

4002389



Annual Report and Accounts 2005



A53
COMPANIES HOUSE

A6HHQB90

26
16/12/2005

M

Our Mission

Supporta Group has a strategy focused on white collar outsourced services to the public sector.

The Group aspires to be the supplier of choice within its chosen markets. This aspiration is underpinned by the core values within the Group founded upon first class service delivery and maintaining an excellent reputation based on long standing relationships with key public sector clients.

We are passionate about our business and with energy, ability and commitment of our staff, we look forward to the future with enthusiasm.

Contents

Highlights of the year	1	Principal accounting policies	14
Supporta at a glance	2	Consolidated profit and loss account	16
Chairman's statement	3	Statement of total recognised gains and losses	16
Company information	6	Consolidated balance sheet	17
Directors' report	7	Company balance sheet	18
Corporate governance statement	11	Consolidated cash flow statement	19
Report of the independent auditors	13	Notes to the financial statements	20

Highlights of the year

- > Strong growth fuelled by the acquisition of:
 - > SDMS Services
 - > Quality Care
 - > Parys Snowdon Group Limited
- > Formation of three operating divisions
- > New Management Team
- > Key acquisitions completed in each division
- > Turnover up by 107% to £20.47m (2004: £9.88m).

Turnover

£20.47m

(2004 : £9.88m)

Operating profit*

£0.75m

(2004 : £0.08m)

*before goodwill amortisation, impairment and exceptional items

Profit before tax*

£0.59m

(2004 : £0.003m)

*before goodwill amortisation, impairment and exceptional items

Earnings per share*

1.61 p

(2004 : loss of 0.26p)

*before goodwill amortisation, impairment and exceptional items

Supporta at a glance

Supporta Care Ltd

Supporta Care provides support services to Local Authorities and other providers of Social Care through two divisions:

Home Care and Health and Social Care Recruitment

Home Care

are established providers of high quality home care services. We offer a flexible service that is tailored to meet the various needs of our Service Users and enables people to live in their own homes. We work in partnership with Local Authorities and other interested parties in order to continually develop and improve home care services.

Social Care Recruitment

provide qualified and unqualified social care worker and allied healthcare workers to local authorities, health trusts and charitable institutions.

Supporta Services Ltd

Supporta Services supply ongoing solutions, as a virtual extension, to 250 NHS organisations.

We run payroll systems. We provide internal audit services, implement national IT systems and even have a dedicated counter fraud team. We offer a huge range of document management, consultancy and project management solutions. We also supply innovative, efficiency delivering, software products.

All our services are underpinned by an in-depth understanding of who we are working for. Many of our staff have worked in the NHS, bringing a wealth of experience and public sector understanding to their work.

Supporta Property Services Ltd

Supporta Property Services provides architectural services primarily to the public sector.

We service our clients through design, planning and project management of property refurbishment and construction.

Chairman's statement

I am pleased to present the results for Supporta plc for the year ended 31 March 2005.

The last year or so has been a period of significant change for Supporta. The key changes have been:

- > New Management Team
- > Strategy focus on white collar outsourced services to the public sector
- > Loss making companies in non-core activities disposed
- > Formation of three operating divisions
- > Key acquisitions completed in each division.

The Group aspires to be the supplier of choice within its chosen markets. This aspiration is underpinned by the core values within the Group founded upon first class service delivery and maintaining an excellent reputation based on long standing relationships with key public sector clients.

The Board is delighted with the ongoing support received from investors throughout the year in relation to the Group's acquisitions and fund raising activities. Since the year end the institutional shareholder base has been broadened following the recent placing which was used to fund the acquisition of Roger P Dudley Limited.

Review of activities

The group structure has been reshaped from 35 companies into three operating divisions under the ownership of Supporta plc as shown in the diagram below.

During the year, we also sold four of the General recruitment businesses. The sale was in conjunction with closing the remaining two non profitable general recruitment businesses which enables us to focus on delivering white collar outsourced services to the public sector.

Within this structure the new management team is more than capable of expanding the range and scale of services offered to the

public sector. There are the additional benefits of cross selling opportunities between the divisions and we would increasingly expect to be able to take advantage of these opportunities in the future.

The integration process of each of the acquisitions has been successful and the Group's rebranding process both internally and externally has been completed.

In 2005 group turnover increased to £20.47m (2004: £9.88m) representing an increase of 107.2%. The main driver for growth in 2005 was through acquisitions in the year including SDMS Services, Quality Care and Parys Snowdon Group Limited. The full year effect of the prior year acquisition in Parys Snowdon Payroll Services Limited also contributed to the growth in 2005.

I am pleased to report that the group achieved an operating profit before exceptional items and goodwill amortisation of £0.75m (2004: £0.08m) which includes a loss of £0.09m from discontinued operations. The results include an operating profit contribution before goodwill amortisation of £1.02m from the acquisitions made during the year. Profit before tax, amortisation and exceptional items increased to £0.59m (2004: £0.003m) and adjusted earnings per share increased to 1.61p (2004: loss per share of 0.26p).

The reported loss for the year was £0.934m (2004: £1.200m) which equates to a loss per share for the year of 2.82p (2004: 10.35p).

Net cash outflow for the group in the year was £1.31m (2004: £0.07m). Cash outflow from operating activities was £2.59m in the year (2004: £0.73m) primarily due to an increase in working capital balances following the acquisitions in the year. Financing activities raised £6.13m in the year (2004: £3.21m), of which £5.86m came from new share issues, net of expenses (2004: £3.68m), and net cash outflow from acquisitions and disposals was £4.41m (2004: £2.42m).

Chairman's statement (continued)

For the year ended 31 March 2005

Supporta Care

The acquisition of Quality Care in September 2004, a business providing home care services working in partnership with local authorities in London primarily, has significantly strengthened the Supporta Care business.

Supporta Care principally provides home care services to London Local Authorities and provides approximately 17,500 hours of care per week. At the point of acquisition in September 2004, Quality Care's order book stood at £4m, which has increased to £37.6m to date through a process of new contract awards, extensions and renewals. The home care market remains a priority for the Government.

We consider this area of the business to offer excellent scope for growth due to the fragmented nature of the market. The home care market in the UK is approximately £2 billion, and growing at 6% per annum. The private sector share of this market currently stands at 62% but is growing at 11% per annum. In our opinion, the quality of service is determined not only by the skills and nature of the care workers but also by the underlying systems, policies and procedures. We believe that our reputation in these areas will assist our growth ambitions in our existing geographical markets and elsewhere within the UK.

The following significant contracts for the provision of domiciliary care have been won since the acquisition of the Quality Care business in September 2004:

Local Authority	Date Contract Awarded	Contract Start Date	Term	Expected Annual Value * £'000
Brent	December 04	April 05	5 Years	874
Richmond	April 05	June 05	3 Years	775
Ealing	May 05	Sep 05	5 Years	2,250
Camden	August 05	October 05	5 years	926

* Expected annual value is based on anticipated utilisation of the contract.

Following the acquisition of Quality Care, Sue Soame was appointed as Managing Director of Supporta Care Limited. Sue has been involved in the delivery of outsourced home care services to the public sector for over 12 years.

Supporta Care earned an operating loss before goodwill amortisation and exceptional items of £0.008m (2004: loss of £0.357m). The acquisition of Quality Care contributed £0.34m of profit, which represented just over six months of trade, towards the divisional results of Supporta Care.

