HC002389

Supporta plc

Annual Report & Accounts 2007

Better lives, better living spaces

Thousands of people throughout the UK are benefiting from the services of Supporta plc.

Supporta is united by a common aim to provide cost effective and high quality offerings across our businesses. We work in partnership with a range of clients in central and local government, the NHS, and with some private clients.

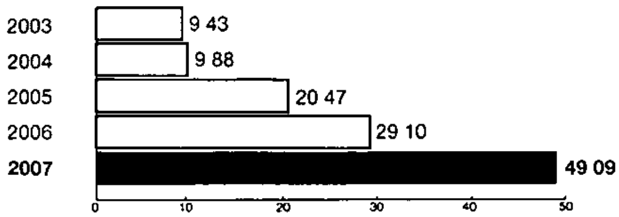
We have a proven track record of supplying our partners with innovative solutions to their business challenges. Our growth organically and by acquisition has led to a valuable enhancement of our capability as a Group and widened the range of products and services we now offer. The markets in which we operate continue to expand, which we believe will provide further exciting opportunities for growth.

At Supporta we are immensely proud that the output from our services makes a difference daily, in a variety of ways, to people's lives.

Contents

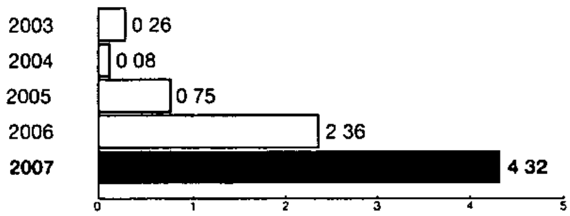
Highlights of the Year

Turnover (£m)



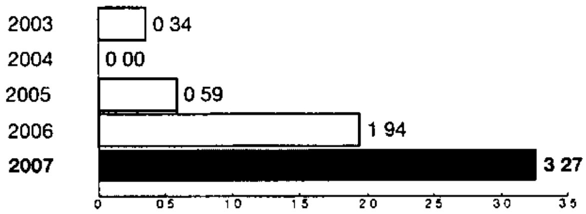
↑69%

Operating profit* (£m)



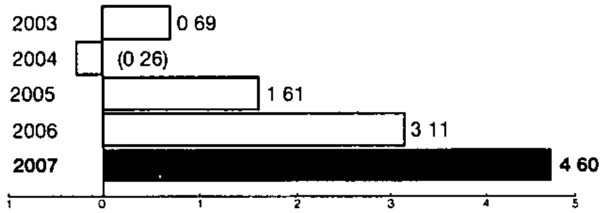
↑83%

Profit before tax* (£m)



↑69%

Basic earnings per share* (p)



↑48%

Operational highlights

- Turnover increased by 69% to £49 09m (2006 £29 10m)
- Operating profit* increased by 83% to £4 32m (2006 £2 36m)
- Profit before tax* increased by 69% to £3 27m (2006 £1 94m)
- Adjusted basic earnings per share* grew by 48% to 4 60p (2006 3 11p)
- Net cash inflow from operating activities up 204% to £3 43m (2006 £1 13m)
- The trading divisions contributed to operating profit as follows
  - Care growing 160% to £2 94m (2006 £1 13m)
  - Professional Services growing 21% to £3 38m (2006 £2 80m)
- Order book including anticipated revenue from framework contracts increased by 31% to £81m (2005 £62m)
- Increase in banking facilities from £19 00m to £31 88m
- Three key strategic acquisitions completed and performing to expectations
- Reorganisation of Group into two divisions, including disposal of the payroll business subsequent to the year end
- Loss for the period of £4 22m (2006 £0 09m) after charging amortisation of goodwill and intangible assets of £2 32m (2006 £1 39m) and exceptional items of £4 81m (2006 £0 29m)

**before share based payment charge, exceptional items and amortisation and impairment of goodwill and intangible assets*

Chairman's Statement

We have delivered another year of record operating profits* at £4.32m (+83%) and growth in adjusted earnings per share* of 48%*.

