ALLINITY LIMITED

Annual Report & Accounts

for the year ended 30 June 2006

Registered Number 3628256

Report of the Directors

For the year ended 30 June 2006

The directors present their report and the audited accounts of Allinity Limited for the year ended 30 June 2006.

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 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 of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 proper accounting records that 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.

Disclosure of information

Having made enquiries of fellow directors and of the Company's auditors, each of the directors who was a member of the Board at the time of approving the directors' report confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and

- each director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Principal activity

The principal activity of the Company is the provision of enterprise computing solutions.

Business review

The results of the Company for the year are set out in detail on page 6.

On 12 January 2006 the entire share capital of the Company was acquired by Compel Group PLC, a company registered in England & Wales.

On 30 June 2006 the trade, assets and liabilities of the Company were transferred to a fellow subsidiary undertaking, Compelsolve Limited.

Dividends

An interim dividend of £400,000 (2005: £nil) was paid during the year. No final dividend is proposed for the year (2005: £nil).

Creditor payment policy and practice

The Company values its relationships with suppliers. It is the Company's policy to negotiate terms with suppliers and ensure that payments are made in accordance with the agreed terms and conditions, provided that the supplier has also complied with them. Wherever possible suppliers are notified of amounts in dispute before payment is due.

The Company had trade creditors of £nil at 30 June 2006 (2005: £39,974), representing nil (2005: 17) days purchases for the Company.

Directors

The directors who held office during the year were as follows:

A N de Weger
M Lawrence (appointed 19 September 2005)
S Lassam
M Cooper (appointed 1 August 2005)
N Davis (appointed 12 January 2006)
D P Frankling (appointed 12 January 2006)
P N Berry (appointed 12 January 2006)
A J Lee (appointed 12 January 2006)
A Norris (appointed 12 January 2006)

P N Berry resigned as a director on 31 August 2006.

Report of the Directors continued

Directors' interests

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

N Davis, D P Frankling, A J Lee and P N Berry were directors of the Company's ultimate parent undertaking, Compel Group PLC, at the period end and their interests and rights to subscribe for shares therein are shown in the annual report of that company. A copy of the accounts of Compel Group PLC can be obtained from the address given in note 20.

At 1 July 2005 A N de Weger held 350 10p preferred ordinary shares in the Company. He was also the beneficiary of a trust which held 2,575 £1 ordinary shares and 165 10p preferred ordinary shares in the Company at that date.

At 1 July 2005 S Lassam held 900 £1 ordinary shares and 180 10p preferred ordinary shares in the Company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the Company were granted to any directors or their immediate family, or exercised by them during the financial year.

Auditors

Martin and Company LLP resigned as auditors during the period, and Ernst & Young were appointed in their place. A resolution to re-appoint Ernst & Young LLP as auditors will be proposed at the Annual General Meeting.

By order of the Board

A J Lee
Secretary
23 January 2007

Registered office:
10 Meadway Court
Rutherford Close
Stevenage
Herts
SG1 2EF

Independent Auditors' Report

To the members of Allinity Limited

We have audited the Company's financial statements for the year ended 30 June 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for the preparation of the financial statements in accordance with applicable United Kingdom law and 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).

In addition 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.

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

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

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

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 Company's affairs as at 30 June 2006 and of its profit 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.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Luton
23 January 2007

Accounting Policies

Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards as defined in section 256 of the Companies Act 1985.

The accounting policies outlined below have been applied consistently in dealing with items which are considered material in relation to the Company's accounts.

The Company has adopted FRS 20 'Share based payments' during the year. The effect of this on the results for the current year is disclosed in the notes to the accounts. In the prior year the Company had no share based payment transactions. Accordingly there is no effect on the results for the prior year.

Further standards in force are listed below. None of these has any impact on the results of the Company or on the presentation of the balance sheet of the Company for either the current or prior years:

FRS 21	Events after the balance sheet date
FRS 22	Earnings per share
FRS 23	The effects of changes in foreign exchange rates
FRS 24	Financial reporting in hyperinflationary economies
FRS 25	Financial instruments: Disclosure and presentation
FRS 26	Financial instruments: Recognition and measurement
FRS 27	Life assurance
FRS 28	Corresponding amounts

The Company is exempt from the requirement of Financial Reporting Standard No. 1 (Revised), to prepare a cash flow statement as it is a wholly owned subsidiary undertaking, and its cash flows are included within the consolidated cash flow statement of Compel Group PLC, a company incorporated in the UK whose accounts are publicly available from the address given in note 20.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from consultancy and other professional services is recognised as the services are performed.

Revenues, expenses, assets and liabilities are recognised net of the amount of sales tax except:

- where the sales tax incurred on purchases of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- trade receivables and trade payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more, tax, with the following exception.

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Accounting Policies

Tangible fixed assets and depreciation

Tangible fixed assets are stated at original cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less the estimated residual value, of each asset over their estimated useful economic lives as follows:

	Annual Rate
Fixtures and fittings	15% on reducing balance
Computer equipment	33% on cost

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Fixed asset investments

Investments are held at cost less provision for impairment.