Supporta Services

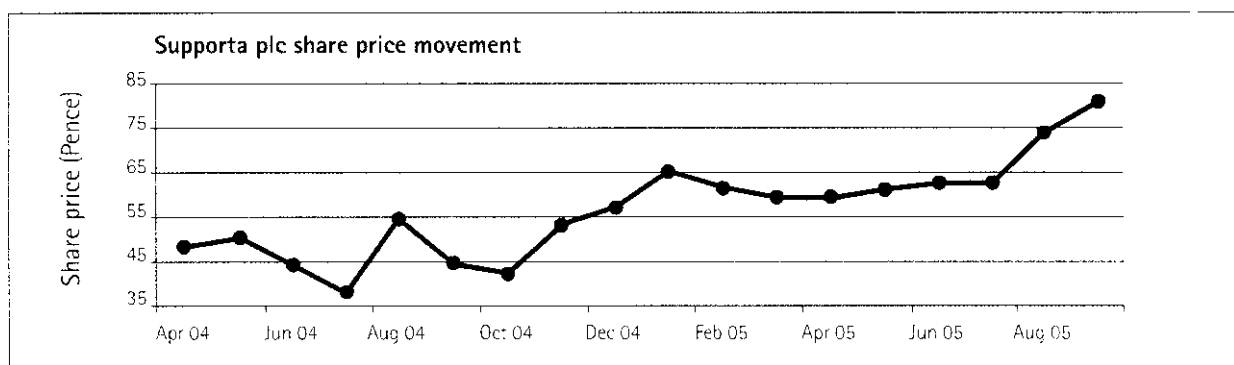
This division provides a wide range of services, primarily to NHS trusts, including Payroll Services, Systems Support, Managed Services, Internal Audit and Consultancy. There are a number of opportunities provided by the government initiatives to standardise payroll systems through electronic staff records (ESR) and the NHS's Agenda for Change.

We believe our expertise in delivering outsourced services to the NHS is unique and can provide further scope for growth.

The Parys Snowdon Payroll Services business has performed well in its first full year of operation since acquisition on 14 January 2004, and is expected to continue to contribute to the group's core activities within Supporta Services Limited.

Two further acquisitions were integrated into the Supporta Services business during the year. SDMS Services, a consultancy business and Parys Snowdon Group Limited, including audit and counter fraud services and IT systems management and development services primarily to the NHS and other public sector organisations.

Supporta Services delivered a contribution to operating profit before goodwill amortisation and exceptional items of £1.354m (2004: £0.250m). This includes just over 6 months of profit contribution of £0.56m from the acquisition of Parys Snowdon Group and 11 months of profit contribution of £0.12m from SDMS Services (both before goodwill amortisation and exceptional items).



Martin Fletcher was appointed as Managing Director of Supporta Services with effect from 1st January 2005. Martin has a wealth of experience of working in specialised healthcare IT business systems and patient care systems.

Supporta Property Services

The third operating division within Supporta was established with the acquisition of Roger P. Dudley Limited (RPD) in August 2005, which will form the cornerstone of our new Property Services division. RPD is an architectural practice which services, predominantly, the public sector through the design, planning and project management of property refurbishment and construction. RPD complements the Supporta Care and Supporta Services divisions through being able to provide additional services to existing customers.

Stephen Whiting was appointed as Managing Director of Supporta Property Services Limited with effect from 22 August 2005.

Share price

Growth in the value of the Company's share price since the start of the reported financial year is illustrated in the table above.

Board changes

Gavin Kaye left the company in December 2004 and was replaced by Stephen Padgett as Chief Executive Officer on 1 April 2005.

Nigel Myers joined the Board on 11 May 2005 and left on 31 August 2005 following a probationary period.

John Williams (Non-Executive Director) retired on 1 July 2005 and Dr. Cive Grace was appointed as Non-Executive Director on the same date. Nick Scholte was appointed as Non-Executive Director on 31 August 2005.

We will continue to strengthen the Board as the group develops and we are currently in the process of selecting a suitable Finance Director.

Employees

The Board recognises that its employees are the most important asset within the group and aspires to be the employer of choice within its chosen operating sectors. In doing so, the Board encourages investment in training and development of staff and 'Investor in People' status has already been partly achieved within the Supporta Care division. Remuneration levels and incentive schemes are reviewed on an ongoing basis to encourage staff retention and excellent performance throughout the organisation.

Savings Related Share Option Scheme

The Board is delighted that shareholders voted overwhelmingly in favour of the adoption of a Savings Related Share Option Scheme at the recent EGM.

We believe that employees at all levels of the Group should benefit from being part of a larger organisation and have the chance to participate in the ownership of the Company through such incentive schemes, aligning their interests with those of all stakeholders.

Banking facilities

Further to the reorganisation of the corporate structure, the financial facilities of the group were refinanced with Barclays Bank in September 2005 to provide £2.5m of facilities as a term loan and a revolving credit facility of up to £2.0m. I believe that the company has a sound financial foundation from which to build.

I would finally, on behalf of the Board, like to thank all the staff and our dedicated advisors for all their efforts during the year and especially at this exciting time for the group. I am delighted to be personally associated with a group of such potential.

John Jasper

Executive Chairman

8 September 2005

Company information

Company registration number:	04002389																
Registered office:	22a Theobalds Road London WC1X 8PF																
Directors:	<table><tr><td>J Jasper</td><td>Executive Chairman</td></tr><tr><td>S Padgett</td><td>Chief Executive Officer</td></tr><tr><td>M Curran</td><td>Chief Operating Officer</td></tr><tr><td>R Jenkins</td><td>Group Financial Controller</td></tr><tr><td>R Holt</td><td>Non-Executive Director</td></tr><tr><td>P Ellis</td><td>Non-Executive Director</td></tr><tr><td>C Grace</td><td>Non-Executive Director</td></tr><tr><td>N Scholte</td><td>Non-Executive Director</td></tr></table>	J Jasper	Executive Chairman	S Padgett	Chief Executive Officer	M Curran	Chief Operating Officer	R Jenkins	Group Financial Controller	R Holt	Non-Executive Director	P Ellis	Non-Executive Director	C Grace	Non-Executive Director	N Scholte	Non-Executive Director
J Jasper	Executive Chairman																
S Padgett	Chief Executive Officer																
M Curran	Chief Operating Officer																
R Jenkins	Group Financial Controller																
R Holt	Non-Executive Director																
P Ellis	Non-Executive Director																
C Grace	Non-Executive Director																
N Scholte	Non-Executive Director																
Secretary:	M Stone																
Bankers:	Barclays Bank PLC Corporate Banking Centre P O Box 11 Park House, Newbrick Road Stoke Gifford, Bristol BS34 8TN																
Solicitors:	Eversheds Central Square South Orchard Street Newcastle Upon Tyne NE1 3XX																
Auditors:	Grant Thornton UK LLP Registered Auditors Chartered Accountants Grant Thornton House Melton Street Euston Square London NW1 2EP																
Nominated advisor and stockbroker:	Investec Bank (UK) Ltd 2 Gresham Street London EC2V 7QP																

Directors' Report

The directors present their report together with financial statements for the year ended 31 March 2005.

Principal activities

The principal activities of the Group are the provision of outsourcing services to the public sector.

The principal activity of the company is to act as a holding company.

Business review

There was a loss for the year after taxation and minority interests amounting to £934,000 (2004: £1,200,000). The directors do not recommend payment of a dividend (2004: £nil).

Directors

The membership of the board during the year and subsequently is set out below.

	Appointed	Resigned
J Jasper	3 August 2004	-
S Padgett	1 April 2005	-
M Curran	-	-
R Jenkins	3 August 2004	-
R Holt	-	-
C Grace	1 July 2005	-
N Scholte	1 September 2005	-
P Ellis	-	-
S Soame	3 August 2004	1 July 2005
N Myers	11 May 2005	31 August 2005
J Williams	-	1 July 2005
S Gee	-	3 August 2004
G Kaye	-	31 December 2004

The annual base salaries and beneficial interests of the directors in the shares of the Company at 1 April 2004 and 31 March 2005 (or the date of their appointment to the board if later) were as follows:

	Salary		Ordinary shares	
	31 March 2005 (or date of appointment if later)	1 April 2004 (or date of appointment if later)	31 March 2005	1 April 2004
	£	£	No.	No.
J Jasper	50,000	-	52,631	-
S Padgett	120,000	-	-	-
M Curran	110,000	90,000	2,500,000	1,680,000
R Jenkins	60,000	55,000	-	-
R Holt	-	-	252,948	226,632
C Grace	15,000	-	10,000	-
N Scholte	15,000	-	-	-
P Ellis	-	-	103,887	103,887
S Soame	60,000	-	657,895	-
N Myers	75,000	-	-	-
J Williams	50,000	-	1,500,000	2,400,000
S Gee	-	12,000	232,760	232,760
G Kaye	-	96,000	-	5,000

During the year a bonus of £100,000 was paid to J Jasper (2004: nil) and a bonus of £10,000 was paid to R Jenkins (2004: nil). No other bonuses were paid to directors in the year.

