertakings	-	-	3,630,721	2,232,375
Amounts owed by participating interests	-	100,000	-	-
Other debtors	284,853	76,364	89,500	60,000
Prepayments	1,808,812	1,190,796	1,364,413	740,454
Pre-contract costs	<u>408,181</u>	<u>217,391</u>	-	-
	<u><u>19,187,549</u></u>	<u><u>14,852,483</u></u>	<u><u>13,918,860</u></u>	<u><u>7,799,975</u></u>

A4E LTD**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007****17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans & overdrafts (see note 19)	1,666,668	3,521,946	1,666,668	4,796,980
Other loans (see note 19)	5,037	123,688	5,037	123,538
Finance leases (see note 19)	11,078	163,399	7,617	109,625
Trade creditors	10,165,658	5,330,392	6,673,474	1,311,525
Corporation tax	1,034,108	674,636	468,295	454,946
Other taxes & social security	2,294,551	1,854,770	1,524,343	815,902
Other creditors	1,930,621	2,093,423	846,841	62,489
Directors' current accounts	-	50,000	-	50,000
Accruals	2,880,760	1,204,521	2,405,004	737,765
Deferred government grants	73,645	223,386	-	-
Deferred income	2,011,961	2,741,561	159,417	-
	<u>22,074,087</u>	<u>17,981,722</u>	<u>13,756,696</u>	<u>8,462,770</u>

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

During the year, the group released deferred government grants of £223,386 (2006 £264,107) to the profit for the year. No government grants were received during the year (2006 £552,341)

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans (see note 19)	2,916,665	250,000	2,916,665	250,000
Other loans (see note 19)	-	38,514	-	38,514
Finance leases (see note 19)	-	40,400	-	27,074
Deferred government grants	-	73,645	-	-
	<u>2,916,665</u>	<u>402,559</u>	<u>2,916,665</u>	<u>315,588</u>

A4E LTD

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2007

19 LOANS AND OTHER BORROWINGS

An analysis of the maturity of loans and other borrowings is given below

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Amounts falling due within one year or on demand				
Bank overdrafts – secured (see below)	-	2,521,946	-	3,796,980
Bank loans – secured (see below)	1,666,668	1,000,000	1,666,668	1,000,000
Other loans	4,777	123,278	4,777	123,278
Net obligations under finance leases	11,078	163,399	7,617	109,625
Redeemable shares	260	410	260	260
	<u>1,682,783</u>	<u>3,809,033</u>	<u>1,679,322</u>	<u>5,030,143</u>
Amounts falling due between one and two years				
Bank loans – secured (see below)	1,666,668	250,000	1,666,668	250,000
Other loans	-	38,514	-	38,514
Net obligations under finance leases	-	40,400	-	27,074
	<u>1,666,668</u>	<u>328,914</u>	<u>1,666,668</u>	<u>315,588</u>
Amounts falling due between two and five years				
Bank loans – secured (see below)	<u>1,249,997</u>	-	<u>1,249,997</u>	-

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

The bank loans, the total of which amounts to £5,000,000, is repayable by twelve quarterly instalments of £416,667 which commenced on 1 March 2007. The bank loans bear interest at a rate of LIBOR plus 1.5%

A4E LTD**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007****19 LOANS AND OTHER BORROWINGS - continued**

Details of shares shown as liabilities are as follows

A4e Ltd

	Authorised		Allotted, issued & fully paid	
	2007 £	2006 £	2007 £	2006 £
Redeemable shares				
Ordinary 'A' of 5p each	100	100	100	100
Ordinary 'B' of 5p each	100	100	61	61
Ordinary 'C' of 5p each	100	100	-	-
Ordinary 'D' of 5p each	100	100	44	44
Ordinary 'E' of 5p each	100	100	55	55
Ordinary 'F' of 5p each	100	100	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	600	600	260	260
	<hr/>	<hr/>	<hr/>	<hr/>

A4e Management Ltd

	Authorised		Allotted, issued & fully paid	
	2007 £	2006 £	2007 £	2006 £
Redeemable shares				
Ordinary 'A' of £1 each	50	50	-	50
Ordinary 'B' of £1 each	50	50	-	50
Ordinary 'C' of £1 each	50	50	-	50
Ordinary 'D' of £1 each	50	50	-	-
Ordinary 'E' of £1 each	50	50	-	-
Ordinary 'F' of £1 each	50	50	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	300	300	-	150
	<hr/>	<hr/>	<hr/>	<hr/>

The whole of the outstanding redeemable shares for A4e Management Ltd were redeemed, at par, on 30 March 2007

Summary of class rights

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

The whole of the outstanding redeemable shares for A4e Ltd 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

A4E LTD**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007****20 COMMITMENTS**

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

Group

	Land and buildings		Other operating leases	
	2007	2006	2007	2006
	£	£	£	£
Leases expiring				
Within one year	275,350	661,677	156,970	48,583
Between two and five years	3,798,219	<u>2,054,086</u>	424,906	<u>161,819</u>
	<u>4,073,569</u>	<u>2,715,763</u>	<u>581,876</u>	<u>210,402</u>