Dr Clive Grace
Non Executive Chairman

Introduction
I am pleased to present the results for the year ended 31 March 2007 The highlights set out on the previous page are testimony to the fast growing success of our business

During this last year Supporta plc has improved its position as a leading support services organisation within the UK

Our Care division has developed strongly through an outstanding new management team and is now the fourth largest private provider of domiciliary care within the UK It continues to operate within an extremely buoyant marketplace and is well placed to benefit from further organic growth and anticipated consolidation within this sector

Our new Professional Services division has been created in order to maximise the synergies we have identified as a result of recent acquisitions Through combining these acquisitions with our existing Supporta RPD architectural practice, we have been able to provide a more comprehensive and value added service to our customer base

Despite such progress, the Board feels that more can be done to realise Supporta's full value It is the Board's belief that the share price at the end of the financial year neither fully reflected the underlying shareholder value, nor Supporta's future potential The Board therefore instituted a strategic review in May 2007, to strengthen the focus of Supporta and ensure that shareholders realise the underlying and potential value of the Group

Performance in 2006/7
The year has seen very strong year on year growth in all key financial measures We have delivered another year of record operating profits* at £4 32m (+83%) and growth in adjusted earnings per share* of 48%*

We are particularly pleased to have achieved this, given that changes to planning regulations implemented in August 2006 have affected results for the Professional Services division These changes introduced additional complexity and have caused some unexpected delays in work for our Registered Social Landlord (RSL) clients As a result, architectural design contracts expected in February and March are now starting in the first half of the 2007/8 financial year We decreased Supporta's earnings estimates for 2006/7 following our announcement of these issues on 22 March 2007

Trading outlook
Trading for the year to date is in line with expectations and we believe that the Group is well positioned to deliver strong underlying organic growth in the year Supporta Care and Supporta Professional Services continue to perform very positively and have excellent opportunities for growth

Core values
We aspire to be both the supplier and the employer of choice for our customers and employees These core values underpin our entire business
Supporta now has an impressive list of customers, predominantly in the public sector We provide a range of critical

**before share based payment charge, exceptional items and amortisation and impairment of goodwill and intangible assets*

services which enhance peoples' lives on a daily basis We acknowledge this burden of responsibility and accountability and strive to put in place quality controls to ensure that every customer's experience of Supporta is both positive and mutually rewarding The Board regularly receives reports on customer satisfaction and customer feedback, reflecting the importance which it attaches to meeting and exceeding their expectations

To be the employer of choice we need a highly professional, trained and motivated workforce We aim to reward staff competitively for the roles they undertake We also realise that for many of our staff their roles are vocations rather than simply jobs We aim to enrich their work life through training and development which helps them meet their aspirations and also improves the quality of our services We monitor feedback from staff and seek ways in which their working lives can be even more rewarding

Our staff continue to show exceptional dedication to their roles and make a huge contribution to the quality of life of many thousands of people, often some of the most vulnerable in the United Kingdom On this note I would like to thank on behalf of the Board all Supporta staff who have helped deliver these outstanding financial results and customer satisfaction for the past year

Changes to the Board

In order to ensure further progress towards our core values, we strengthened the executive leadership of Supporta in spring 2007 John Jasper was asked to take a full-time hands-on role within the business, having been appointed Group Chief Executive on 29 January 2007 I became the Non-Executive Chairman, and the membership of the plc Board has been further significantly strengthened I am delighted to welcome three new Directors to the team

Darren Xiberras was appointed Group Finance Director on 23 May 2007 having previously served as Director of Mergers and Acquisitions for the Group Stephen Whiting and Bernadette Walsh were also both appointed to the plc Board on 1 June 2007, Bernadette having been appointed as Managing Director of Supporta Care on 23 August 2006

The Board of Directors has the drive and determination to achieve our ambitious strategic objectives

Supporta takes corporate governance very seriously, following the principles of the Combined Code on Corporate Governance although it is not required to do so In most respects we observed the Combined Code in full across 2006/7 The recent changes in the Board mean that we need to add further non-executive capacity, and we are already working towards further non-executive appointments

Dr Clive Grace
Non Executive Chairman

24 June 2007

During this last year Supporta plc has improved its position as a leading support services organisation within the UK

Group Chief Executive's Report

For the year ended 31 March 2007

John Jasper
Group Chief Executive

Business performance

During the year there have been a number of highlights, including

- Strengthened management team
- Both divisions contributing to Group profits and generating operating cash flow
- Underlying organic growth in turnover
- 3 key acquisitions completed and performing to expectations
- 10 new contract wins in our Care division