During the year the Group paid FMCB Consultancy Ltd £29,500 (2004: £30,000) and Mears Group £15,000 (2004: £8,875) for the services of P Ellis and R Holt as directors respectively.

Directors' report (continued)

The share options of the directors were as follows:

Exercise price	Ordinary shares				Ordinary shares		
	31 March 2005	31 March 2005	31 March 2005	31 March 2005	31 March 2004	31 March 2004	31 March 2004
	59.5p	40p	200p	50p	40p	200p	50p
J Jasper	824,778	250,000	-	-	-	-	-
S Padgett	-	-	-	-	-	-	-
M Curran	-	-	-	-	-	-	-
R Jenkins	-	25,000	-	-	-	-	-
R Holt	-	-	-	-	-	25,000	-
C Grace	-	-	-	-	-	-	-
N Scholte	-	-	-	-	-	-	-
P Ellis	-	-	25,000	80,000	-	25,000	80,000
S Gee	-	-	-	-	-	25,000	-
N Myers	-	-	-	-	-	-	-
G Kaye	-	-	-	-	250,000	-	-
J Williams	-	-	-	-	-	-	-

On 31 March 2005 J Jasper was granted share options equal to 2% of the issued share capital at that date pursuant to an agreement dated 10 August 2004. The option price of the share options is equal to the average of the mid Market price of a share over the 10 dealing days ending on 31 March 2005.

Under the same agreement J Jasper will be granted an amount of share options to take the cumulative share options under this agreement to be equal to 3% of the issued share capital on 31 March 2006, 4% of the issued share capital on 31 March 2007 and 5% of the issued share capital on 31 March 2008.

An amendment to this agreement was made on 8 September 2005 which ensured any share options currently held under the EMI scheme were excluded from the calculation of the cumulative share options at each date.

During the year G Kaye exercised 100,000 share options at an exercise price of 40p. The market price at the date of exercise was 62.5p. The remaining 150,000 share options lapsed on his resignation.

On 20 July 2005 S Padgett was granted 250,000 share options, M Curran was granted 250,000 share options and R Jenkins was granted 25,000 share options, and those options were granted at an option price of 62.5p.

Under an agreement dated 8 September 2005 S Padgett will be granted share options equal to 0.5% of the issued share capital on 31 March 2006. The option price of the share options is equal to the average of the mid Market price of a share over the 10 dealing days ending on 31 March 2006.

Under the same agreement S Padgett will be granted an amount of share options to take the cumulative share options under this agreement to be equal to 0.75% of the issued share capital on 31 March 2007, 1.0% of the issued share capital on 31 March 2008, 1.25% of the issued share capital on 31 March 2009, and 1.5% of the issued share capital on 31 March 2010.

Under an agreement dated 8 September 2005 M Curran will be granted share options equal to 0.25% of the issued share capital on 31 March 2006. The option price of the share options is equal to the average of the mid Market price of a share over the 10 dealing days ending on 31 March 2006.

Under the same agreement M Curran will be granted an amount of share options to take the cumulative share options under this agreement to be equal to 0.375% of the issued share capital on 31 March 2007, 0.5% of the issued share capital on 31 March 2008, 0.625% of the issued share capital on 31 March 2009, and 0.75% of the issued share capital on 31 March 2010.

On 8 September 2005 the share options of R Holt were cancelled.

The options available to S Gee lapsed upon his resignation.

The options exercisable at 200p were granted on 6 February 2001 and may only be exercised when the Company has previously published results for not less than a six-month period showing an operating profit for such period. These options lapse ten years from the date of grant.

The options exercisable at 50p were granted on 15 January 2003.

The options exercisable at 40p were granted on 10 August 2004.

The options granted on 15 January 2003 and 10 August 2004 lapse 10 years from the date of grant. Subject to any vesting conditions or performance conditions the options granted on 15th January 2003 and 10 August 2004 will be exercisable at any time before the tenth anniversary of the date of grant.

Directors' responsibilities for the financial statements

United Kingdom 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 the group and of the profit or loss of the group for that period. The directors are also responsible for preparing the directors report and other information in the annual report. 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- > prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Substantial shareholdings

On 14/08/2005 the following shareholders had an interest in 3 per cent or more in the Company's ordinary shares. No other persons have reported an interest of 3 per cent or more in the Company's ordinary shares.

	Number of ordinary shares	Percentage of ordinary share capital
Unicorn Asset Management	5,238,241	10.22
JO Hambro Capital Management	4,966,997	9.69
Rathbone Investment Management	4,857,407	9.47
Framlington Investment Management	4,697,368	9.17
Newton Asset Management	3,464,912	6.76
Universities Superannuation	3,100,000	6.05
Insight Investment	2,527,333	4.93
Michael Curran	2,500,000	4.88
Canada Life	2,334,871	4.56
Ruffer Investment Management	2,266,670	4.42
Bluehone Investors	1,842,106	3.59
New Star Asset Management	1,800,000	3.51
Majedie Asset Management	1,648,783	3.22

Employee involvement

The group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group.

This is achieved through consultations with employee representatives.

Directors' report (continued)

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the company may continue.

It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

Payment policy and practice

It is the group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and abide by them. Trade creditors at the year-end amount to 47 days (2004: 51 days) of average supplies for the year.

Transition to International Financial Reporting Standards (IFRS)

The Group is in the process of preparing to convert to IFRS in time for the application to the 2007 interim results. A project team has been established to identify the effects of differences between UK and IFRS GAAP. This process is currently ongoing and will continue as new standards are issued and amendments to existing standards evolve.

Charitable donations

The Group made charitable donations of £5,000 to the Bobby Moore Cancer Research Fund. No donations were made in 2004.

CREST

Supporta plc share dealings have been settled on CREST since the admission of the ordinary shares to AIM. CREST is the computerised system for the settlement of share dealings on the London Stock Exchange. It reduces the amount of documentation required and also makes the trading of shares faster and more secure. CREST enables shares to be held in an electronic form instead of the traditional share certificates. CREST is voluntary, and shareholders can keep their share certificates if they wish. This may be especially preferable for shareholders who do not trade frequently.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

M Stone

Secretary

8 September 2005

Corporate governance statement

Introduction

The company is committed to applying high standards of corporate governance, integrity and business ethics to all activities. Under the rules of the Alternative Investment Market the company is not required to comply with the Combined Code (2003). However the Board is accountable to the company's shareholders for good corporate governance and has therefore taken steps to comply with the Combined Code (2003) in so far as it may be applied practically given the size of Supporta plc and the nature of its operations.

The Board of directors

The group supports the concept of an effective Board leading and controlling the company. The Board is responsible for approving company policy and strategy. It meets periodically and has a schedule of matters specifically reserved to it for decision. Management supplies the Board with appropriate and timely information and the directors are free to seek any further information they consider necessary.

The current Board consists of four executive directors and four non-executive directors, of whom two of the non-executive directors are independent of management and any business or other relationship which could interfere with the exercise of their independent judgement. The non-executive directors provide a strong independent element on the Board and bring experience at a senior level to business operations and strategy. The Chairman of the Board is J Jasper and the Chief Executive Officer is S Padgett.

Relations with shareholders

The group values the views of its shareholders and recognises their interest in the group's strategy and performance, Board membership and quality of management. It therefore holds regular meetings and presentations to its institutional shareholders to discuss objectives.

The AGM is used to communicate with private investors and they are encouraged to participate. The Chairman of the Audit and Remuneration Committees is available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the annual report and accounts.

The company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

Accountability and audit

The Board seeks to presents a balanced and understandable assessment of the Group position and prospects in all interim and price-sensitive reports, reports to regulators and as in the information required to be presented by statute.

The Audit Committee comprises R Holt, and C Grace, who are both non-executive directors. C Grace was appointed the senior independent non-executive director on 8 September 2005. The terms of reference of the Committee include keeping under review the scope and results of the external audit and its cost effectiveness. The Committee reviews the independence and objectivity of the external auditors. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the group, seeking to balance objectivity and value for money.

Internal control

The Board of Directors has overall responsibility for the group's system of internal control and for reviewing its effectiveness. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failures to achieve the Group's objectives. It should be recognised that such systems can only provide reasonable and not absolute assurance against material misstatement or loss.