The carrying value of fixed asset investments is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Profit and Loss Account

For the year ended 30 June 2006

	Note	2006 £	2005 £
Turnover	1	5,371,950	2,702,858
Cost of sales		(3,988,081)	(2,491,176)
Gross profit		1,383,869	211,682
Administrative expenses		(250,432)	(142,996)
Operating profit		1,133,437	68,686
Other interest receivable and similar income		11,589	3,585
Interest payable and similar charges	2	(363)	(4,220)
Profit on ordinary activities before taxation	3	1,144,663	68,051
Taxation on profit on ordinary activities	6	(343,734)	(3,054)
Profit for the period		800,929	64,997

All results arise from discontinued operations.

Allinity Limited has no recognised gains nor losses during the current year or previous year other than those passing through the Profit and Loss account.

Balance Sheet

As at 30 June 2006

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	8	-	20,527
Investments	9	-	100
			20,627
Current assets			
Stock	10	-	163,443
Debtors	11	897,894	581,694
Cash at bank and in hand		-	52,711
		897,894	797,848
Creditors: amounts falling due within one year	12	-	(328,465)
Net current assets		897,894	469,383
Total assets less current liabilities		897,894	490,010
Provisions for liabilities and charges	13	-	(1,180)
Net assets		897,894	488,830
Capital and reserves			
Called up share capital	14	4,692	4,616
Share premium	15	77,878	70,552
Capital redemption reserve	15	1,224	1,224
Profit and loss account	15	814,100	412,438
Equity shareholders' funds	16	897,894	488,830

These financial statements were approved by the board on 23 January 2007 and signed on its behalf by:

N Davis
Director

Notes to the Accounts

1 Turnover

Turnover comprises the provision of enterprise computing solutions. In the opinion of the directors only one class of business is operated by the Company.

2 Interest payable and similar charges

	2006 £	2005 £
Other interest	363	4,220

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

		2006 £	2005 £
Auditors' remuneration	- Audit	6,950	7,000
	- Other services	-	6,350
Depreciation of owned assets		10,210	13,622
Loss on sale of tangible fixed assets		10,207	2,118
Operating lease costs – land and buildings		33,493	33,000

4 Staff costs and numbers

The aggregate payroll costs for the year were as follows:	2006 £	2005 £
Wages and salaries	1,768,800	1,512,874
Social security costs	216,243	179,157
	1,985,043	1,692,031

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

	2006 Number	2005 Number
Technical	29	22
Sales	1	1
Administration	4	4
Total	34	27

Notes to the Accounts

5 Directors' emoluments

	2006 £	2005 £
Directors' emoluments	341,894	177,736

The amounts in respect of the highest paid director were as follows:

	2006 £	2005 £
Emoluments	89,969	90,526

6 Taxation on profit on ordinary activities

Tax on profit on ordinary activities	2006 £	2005 £
UK corporation tax	341,396	5,039
Adjustment in respect of prior year	2,338	(1,985)
Total tax on profit on ordinary activities	343,734	3,054

Factors affecting current tax charge

The difference between the total current tax charge shown and the amount calculated by applying the *standard rate of corporation tax to the profit on ordinary activities before tax is as follows:*

	2006 £	2005 £
Profit on ordinary activities before tax	1,144,663	68,051
Tax on profit on ordinary activities at standard tax rate of 30% (2005: 30%)	343,399	20,415
Effects of:		
Expenses not allowable for tax purposes	262	1,251
Depreciation in excess of capital allowances	4,329	2,112
Other timing differences	(6,814)	(3,690)
Tax relief on share based payments	220	-
Change in the standard rate of tax after utilisation of tax losses to small company rate of 19%	-	(2,917)
Group relief	-	(12,132)
Adjustment in respect of prior year	2,338	(1,985)
Current tax charge for the year	343,734	3,054

There was no unprovided deferred tax liability at 30 June 2006 (2005: £nil).

Notes to the Accounts

7 Dividends paid

	2006	2005
	£	£
Equity shares:		
Interim dividends paid	400,000	-

8 Tangible fixed assets

	Fixtures and fittings	Computer equipment	Total
	£	£	£
Cost			
At 1 July 2005	6,648	47,721	54,369
Additions	-	10,532	10,532
Disposals	-	(47,940)	(47,940)
Transfer to fellow subsidiary undertaking	(6,648)	(10,313)	(16,961)
At 30 June 2006	-	-	-
Depreciation			
At 1 July 2005	1,853	31,989	33,842
Charge for year	719	9,491	10,210
Disposals	-	(36,834)	(36,834)
Transfer to fellow subsidiary undertaking	(2,572)	(4,646)	(7,218)
At 30 June 2006	-	-	-
Net book value			
At 30 June 2006	-	-	-
At 30 June 2005	4,795	15,732	20,527

9 Investments

	£
At 1 July 2005	100
Disposals	(100)
At 30 June 2006	-

On 12 January 2006, the Company disposed of its entire shareholding in Divergent Holdings Limited and Vermillion Recruitment Limited. No consideration was received for either company. The loss arising on the disposal was £100.