Company

	Land and buildings		Other operating leases	
	2007	2006	2007	2006
	£	£	£	£
Leases expiring				
Within one year	122,466	523,686	90,782	21,656
Between two and five years	2,857,967	<u>1,455,319</u>	390,452	<u>96,516</u>
	<u>2,980,433</u>	<u>1,979,005</u>	<u>481,234</u>	<u>118,172</u>

A4E LTD

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2007

21 PROVISIONS FOR LIABILITIES AND CHARGES

	Group	
	2007	2006
	£	£
Deferred tax		
Accelerated capital allowances	<u>-</u>	<u>(9,100)</u>

Group	Deferred tax
	£
Balance at 1 April 2006	9,100
Transfer to profit & loss account (note 9)	<u>(9,100)</u>
Balance at 31 March 2007	<u>-</u>

Deferred tax assets

The following deferred tax assets have not been recognised in the financial statements

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Depreciation in excess of capital allowances	<u>313,000</u>	<u>258,000</u>	<u>246,000</u>	<u>214,000</u>

Deferred tax in respect of the group's deferred benefit pension scheme is disclosed in note 25

22 MINORITY INTERESTS

	£
At 1 April 2006	42,000
Profit on ordinary activities after taxation	38,952
Other movements	<u>(25)</u>
At 31 March 2007	<u>80,927</u>

Minority interests relate to the company's investment in Amin (A4e-Aman) Ltd

A4E LTD

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2007

23 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value	2007 £	2006 £
49,988,000	Ordinary	5p	<u>2,499,400</u>	<u>2,499,400</u>
Allotted, issued and fully paid Number	Class	Nominal value	2007 £	2006 £
2,105,042 (2006 - 2,000,000)	Ordinary	5p	<u>105,252</u>	<u>100,000</u>

During the year, 105,042 ordinary shares were allotted as fully paid in exchange for 25, £1 ordinary shares in A4e Wales Limited (see note 15)

24 RESERVES

Group	Profit and loss reserve £	Revaluation reserve £	Own shares £	Merger reserve £	Totals £
At 1 April 2006	4,060,445	349,557	(2,480,000)	-	1,930,002
Profit for the financial year	1,313,203				1,313,203
Dividends	(1,500,000)				(1,500,000)
Transfer revaluation reserve	7,392	(7,392)	-	-	-
Share for share issue (note 15)	-	-	-	456,933	456,933
Currency translation differences on foreign currency net investments	<u>517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>517</u>
At 31 March 2007	<u>3,881,557</u>	<u>342,165</u>	<u>(2,480,000)</u>	<u>456,933</u>	<u>2,200,655</u>

The merger reserve was created on the acquisition of the remaining 25% of the issued share capital of A4e Wales Limited (note 15)

A4E LTD

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007**

24 RESERVES - continued

Company

	Profit and loss reserve £	Revaluation reserve £	Own shares £	Totals £
At 1 April 2006	4,156,989	349,557	(2,480,000)	2,026,546
Profit for the year	723,670			723,670
Dividends	(1,500,000)			(1,500,000)
Transfer from revaluation reserve	<u>7,392</u>	<u>(7,392)</u>	<u>-</u>	<u>-</u>
At 31 March 2007	<u><u>3,388,051</u></u>	<u><u>342,165</u></u>	<u><u>(2,480,000)</u></u>	<u><u>1,250,216</u></u>

Own shares are represented by 200,000 shares with a nominal value of 5p each held by The Action For Employment Limited Employee Share Trust. Consideration paid on 7 May 2002 to acquire own shares is deducted in arriving at shareholders funds. No shares held by The Action for Employment Limited Employee Share Trust had vested unconditionally in employees or were under option to employees at the balance sheet date.

Pension reserve

Group

	2007 £	2006 £
Profit and loss reserve excluding pension liability	3,897,516	4,060,445
Amount relating to defined benefit scheme liability, net of related deferred tax	<u>(15,959)</u>	<u>-</u>
Profit and loss reserve	<u><u>3,881,557</u></u>	<u><u>4,060,445</u></u>

Company

	2007 £	2006 £
Profit and loss reserve excluding pension liability	3,404,010	4,156,989
Amount relating to defined benefit scheme liability, net of related deferred tax	<u>(15,959)</u>	<u>-</u>
Profit and loss reserve	<u><u>3,388,051</u></u>	<u><u>4,156,989</u></u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007

25 PENSION COMMITMENTS

The group operates a defined contribution stakeholder pension scheme for its staff. In addition certain employees have retained the right to remain members of the Teachers' Pension Scheme ('TPS') up to July 2009. Employer contributions are made to TPS on the basis of fixed contributions of 14.1% of salary. This is therefore accounted for as a defined contribution scheme. On 1 August 2006 the group also set up the A4e Retirement Benefit Scheme which is a defined benefit scheme specifically set up for employees transferring to the company from public sector organisations. The assets of this scheme is held separately from those of the group.

The group and company have adopted FRS 17 as the basis for accounting for pension costs in respect of pension plans and the costs in respect thereof have been assessed in accordance with the advice of independent professionally qualified actuaries.