Assessment of business risk

A system of business risk identification, assessment, and evaluation is in place within the management process throughout the group. Strategic risks are regularly reviewed by the Board. Risks relating to the key activities within the subsidiary operating units are assessed continuously.

Corporate governance statement (continued)

Control environment

The group's operating procedures include a comprehensive system for reporting financial and non-financial information to the board including:

- > preparation of 3-year strategy plans for business development
- > preparation and review of annual budgets
- > review of the business at each Board meeting, focussing on any new risks arising (for example key changes in the market)

Control procedures

Detailed operational procedures have been developed for each of the group's operating businesses that embody key controls. The implications of changes in law and regulations are taken into account within these procedures.

Monitoring process

There are clear procedures for monitoring the system of key controls. The significant component being a review by the Audit Committee of the process for identifying and assessing risks and of the effectiveness of controls.

The Board has considered the need for an internal audit function but has decided that this is not justified at present. However, it will keep the decision under review on at least an annual basis.

Going concern

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Directors' remuneration

The Board recognises that directors' remuneration is of legitimate concern to the shareholders and is committed to following current best practice. The particulars of the remuneration of the Directors and their interests are set out in the Directors' report. The remuneration committee comprises R Holt and C Grace.

Report of the independent auditors to the members of Supporta plc

We have audited the financial statements of Supporta plc for the year ended 31 March 2005 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and accounting standards 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 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 group is not disclosed.

We read other information contained in the annual report including the corporate governance statement, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the chairman's statement, and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information.

Basis of 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 group'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 affairs of the company and the group at 31 March 2005 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP

Registered auditors

Chartered accountants

London

8 September 2005

1 The maintenance and integrity of the Supporta plc website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2 Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

The accounts have been prepared under the going concern basis. Banking facilities have been renewed with Barclays Bank PLC, pursuant to a new credit agreement dated 16 September 2005. Outline terms include a term loan of £2.5m and a revolving credit loan facility of £2m.

The directors have prepared financial forecasts and believe that the facilities will provide adequate working capital for the group for the foreseeable future.

The principal accounting policies of the group are set out below. The policies have remained unchanged from the previous period and remain the most appropriate for the year. Following the acquisition of Parys Snowdon Group Ltd which has a defined benefit pension scheme, the Group has adopted FRS 17 in order to account for the pension scheme deficit.

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings (see Note 11) drawn up to 31 March 2005. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting.

Goodwill

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic lives. The period of amortisation is assessed on an acquisition by acquisition basis.

Turnover

Group turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

Revenue generated in Supporta Care is attributable to the provision of both home care services and qualified social care staff primarily to local authorities.

Revenue generated by Supporta Services is attributable to providing payroll, IT systems and support, consultancy, internal audit and counter fraud services primarily to the National Health Service. Where those services are provided on annual contracts revenue is spread evenly over the duration of the contract.

Revenue generated by the placement of temporary workers in the recruitment business is recognised gross and comprises workers pay, associated costs and placement fees.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Leasehold property	Over the life of the lease
Office equipment	33.3% per annum
Motor vehicles	33.3% per annum
Computer software	33.3% per annum

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Investments

Investments are included at cost less amounts written off.

Research and development

Expenditure on research and development new software products is charged to the profit and loss account in the year in which it is incurred with the exception of expenditure on the development of certain new product projects where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised and amortised over a period not longer than 3 years following the completion of the product project.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value.

Income and expenditure arising on financial instruments is recognised on the accruals basis and credited or charged to the profit and loss account in the financial period to which it relates.

Retirement benefits**Defined Benefit scheme**

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on the scheme assets are included in other finance costs. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

Defined Contribution scheme

The pension costs charged against profits are the contributions payable to individual policies in respect of the accounting period.

Consolidated profit and loss account

For the year ended 31 March 2005

	Note	Continuing operations £000	Acquisitions £000	Continuing Operations to be discontinued £000	Total 31 March 2005 £000	Continuing Operations £000	Continuing Operations to be discontinued £000	Total 31 March 2004 £000
Turnover	1,2	10,963	6,068	3,440	20,471	6,060	3,818	9,878
Cost of sales		(8,058)	(3,655)	(2,656)	(14,369)	(4,684)	(2,984)	(7,668)
Gross profit		2,905	2,413	784	6,102	1,376	834	2,210
Operating expenses								
- pre exceptional items		(3,089)	(1,392)	(869)	(5,350)	(1,381)	(749)	(2,130)
- exceptional items	1	(69)	-	(49)	(118)	(754)	-	(754)
- amortisation and impairment of goodwill	1	(359)	(398)	(591)	(1,348)	(137)	(279)	(416)
Administrative expenses		(3,517)	(1,790)	(1,509)	(6,816)	(2,272)	(1,028)	(3,300)
Operating profit/(loss)		(612)	623	(725)	(714)	(896)	(194)	(1,090)
Operating profit/(loss) before exceptional items and amortisation and impairment of goodwill		(184)	1,021	(85)	752	(5)	85	80
Profit/(loss) on disposal of fixed assets					25			(25)
Profit on sale of operation	24				3			-
Loss on ordinary activities before interest					(686)			(1,115)
Net interest payable	3				(136)			(52)
Other finance charges	4				(50)			-
Loss on ordinary activities before taxation					(872)			(1,167)
Tax on loss on ordinary activities	6				(89)			(43)
Loss on ordinary activities after taxation					(961)			(1,210)
Equity minority interests					27			10
Loss transferred from reserves					(934)			(1,200)
Loss per share - Basic and diluted	8				(2.82)p			(10.35)p
Adjusted earnings/(loss) per share								
- basic and diluted	8				1.61p			(0.26)p

Statement of total recognised gains and losses

For the year ended 31 March 2005

	31 March 2005 Total £000	31 March 2004 Total £000
Loss for the financial year	(934)	(1,200)
Pension scheme		
- Actual return less expected return on scheme assets	(75)	-
- Changes in assumptions underlying the present value of the scheme liabilities	(152)	-
Total recognised loss for the financial year	(1,161)	(1,200)

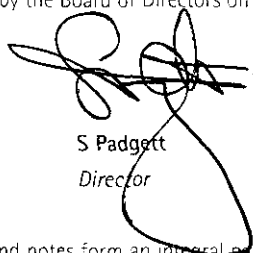
The changes in the pension scheme liability are detailed in note 28 to the accounts.

Consolidated balance sheet

As at 31 March 2005

	Note	31 March 2005 Total £000	31 March 2004 Total £000
Fixed assets			
Intangible assets	9	20,687	1,507
Tangible assets	10	483	189
		21,170	1,696
Current assets			
Debtors	12	5,040	3,007
Cash at bank and in hand		186	1,348
		5,226	4,355
Creditors: amounts falling due within one year	13	(9,935)	(4,881)
Net current liabilities		(4,709)	(526)
Total assets less current liabilities		16,461	7,170
Creditors: amounts falling due after more than one year	14	(989)	(39)
Net assets excluding pension liability		15,472	7,131
Pension liability	28	(3,165)	-
Net Assets		12,307	7,131
Capital and reserves			
Called up share capital	17	2,062	1,168
Share premium account	18	13,472	8,002
Profit and loss account	18	(3,152)	(1,991)
Equity shareholders' funds	19	12,382	7,179
Minority interests		(75)	(48)
		12,307	7,131

The financial statements were approved by the Board of Directors on 8 September 2005

J Jasper
DirectorS Padgett
Director

The accompanying accounting policies and notes form an integral part of these financial statements.