Notes to the Accounts

10 Stock

	2006 £	2005 £
Work in progress	-	163,443

11 Debtors

	2006 £	2005 £
Trade debtors	-	548,573
Amounts owed by fellow subsidiary undertaking	897,894	3,308
Other debtors	-	29,813
	897,894	581,694

12 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank loans and overdraft	-	49,509
Trade creditors	-	39,974
Amounts owed to group undertakings	-	3,191
Other taxation and social security	-	155,288
Other creditors and accruals	-	80,503
	-	328,465

13 Provisions for liabilities and charges

	Property provisions £	*Deferred tax* £	*Total* £
Balance at 1 July 2005	-	1,180	1,180
Created during the year	15,000	-	15,000
Transferred to fellow subsidiary undertaking	(15,000)	(1,180)	(16,180)
Balance at 30 June 2006	-	-	-

Notes to the Accounts

14 Share capital

	2006 Number	2005 Number	2006 £	2005 £
Authorised:				
Ordinary shares of £1 each	**9,900**	9,900	**9,900**	9,900
Preference shares of 10p each	**1,000**	1,000	**100**	100
Allotted, called up and fully paid:				
Ordinary shares of £1 each	**4,600**	4,525	**4,600**	4,525
Preference shares of 10p each	**920**	905	**92**	91

During the year, 15 preference shares with a nominal value of 10p each were issued for a total consideration of £7,327 and 75 ordinary shares with a nominal value of £1 each were issued for a total consideration of £75.

15 Reserves

	Profit and loss account £	Share premium account £	Capital redemption reserve £	Total £
Reserves at 1 July 2005	412,438	70,552	1,224	484,214
Profit for the year	800,929	-	-	800 929
Share based payments	733	-	-	733
Dividends	(400,000)	-	-	(400,000)
Shares issued	-	7,326	-	7,326
Reserves at 30 June 2006	814,100	77,878	1,224	893,202

16 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Opening shareholders' funds	**488,830**	352,541
Profit for the financial year	**800,929**	64,997
Share based payments	**733**	-
Dividends paid	**(400,000)**	-
Shares issued	**7,402**	71,292
Closing shareholders' funds	**897,894**	488,830

Notes to the Accounts

17 Commitments

The annual commitments of the Company under non cancellable operating leases are as follows:

	2006	2005
	£	£
Leases which expire:		
Between two and five years	-	33,000

18 Share based payments

Subject to meeting certain criteria, employees of the Company are entitled to participate in the share based payment schemes operated by the ultimate parent undertaking, Compel Group PLC. Details of the conditions and operation of each of the schemes, movements therein during the year and the inputs used to derive the estimated fair value of options granted under each of the schemes are contained in the accounts of that company, a copy of which can be obtained from the address given in note 20.

The expense recognised by the Company in respect of equity settled share based payments for employee services received during the year ended 30 June 2006 is £733 (2005: £nil).

19 Related party transactions

As 100% of the voting rights of the Company are controlled within the group headed by Compel Group PLC, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of that group. The consolidated financial statements of Compel Group PLC can be obtained from the address given in note 20.

Prior to the acquisition of the Company by Compel Group PLC, A N de Weger was the ultimate controlling party.

At 30 June 2005 there were directors loan account balances in favour of two directors of the Company, A N de Weger and S Lassam, of £64,494 and £4,385 respectively. There also existed a personal guarantee in place from A N de Weger and S Lassam up to £53,500, and a legal charge over A N de Weger's private residence amounting to a £53,500.

In addition the following related party transactions took place:

1. In the year to 30 June 2005, the Company paid expenses of £1,527 on behalf of Divergent Holdings Limited, which was at that time a wholly owned subsidiary undertaking of the Company. Divergent Holdings Limited charged £1,300 to the Company for advertising. At 30 June 2005 there was an amount owing to the Company from Divergent Holdings Limited of £3,308.

2. Before it ceased to be a related party on 12 January 2006, Vermillion Recruitment Limited, a wholly owned subsidiary of Divergent Holdings Limited, billed subcontractor fees totalling £575,774 (2005: £291,987) to the Company. Revenue charged by the Company to Vermillion Recruitment Limited in the same period amounted to £19,131.

   In the year to 30 June 2005, expenses totalling £208,455 were paid by the Company on behalf of Vermillion Recruitment Limited; expense recharges were also made totalling £55,967.

   At 30 June 2005 there was an amount owed by the Company to Vermillion Recruitment Limited of £3,191.

Notes to the Accounts

20 Ultimate parent undertaking

The smallest and largest group in which the results of the Company are consolidated is that headed by Compel Group PLC, a company incorporated in the United Kingdom. The directors considered Compel Group PLC to be the ultimate controlling party at 30 June 2006. The consolidated accounts of this group are available to the public and may be obtained from the registered office:

10 Meadway Court
Rutherford Close
Stevenage
Herts
SG1 2EF