The group accounts for contributions made to the defined contribution scheme and TPS as they fall due.

The total pension cost for the group was £1,033,456 (2006: £743,708) of which £168,000 (2006: £nil) 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 £316,000 is included in accruals in respect of contributions payable at 31 March 2007 (2006: £nil).

Group pension commitments

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:

	31 March 2007	31 March 2006
Inflation rate	3.1%	-
Salary increase	4.6%	-
Discount rate	5.3%	-

A4E LTD

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007**

25 PENSION COMMITMENTS - continued

The assets of the scheme and the expected rate of return were

	Long term expected rate of return 31 March 2007	Value as at 31 March 2007	Long term expected rate of return 31 March 2006	Value as at 31 March 2006
Assets	%	£	%	£
Cash	5.25	145,202	-	-

The following amounts at 31 March 2007 were measured in accordance with the requirements of FRS 17

	31 March 2007 £	31 March 2006 £
Pension asset		
Total market value of assets	145,202	-
Present value of scheme liabilities	168,000	-
	<hr/>	<hr/>
Net deficit in the scheme	(22,798)	-
Related deferred tax asset	6,839	-
	<hr/>	<hr/>
Net pension liability	(15,959)	-
	<hr/>	<hr/>
Analysis of the amount charged to operating profit	2007 £	2006 £
Current service cost	168,000	-
	<hr/>	<hr/>
Total operating charge	168,000	-
	<hr/>	<hr/>
Movement in year:	2007 £	2006 £
Current service cost	168,000	-
Contributions	145,202	-
	<hr/>	<hr/>
Deficit in scheme at end of the year	(22,798)	-
	<hr/>	<hr/>

A4E LTD

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2007

26 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 groups' bankers

Performance Bond - Amin (A4e Aman) Ltd

As security for the performance of its undertakings in the Program Contract with the Israeli Government signed on 1 February 2005, Amin (A4e-Aman) Ltd has provided the Israeli Government with an independent, autonomous and unconditional, index linked, bank guarantee in the amount of NIS 2 8 million (£341,463) (2006 £350,000)

27 RELATED PARTY DISCLOSURES

Andromeda Park Limited

The group is provided with conference facilities and services on normal commercial terms by Andromeda Park Limited, which is controlled by Mrs E L Harrison and her husband, Mr J R Harrison, who are both directors of that company. The value of such facilities and services provided during the year was £163,200 (2006 £183,320). The balance due to Andromeda Park Limited at the balance sheet date was £32,360 (2006 £nil)

During the year, the group provided Andromeda Park Limited with plant hire and other services totalling £17,392 (2006 £4,723) on normal commercial terms. The balance owed to the group by Andromeda Park Limited at the balance sheet date was £6,096 (2006 £1,260)

Novantia Limited

The group is provided with goods on normal commercial terms by Novantia Limited, of which Mrs E L Harrison's husband, Mr J R Harrison, is a shareholder and director. The value of goods provided during the year was £31,720 (2006 £48,995). The balance due to Novantia Limited at the balance sheet date was £128 (2006 £1,126)

Cavendish Consultants Limited

The group is provided with professional and consultancy services by Cavendish Consultants Limited, which is controlled by Mr S A Boyfield, who is a director of that company. The value of services provided during the year was £308,429 (2006 £240,381). The balance due to Cavendish Consultants Limited at the balance sheet date was £68,373 (2006 £10,489)

Roy Newey Limited

The group is provided with professional and consultancy services by Roy Newey Limited, which is controlled by Mr R Newey, who is a director of that company. The value of services provided during the year was £180,000 (2006 £194,399). The balance due to Roy Newey Limited at the balance sheet date was £52,875 (2006 £25,098)

During the year the company paid rent of £40,000 (2006 £40,000) on property owned by Mr R Cridland, the father of Mrs E L Harrison

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**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2007**

28 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2007 £	2006 £
Profit/(loss) for the financial year	1,313,203	(713,873)
Dividends	<u>(1,500,000)</u>	<u>-</u>
	(186,797)	(713,873)
Other recognised gains and losses relating to the year (net)	517	153,854
New share capital subscribed	5,252	-
Merger reserve	<u>456,933</u>	<u>-</u>
Net addition/(reduction) to shareholders' funds	275,905	(560,019)
Opening shareholders' funds	<u>2,030,002</u>	<u>2,590,021</u>
Closing shareholders' funds	<u>2,305,907</u>	<u>2,030,002</u>
Company	2007 £	2006 £
Profit/(loss) for the financial year	723,670	(357,568)
Dividends	<u>(1,500,000)</u>	<u>-</u>
	(776,330)	(357,568)
Other recognised gains and losses relating to the year (net)	-	154,188
New share capital subscribed	<u>5,252</u>	<u>-</u>
Net reduction of shareholders' funds	(771,078)	(203,380)
Opening shareholders' funds	<u>2,126,546</u>	<u>2,329,926</u>
Closing shareholders' funds	<u>1,355,468</u>	<u>2,126,546</u>

29 ULTIMATE CONTROLLING PARTY

The directors consider E L Harrison to be the ultimate controlling party of the group by virtue of her 85.5% shareholding