Company balance sheet

As at 31 March 2005

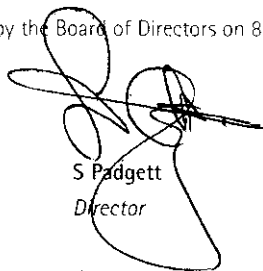
	Note	31 March 2005 Total £000	31 March 2004 Total £000
Fixed assets			
Tangible assets	10	73	8
Investments	11	17,358	7,346
		17,431	7,354
Current assets			
Debtors	12	1,571	1,456
Cash at bank and in hand		—	514
		1,571	1,970
Creditors: amounts falling due within one year	13	(4,576)	(767)
Net current (liabilities)/assets		(3,005)	1,203
Total assets less current liabilities		14,426	8,557
Creditors: amounts falling due after more than one year	14	(989)	(39)
Net assets		13,437	8,518
Capital and reserves			
Called up share capital	17	2,062	1,168
Share premium account	18	13,472	8,002
Profit and loss account	18	(2,097)	(652)
Equity shareholders' funds	19	13,437	8,518

The financial statements were approved by the Board of Directors on 8 September 2005

J Jasper
Director



S Padgett
Director



The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 31 March 2005

	Note	31 March 2005 Total £000	31 March 2004 Total £000
Net cash outflow from operating activities	20	(2,592)	(730)
Returns on investments and servicing of finance			
Interest received		31	16
Interest paid		(139)	(65)
Hire purchase interest paid		(3)	(3)
Net cash outflow from returns on investments and servicing of finance		(111)	(52)
Taxation			
Corporation Tax paid		(147)	(43)
Net cash outflow from taxation		(147)	(43)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(253)	(36)
Sale of tangible fixed assets		65	-
Net cash outflow from capital expenditure and financial investment		(188)	(36)
Acquisitions and disposals			
Purchase of subsidiary undertakings and businesses		(4,971)	(3,246)
Payments in respect of previous acquisitions		(20)	(20)
Cash acquired with subsidiary undertakings		204	875
Cash received on disposal of business		382	-
Purchase of business		-	(25)
Net cash outflow from acquisitions and disposals		(4,405)	(2,416)
Financing			
Issue of ordinary share capital (net of expenses)		5,864	3,684
Repayment of borrowings		(15)	(43)
Increase/(reduction) in invoice discounting facility		304	(419)
Capital element of finance lease rentals		(24)	(12)
Net cash inflow from financing		6,129	3,210
Decrease in cash	21	(1,314)	(67)

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2005

1 Turnover and loss on ordinary activities before taxation

	2005 £000	2004 £000
Auditors' remuneration:		
Audit services	85	36
Non-audit services (see below)	178	68
	263	104
Exceptional items:		
Settlement of legal dispute and related costs	-	30
Non-operating costs incurred on new business expansion plan	-	452
Write off loan to investee	-	166
Restructuring costs	69	80
Redundancy on closure of a business	49	-
Payment to former director	-	26
	118	754
Amortisation:		
Goodwill - normal	757	153
Goodwill - exceptional impairment	591	263
	1,348	416
Amortisation of intangible asset (software development)	7	-
	1,355	416
Depreciation:		
Tangible fixed assets, owned	175	82
Tangible fixed assets, held under hire purchase contracts	27	12
	202	94
Other operating lease rentals	529	178

Exceptional impairment of goodwill relates to the impairment of the goodwill attributed to the subsidiary Bluenose Limited which no longer trades and an impairment of the goodwill attributed to the 75% subsidiary Next Generation IT Recruitment Limited which ceased to trade in August 2005.

Non-audit fees comprise tax compliance £13,000, tax advice £5,000, due diligence £132,000, group restructuring advice £24,000 and other £4,000.

In addition £59,000 was paid in respect of services for a share placing which has been offset against the share premium account.

2 Segmental reporting

The analysis by class of business of the Group's turnover, which is wholly derived in the UK, operating profit/(loss) and net assets are set out below.

	Turnover		Operating profit/(loss) before goodwill amortisation and exceptional items		Operating profit/(loss) after goodwill amortisation		Net assets/(liabilities)	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Supporta Services	8,745	1,510	1,354	250	793	(264)	720	(913)
Supporta Care	8,286	4,550	(8)	(357)	(203)	(434)	(152)	(226)
General Recruitment	3,440	3,818	(85)	85	(725)	(194)	(194)	(248)
Corporate	-	-	(509)	102	(579)	(198)	11,933	8,518
	20,471	9,878	752	80	(714)	(1,090)	12,307	7,131

3 Net interest

	2005 £000	2004 £000
Interest payable and similar charges		
On bank loans and overdrafts	(66)	(10)
On invoice discounting facility	(73)	(55)
Other interest	(25)	-
Finance charges in respect of hire purchase contracts	(3)	(3)
	(167)	(68)
Other interest receivable and similar income		
Bank interest	31	16
	(136)	(52)

4 Other finance charges

	2005 £000	2004 £000
Expected return on pension scheme assets	143	-
Interest on pension scheme liabilities	(193)	-
	(50)	-

5 Directors and employees

Staff costs during the year were as follows:

	2005 £000	2004 £000
Wages and salaries	8,727	1,838
Social security costs	592	172
Redundancy costs	147	14
Pension costs	328	65
	9,794	2,089

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

	2005 Number	2004 Number
Directors	8	6
Supporta Services	182	36
General Recruitment	13	12
Supporta Care - administration	49	20
Supporta Care - home care staff	318	117
Corporate	19	14
	590	205

The directors' annual remuneration is disclosed individually in the directors' report.

Remuneration in respect of directors was as follows:

	2005 £000	2004 £000
Emoluments	526	111
Gains made on the exercise of share options	22	-
Pension contributions to a money purchase pension scheme	16	14
	564	125

The highest paid director in the year received remuneration of £137,000 (2004: £32,000).

Notes to the financial statements (continued)

For the year ended 31 March 2005

6 Tax on loss on ordinary activities

The tax charge represents:

	2005 £000	2004 £000
Current tax:		
UK Corporation tax @30% (2004: 30%) on loss for the period	175	42
Adjustments in respect of previous period	(82)	1
Tax charge on loss on ordinary activities	93	43
Deferred Tax: Origination and reversal of timing differences	(4)	-
Tax charge on loss on ordinary activities	89	43

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained as follows:

	2005 £000	2004 £000
Loss on ordinary activities before taxation	(872)	(1,167)
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2004: 30%)	(262)	(350)
Goodwill amortisation	254	125
Goodwill impairment	150	-
Rate differences/marginal relief	(2)	-
Amounts written off investments	(8)	8
Losses brought forward and utilised	(6)	-
Adjustments to tax in previous period	(82)	1
Short term timing differences	-	(5)
Exceptional provision	-	45
Losses not utilised	-	195
Depreciation charges in excess of capital allowances	(21)	9
Capital allowances in excess of depreciation	-	-
Permanent differences and other	70	15
Current tax charge for the period	93	43

7 Loss for the financial year

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent company's loss for the year was £1,445,000 (2004: loss £336,000).

8 Loss per share and adjusted earnings/(loss) per share

Basic loss per share is based on losses attributable to ordinary shares of £934,000 (2004: £1,200,000) and 33,067,822 ordinary shares (2004: 11,593,312) of 5p each, being the average number of shares in issue during the year.

Adjusted earnings/(loss) per share is based upon the adjusted profit/(loss) attributable to ordinary shares of £532,000 (2004: loss of £30,000) and 33,067,822 ordinary shares (2004: 11,593,312) of 5p each, being the average number of shares in issue during the year is calculated on the following basis:

	2005 £000	2004 £000
Loss stated for the year	(934)	(1,200)
Exceptional items	118	754
Amortisation and impairment of goodwill	1,348	416
Adjusted profit/(loss)	532	(30)
Adjusted earnings/(loss) per share (pence)	1.61	(0.26)

In 2004 and 2005 the share options are anti-dilutive.

9 Intangible fixed assets**The Group**

	Research and Development £000	Goodwill on consolidation £000	Total £000
Cost			
At 1 April 2004	–	8,033	8,033
Acquisition of Subsidiary undertakings	78	–	78
Additions	55	14,427	14,482
On disposal	–	(25)	(25)
At 31 March 2005	133	22,435	22,568
Amortisation			
At 1 April 2004	–	526	526
Provided in the year	7	757	764
Impairment in the year	–	591	591
At 31 March 2005	7	1,874	1,881
Net book amount			
At 31 March 2005	126	20,561	20,687
At 31 March 2004	–	7,507	7,507

See note 25 for details of goodwill arising in the year.

During the year the Group disposed of a group of businesses. Goodwill of £25,000 was included in the sale of these businesses, see note 24.

Research and development intangible assets relate to the development of software products in the Supporta Services division.

Notes to the financial statements (continued)

For the year ended 31 March 2005

10 Tangible fixed assets

The group

	Leasehold Property £000	Office Equipment £000	Computer software £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2004	39	214	70	-	323
Additions	-	225	12	-	237
Disposals	-	(33)	(3)	-	(36)
Acquisition of subsidiary undertakings	4	223	37	11	275
At 31 March 2005	43	629	116	11	799
Depreciation					
At 1 April 2004	9	80	45	-	134
Provided in the year	9	166	26	1	202
On disposal	-	(17)	(3)	-	(20)
At 31 March 2005	18	229	68	1	316
Net book amount					
At 31 March 2005	25	400	48	10	483
At 31 March 2004	30	134	25	-	189

The company

	Office Equipment £000	Computer software £000	Total £000
Cost			
At 1 April 2004	11	3	14
Additions	96	3	99
Disposals	(19)	(3)	(22)
At 31 March 2005	88	3	91
Depreciation			
At 1 April 2004	3	3	6
Provided in the year	22	1	23
Disposals	(8)	(3)	(11)
At 31 March 2005	17	1	18
Net book amount			
At 31 March 2005	71	2	73
At 31 March 2004	8	-	8

The figures stated above include assets held under hire purchase contracts, as follows:

	Office Equipment	Computer software	Group Total £000
Net book value			
At 31 March 2005	52	2	54
At 31 March 2004	-	17	17
Depreciation provided in the year	12	15	27

11 Fixed asset investments**The company**

	Subsidiary Undertaking £000
Cost and net book amount	
At 1 April 2004	7,346
Additions	10,617
Impairment	(605)
At 31 March 2005	17,358

Additions relate to the purchase of 100% of the ordinary share capital of the Parys Snowdon Group and the purchase of the business of Quality Care and the purchase of the business of SDMS Services (see note 25).

The impairments relate to SV Staffing Ltd, a subsidiary which no longer trades, which had an investment cost of £150,000, Bluenose Ltd, a subsidiary which no longer trades, which had an investment cost of £304,876 and Next Generation IT Recruitment Ltd which ceased to trade in August 2005 and had an investment cost of £150,000.

At 31 March 2005 the principal undertakings where the group held 20% or more of the equity share capital are shown below. A full list of subsidiary undertakings is shown on the Company annual return which is filed at Companies House and is also available from the Company Secretary upon request.

	Country of incorporation	Class of share capital held	Proportion held		Nature of business
			by parent company	by the group	
Subsidiary undertakings:					
Supporta Care Limited	United Kingdom	Ordinary	100%	100%	Home and social care provision
Supporta Services Ltd	United Kingdom	Ordinary	100%	100%	Support Services
Parys Snowdon Group Ltd	United Kingdom	Ordinary	100%	100%	Holding company
Parys Snowdon Systems Ltd	United Kingdom	Ordinary	100%	100%	IT Systems and services
PS Audit Services Ltd	United Kingdom	Ordinary	100%	100%	Internal Audit services
Parys Snowdon Payroll Limited	United Kingdom	Ordinary	100%	100%	Payroll Services
Parys Snowdon Managed Services Limited	United Kingdom	Ordinary	100%	100%	Archiving services
Staff VMS Limited	United Kingdom	Ordinary	100%	100%	Back office services
Next Generation IT Recruitment Limited	United Kingdom	Ordinary	75%	75%	Recruitment

12 Debtors

	The group		The company	
	2005 £000	2004 £000	2005 £000	2004 £000
Trade debtors	3,743	2,446	—	—
Amounts owed by subsidiary undertakings	—	—	1,535	1,413
Social security and other taxes	20	—	—	—
Corporation tax	89	—	—	—
Other debtors	280	179	8	22
Prepayments and accrued income	908	382	28	21
	5,040	3,007	1,571	1,456

Notes to the financial statements (continued)

For the year ended 31 March 2005

13 Creditors: amounts falling due within one year

	The group		The company	
	2005 £000	2004 £000	2005 £000	2004 £000
Bank loans and overdrafts	1,444	646	–	–
Trade creditors	990	831	130	114
Amounts owed to group undertakings	–	–	–	600
Corporation tax	174	99	–	–
Social security and other taxes	1,217	1,355	80	–
Other creditors	690	740	59	20
Accruals and deferred income	1,172	1,199	59	22
Deferred consideration	4,227	–	4,227	–
Amounts due under and hire purchase contracts	21	11	21	11
	9,935	4,881	4,576	767

The bank loans and overdrafts are secured by a fixed and floating charge over all the assets the group.

Included in bank loans and overdrafts is an invoice discounting facility, as detailed in note 16, which is secured on the trade debtors of the group.

Amounts due under hire purchase contracts are secured on the assets to which they relate.

14 Creditors: amounts falling due after more than one year

	The group		The company	
	2005 £000	2004 £000	2005 £000	2004 £000
Deferred consideration	954	35	954	35
Amounts due under hire purchase contracts	35	4	35	4
	989	39	989	39

The total deferred consideration relates to the acquisitions in the year of Parys Snowdon Group (£4,127,000), Quality Care (£931,500) and SDMS Services (£87,500), and also consideration relating to an acquisition in a previous year (£35,000).

15 Borrowings

Borrowings are repayable as follows:

	The group		The company	
	2005 £000	2004 £000	2005 £000	2004 £000
Within one year				
Bank and other borrowings	1,444	646	–	–
Hire purchase contracts	21	11	21	11
After one and within two years				
Hire purchase contracts	35	4	35	4
	1,500	661	56	15

16 Financial instruments

The group uses financial instruments comprising borrowings, cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The main risks arising from the group financial instruments are interest rate risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

Interest rate risk

The group finances its operations through a mixture of cash, bank borrowings, invoice discounting and hire purchase contracts.

The fair value of the financial instruments is not materially different to the book value.

The interest rate exposure of the financial assets and liabilities of the group as at 31 March 2005 and 31 March 2004 was:

	Interest Rate			Interest Rate		
	Fixed 2005 £000	Floating 2005 £000	Total 2005 £000	Fixed 2004 £000	Floating 2004 £000	Total 2004 £000
2005						
Financial assets						
Cash at bank	–	186	186	–	1,348	1,348
Financial liabilities						
Bank overdrafts	–	(192)	(192)	–	(41)	(41)
Bank loans	–	(358)	(358)	–	(15)	(15)
Invoice discounting facility	–	(894)	(894)	–	(590)	(590)
Hire purchase contracts	(56)	–	(56)	(15)	–	(15)
	(56)	(1,444)	(1,500)	(15)	(646)	(661)
	(56)	(1,258)	(1,314)	(15)	702	687

At 31 March 2005 bank overdrafts amounting to £192,454, bank loans amounting to £358,000 and an invoice discounting facility of £893,920 were subject to floating interest rates. The only financial liabilities subject to fixed interest rate were hire purchase. The floating rate borrowings bear interest rates based on LIBOR.

The weighted average fixed interest rate and weighted average period for which the rate is fixed for liabilities at 31 March 2005 was 11.81% and 2.76 years respectively.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable cash requirements and to invest cash assets safely and profitably.

Short-term flexibility is achieved by the use of overdraft facilities.

Notes to the financial statements (continued)

For the year ended 31 March 2005

17 Share capital

	2005 £000	2004 £000
Authorised		
60,000,000 (2004:40,000,000) ordinary shares of 5p each	3,000	2,000
Allotted, called up and fully paid		
41,238,909 (2004: 23,345,618) ordinary shares of 5p each	2,062	1,168

Allotments during the year:

On 13 September 2004 16,437,504 new ordinary 5p shares were issued at a price of 38p per share raising £5,804,270 net of expenses.

On 13 September 2004 1,315,789 new ordinary 5p shares were issued at a price of 38p per share as part of the consideration of the acquisition of Quality Care.

On 10 December 2004 100,000 new ordinary 5p shares were issued at a price of 40p per share following an exercise of employee share options.

On 14 January 2005 40,000 new ordinary 5p shares were issued at a price of 50p per share following an exercise of employee share options.

The difference between the proceeds for the shares and the nominal value of the shares issued has been credited to the share premium account, net of share issue costs.

18 Share premium account and reserves

The group

	Share premium account £000	Profit and loss account £000
At 1 April 2004	8,002	(1,991)
Retained loss for the year	–	(934)
Premium on allotment during the year	5,912	–
Share issue costs	(442)	–
Actuarial loss	–	(227)
At 31 March 2005	13,472	(3,152)

The company

	Share premium account £000	Profit and loss account £000
At 1 April 2004	8,002	(652)
Retained loss for the year	–	(1,445)
Premium on allotment during the year	5,912	–
Share issue costs	(442)	–
At 31 March 2	13,472	(2,097)

19 Reconciliation of movements in shareholders' funds

	2005 £000	2004 £000
Group		
Loss for the financial year	(934)	(1,200)
Issue of shares	6,364	5,684
Actuarial loss	(227)	-
Net increase in shareholders' funds	5,203	4,484
Shareholders' funds at 1 April	7,179	2,695
Shareholders' funds at 31 March	12,382	7,179
	2005 £000	2004 £000
Company		
Loss for the financial year	(1,445)	(336)
Issue of shares	6,364	5,684
Net increase in shareholders' funds	4,919	5,348
Shareholders' funds at 1 April	8,518	3,170
Shareholders' funds at 31 March	13,437	8,518

20 Net cash outflow from operating activities

	2005 £000	2004 £000
Operating loss	(714)	(1,090)
Depreciation	202	247
Amortisation	764	-
Impairment of intangible fixed assets	591	263
Loss on sale of tangible fixed assets	-	7
Increase in debtors	(941)	(866)
(Decrease)/ increase in creditors	(2,494)	709
Net cash outflow from operating activities	(2,592)	(730)

21 Reconciliation of net cash flow to movement in net funds/borrowings

	2005 £000	2004 £000
Decrease in cash in the year	(1,313)	(67)
Cash (inflow)/outflow from financing	(289)	462
Cash outflow from hire purchase contracts	24	12
Change in net funds resulting from cash flows	(1,578)	407
Inception of hire purchase contracts	(65)	(18)
Loan acquired on acquisition of subsidiary	(358)	-
Movement in net funds in the year	(2,001)	389
Net funds at 1 April	687	298
Net borrowings at 31 March	(1,314)	687

Notes to the financial statements (continued)

For the year ended 31 March 2005

22 Analysis of changes in net funds

	At 1 April 2004 £000	Cash flow £000	On acquisition £000	Non-cash items £000	At 31 March 2005 £000
Cash in hand and at bank	1,348	(1,162)	-	-	186
Overdraft	(41)	(151)	-	-	(192)
	1,307	(1,313)	-	-	(6)
Debt					
Bank loan	(15)	15	(358)	-	(358)
Hire purchase contracts	(15)	24	-	(65)	(56)
Invoice discounting	(590)	(304)	-	-	(894)
	687	(1,578)	(358)	(65)	(1,314)

23 Major non-cash transactions

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease for £65,266 (2004: £18,000).

Part of the consideration for the purchases of interests in subsidiary undertakings comprised shares. Further details of these acquisitions are given in note 25 below.

24 Disposals

On 14th January 2005 the Group disposed of a number of sub-divisions of its subsidiary Supporta Care Limited that carried on the trade in general recruitment. Group profits include £43,000 earned by those businesses up to the date of disposal.

Net assets disposed

	At 14 January 2005 £000
Tangible fixed assets	4
Trade debtors	503
Other creditors	(28)
Purchased goodwill	25
	504
Satisfied by:	
Cash	382
Deferred consideration	145
Less provision against consideration	(20)
	507
Profit on sale	3

25 Acquisitions

Additions to goodwill during the year were as follows:

	£000
Hindsight adjustment to goodwill on previous acquisition	42
Purchase of SDMS Limited	355
Acquisition of Parys Snowdon Group Limited	9,624
Purchase of Quality Care	4,406
	14,427

The hindsight adjustment to goodwill on a previous acquisition relates to the fair value of a debtor in Parys Snowdon Payroll Services Limited.

The acquisition of Parys Snowdon Group

On 13 September 2004 the group acquired 100% of the ordinary share capital in a group of companies called Parys Snowdon Group Ltd for initial consideration of £1,550,000, satisfied in cash.

The maximum deferred consideration is capped at £7,515,000, before acquisition costs, and is contingent on achieving certain profits before interest and tax (PBIT) in the earn-out period.

The earn out is payable based on a multiple of 8.4 times PBIT for the year ended 31 March 2005 and March 2006.

In the year ending 31 March 2005 the earn out is payable based on PBIT less a deduction of £1,725,000 such profit is capped at £700,000.

In respect of the year ending 31 March 2006 the earn out is payable based on PBIT in excess of £700,000 but less than £1.1million.

The company has the option to satisfy the deferred consideration by either additional consideration share or cash or a combination of either.

The additional consideration is payable within 10 business days of signing the financial statements of Supporta plc Group accounts.

Goodwill arising on the acquisition has been capitalised in the consolidated balance sheet. The purchase of these companies has been accounted for by the acquisition method of accounting.

Notes to the financial statements (continued)

For the year ended 31 March 2005

25 Acquisitions (continued)

The assets and liabilities of the Parys Snowdon Group acquired during the year were as follows:

	Book value £000	Fair value adjustment	Provisional fair value £000
Fixed assets			
Tangible	247	–	247
Current assets			
Debtors	1,341	(96)	1,245
Bank and cash	204	–	204
Total assets	1,792	(96)	1,696
Creditors			
Trade creditors	389	–	389
Loans	358	–	358
Other creditors	1,014	135	1,149
Corporation Tax	14	–	14
Accruals	775	–	775
Pension fund deficit	–	2,807	2,807
Total liabilities	2,550	2,942	5,492
Net liabilities	(758)	(3,038)	(3,796)
Goodwill arising on consolidation			9,624
			5,828
Satisfied by:			
Cash and acquisition costs			1,701
Future deferred consideration			4,127
			5,828

The fair values may be revised within the year to March 2006 if deemed necessary.

The fair value adjustment include

- > a revaluation of debtors to exclude a bad debt
- > inclusion of a deficit on the final salary pension scheme
- > an inclusion of a liability of an employment tribunal
- > exclusion of a deferred tax asset to bring into line with group accounting policies

The profit and loss accounts of Parys Snowdon Group for the period from 1 April 2004 to 13 September 2004 and from 1 March 2003 to 31 March 2004 are summarised below:

	Period to 13 September 2004 £000	12 months to March 2004 £000
Turnover	2,153	5,724
Operating loss	(364)	(653)
Profit on disposal of fixed asset investment	–	4,839
Net (loss)/profit before taxation	(363)	4,595
Taxation	–	15
Net (loss)/profit after taxation	(363)	4,610

25 Acquisitions (continued)**The acquisition of Quality Care and SDMS***Quality Care*

On 13 September 2004 the Group acquired the trade and assets of Quality Care, an unincorporated business for initial consideration of £3,350,000 satisfied by cash of £2,850,000 and the issue of 1,315,789 ordinary shares at 38p.

The maximum consideration is capped at £4,325,500 before acquisition costs. The remaining consideration of £975,500 being contingent on profits before interest and tax (PBIT) in the earn-out period. The earnout period is from the period of completion to 31 March 2005 and the year to 31 March 2006. In relation to the period to March 2005, the maximum consideration to be paid is £480,000, intended to be satisfied in cash. In relation to the year to March 2006, the maximum consideration to be paid is £500,000 payable in cash and the allotment of consideration shares.

The addition consideration is payable within 10 business days of signing the financial statements of the Supporta plc Group accounts.

SDMS Services

On 22 April 2004 the Group acquired the trade of SDMS Services, an unincorporated business for maximum consideration of £350,000. The consideration is payable in cash, of which £87,500 was paid on acquisition, £87,500 on 30 June 2004 and £87,500 on 31 December 2004. A further £87,500 consideration is payable contingent upon future profit before interest and tax in December 2006.

	Quality Care £000	SDMS £000	Total Book and fair value £000
Fixed assets			
Tangible	28	–	28
Total assets	28	–	28
Net assets	28	–	28
Goodwill arising on consolidation	4,406	355	4,761
	4,434	355	4,789

Satisfied by:

Cash and acquisition costs	3,003	267	3,270
Issue of shares	500	–	500
Future deferred consideration	931	88	1,019
	4,434	355	4,789

Following the acquisitions, Parys Snowdon Group, Quality care and SDMS Services made the following contributions to and utilisation of group cash flows:

	Parys Snowdon Group £000	Quality Care £000	SDMS Services £000
Net cash inflow from operating activities	187	315	–
Returns on Investment and servicing of finance	(40)	–	–
Capital expenditure and financial investment	(82)	–	–
Increase in cash	65	315	–

Notes to the financial statements (continued)

For the year ended 31 March 2005

26 Capital commitments

Neither the group nor the company had any capital commitments at 31 March 2005 or 31 March 2004.

27 Contingent liabilities

There were no contingent liabilities at 31 March 2005 or 31 March 2004.

28 Pensions

Defined contribution schemes

The Group operates a defined contribution Group personal pension scheme for the benefit of certain employees. The Group contributes to personal pension schemes of certain Directors and employees. The Group operates a stakeholder pension plan available to all employees.

Defined Benefit scheme

The Group contributes to defined benefits schemes on behalf of a number of employees. The Group operates a defined benefit pension scheme for the benefit of certain employees of Parys Snowdon Group Limited and its subsidiary undertakings and Parys Snowdon Payroll Services Limited. The assets of the scheme are administered by trustees in a fund independent from the assets of the Group. Up until the point of acquisition of Parys Snowdon Group Ltd, Supporta Plc was indemnified by Parys Snowdon Group Ltd against any deficit of the pension scheme relating to those employees of Parys Snowdon Payroll Services Ltd and thus the deficit of the pension scheme at March 2004 was not included in the prior year accounts of Supporta Plc.

FRS 17 Retirement Benefits

Costs and liabilities of the scheme are based on actuarial valuations. The latest full actuarial valuation was carried out at 1 April 1999 and updated to September 2004 and 31 March 2005 by a qualified independent actuary using the projected unit method.

The main assumptions used by the actuary were:

	31 March 2005 %	13 September 2004 %
Rate of increase in salaries	3.90	3.90
Rate of increase in pensions in payment	3.43	3.43
Discount rate	5.42	5.50
Inflation assumption	2.90	2.90

The assets in the scheme and the expected rates of return were:

	Long term rate of return expected 31 March 2005 %	Market value at 31 March 2005 £000	Long term rate of return expected 13 September 2004 %	Market value at 13 September 2004 £000
Equities	7.10	2,426	7.30	2,347
Bonds	5.00	780	5.00	754
Property	7.10	1,083	7.30	1,049
Cash	4.75	42	4.75	42
Total market value of assets		4,331		4,192
Present value of scheme liabilities		(7,496)		(6,999)
Deficit in scheme		(3,165)		(2,807)

28 Pensions (continued)

The movements in the net pension liability, on an FRS 17 basis, during the year ended 31 March 2005 were:

	31 March 2005 £000
Deficit at 13 September 2004 (on acquisition)	(2,807)
Total service cost	(178)
Contributions	97
Other financial income	(50)
Actuarial loss	(227)
	(3,165)

The history of experience gains and losses which are recognised under FRS 17 were:

	31 March 2005 £000
Actual less expected return	(75)
As a percentage of assets	(2%)
Experience gain (losses) on the liabilities	-
As a percentage of liabilities	0%
Total amount recognised in the Statement of total recognised gains and losses	(227)
As a percentage of liabilities	(3%)

29 Leasing commitments

Operating lease payments amounting to £531,000 (2004: £392,000) are due within one year. The leases to which these amounts relate expire as follows:

	31 March 2005		31 March 2004	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
In one year or less	52	2	-	2
Between one and five years	442	35	370	20
	494	37	370	22

30 Related party transactions

During the year the group paid £15,000 to Mears Group plc for the services of R Holt as a director and £53,000 to FMCB Consultancy Limited for the services of P Ellis as a director and M Stone as Company Secretary.

At 31 March 2005 the balance outstanding to FMCB Consultancy Ltd was £4,700 (2004: £4,700).

At 31 March 2005 the balance outstanding to Mears Group plc was £8,812. (2004: nil)

During the year the group paid to £14,000 to Countrywide Properties for the rental of a property which is owned by M Curran's personal pension scheme. There were no balances outstanding as at 31 March 2005.

During the year the group purchased services to the value of £316,000 from Parys Snowdon Systems Limited and also £21,000 from Parys Snowdon Managed Services prior to the companies being acquired by the group.

There were no other balances outstanding in respect of the above transactions.

Notes to the financial statements (continued)

For the year ended 31 March 2005

31 Post balance sheet events

Share options granted and exercised post year end

On 13 May 2005 a former employee exercised 10,000 share options that were previously granted under the company EMI scheme. The exercise price was 50p.

On 31 March 2005 J Jasper was granted share options equal to 2% of the issued share capital at that date pursuant to an agreement dated 10 August 2004. The option price of the share options is equal to the average of the mid Market price of a share over the 10 dealing days ending on 31 March 2005.

Under the same agreement J Jasper will be granted an amount of share options to take the cumulative share options under this agreement to be equal to 3% of the issued share capital on 31 March 2006, 4% of the issued share capital on 31 March 2007 and 5% of the issued share capital on 31 March 2008.

An amendment to this agreement was made on 8 September 2005 which ensured any share options currently held under the EMI scheme were excluded from the calculation of the cumulative share options at each date.

On 20 July 2005 S Padgett was granted 250,000 share options, M Curran was granted 250,000 share options and R Jenkins was granted 25,000 share options, and those options were granted at an option price of 62.5p.

Under an agreement dated 8 September 2005 S Padgett will be granted share options equal to 0.5% of the issued share capital on 31 March 2006. The option price of the share options is equal to the average of the mid Market price of a share over the 10 dealing days ending on 31 March 2006.

Under the same agreement S Padgett will be granted an amount of share options to take the cumulative share options under this agreement to be equal to 0.75% of the issued share capital on 31 March 2007, 1.0% of the issued share capital on 31 March 2008, 1.25% of the issued share capital on 31 March 2009, and 1.5% of the issued share capital on 31 March 2010.

Under an agreement dated 8 September 2005 M Curran will be granted share options equal to 0.25% of the issued share capital on 31 March 2006. The option price of the share options is equal to the average of the mid Market price of a share over the 10 dealing days ending on 31 March 2006.

Under the same agreement M Curran will be granted an amount of share options to take the cumulative share options under this agreement to be equal to 0.375% of the issued share capital on 31 March 2007, 0.5% of the issued share capital on 31 March 2008, 0.625% of the issued share capital on 31 March 2009, and 0.75% of the issued share capital on 31 March 2010.

On 8 September 2005 the share options of R Holt were cancelled.

5 August 2005 Extraordinary General Meeting

The board of directors received shareholder approval to raise £6m gross (approximately £5.7 net of placing expenses) for the placing of 10,000,000 new ordinary shares of 5p each at 60p per share. The authorised share capital of the company has been increased from £3m to £5m by the creating of 40,000,000 ordinary shares of 5p each, ranking *pari passu* with the existing ordinary shares in the company. The allotment authorities were renewed in relation to the various acquisitions made during the year and subsequently.

The Supporta plc Savings Related Share Option Scheme 2005 was approved and adopted and the directors were given the authority to modify the rules of the scheme as necessary to secure or maintain Inland Revenue approval.

Acquisitions

On 9 August 2005 the Group acquired Roger P Dudley Limited, an architectural practice for £5.925m of which £4.425m was payable on completion and the remaining consideration of £1.5m is payable in loan notes which are redeemable in cash in two instalments of £550,000 and £950,000 (including interest in each case) on the 9 August 2006 and 9 August 2007 respectively.

On 9 August 2005 Roger P Dudley Limited had approximately £1.1m of cash on its balance sheet.

On 10 August 2005 Roger P Dudley Limited changed its name to Supporta Property Services Limited.

Banking Facilities

Banking facilities have been renewed with Barclays Bank PLC, pursuant to a new credit agreement dated 16 September 2005. Outline terms include a term loan of £2.5m and a revolving credit loan facility of £2m.



Supporta plc
22a Theobalds Road
London
WC1X 8PF