Corporate development

We are now a truly national Group with teams providing services in the capital cities of each of the four home nations in Belfast, Cardiff, Edinburgh and London In addition we have expanded Professional Services into Birmingham and Care into Bristol, Islington, Kensington & Chelsea, Lambeth, Liverpool, Nottinghamshire and Oxfordshire during the past twelve months Our service offering is now much wider than had previously been the case, as represented in the matrix provided on page 5

Following a detailed review of Supporta's range of services and markets, we decided to dispose of the Supporta Payroll business, completing this transaction on 4 May 2007 The business was unsuccessful in its re-tender for payroll services with the Leicestershire consortium and the contract ceased on 31 March 2007 This accounted for approximately 15% of Services divisional turnover (approximately £1 8m per annum) A review of the division's activities was undertaken and the Directors decided to dispose of this activity, because organic growth opportunities were lower than their ambition We announced on 4 May 2007 that the business had been sold to McKesson Corporation for a total consideration of £3 7m in cash (£2 7m net of transaction expenses and expected taxation charge)

Following this disposal we have reorganised the business into two operating divisions, Supporta Care and Supporta Professional Services

Supporta Care

The strategy for our Care division is to continue to grow a national brand for provision of home care services, mainly to the public sector across the UK We are well placed as the fourth largest private provider of these services to benefit from the continued consolidation of this market place, driven by increased complexity and regulation

The home care market in the UK is already worth approximately £2 5bn Furthermore, it is reported to be growing at 6% per annum due to demographic factors, peoples' desire to maintain independent lifestyles and budgetary pressures on local authorities The private sector share of this market currently stands at around 73%, which is growing at 11% per annum Our 2006/7 organic growth rate of 13% compares favourably to this, as local authorities increasingly look to outsource their in-house provision

Service offering

	Local Authority	Central Government	RSLs	Infrastructure Providers	Health	Private Sector
SUPPORTA CARE						
Domiciliary Care	●		●		●	●
SUPPORTA PROFESSIONAL SERVICES						
Architectural Services		●	●	●		
Civil and Structural Engineering Consultancy	●	●	●			●
Land and Property Consultancy	●	●		●		●
Archiving		●			●	●
Data Scanning	●				●	●
Business Process Outsourcing		●				
ICT Systems Consultancy	●				●	

As the fourth largest provider in the United Kingdom, Supporta Care provides over 50,000 hours of home care per week in England and Scotland

The top six providers still only account for around 20% of the outsourced marketplace, giving an indication of the huge level of fragmentation that still exists We have observed that care packages are becoming increasingly complex and the market more regulated We believe that these factors, coupled with local authorities increasingly looking to the quality and financial assurance provided by national providers, will lead to an increasing consolidation of the market place for the foreseeable future

In 2005/6, Supporta Care completed the acquisitions of AJH Limited, Independent Living Organisation Limited and the Strathaven Nursing Home Group These businesses have been successfully integrated and provide Supporta Care with a strong geographic presence from which to expand its client base outside London

Bernadette Walsh joined as Managing Director on 23 August 2006 and after a thorough induction immediately began driving the business forward with her strong knowledge of the UK market place

During the year the Care division has secured, renewed or extended the following contracts

As the fourth largest provider in the United Kingdom, Supporta Care provides over 50,000 hours of home care per week in England and Scotland

Client	Term years	Type of of contract
Hammersmith & Fulham	1	Block
Dudley	1	Block
Tower Hamlets	1	Spot
Norfolk	2	Block
Liverpool	4	Block and spot
Bristol – Extra Care Housing	2	Block
Nottinghamshire	1	Spot
Cambridgeshire Specialist services	Ongoing	Spot
Lambeth	3	Spot
Lambeth – PCT Palliative	1	Spot
Lambeth – Specialist Black and Minority Ethnic	3	Spot
Islington – Learning Disabilities	2	Spot
Oxfordshire	5	Block
Kensington & Chelsea – Dementia	2	Spot
Kensington & Chelsea	Ongoing	Spot

The management of Supporta sees significant synergies and cross-selling opportunities for the division, which will lead to good organic growth.

Supporta Care (continued)
Supporta Care's forward order book currently stands at £65 2m compared to £53m in March 2006

We are currently working on a number of further opportunities with various local authorities and would hope to be able to communicate positively about these in the near future

During the forthcoming year the business will also migrate its operational IT systems onto a market standard IT platform

Supporta Professional Services
The Board took the decision to create the Professional Services division with effect from 1 April 2007 This new division is formed from the previous Property and Services Divisions

The strategy for our Professional Services Division is to consolidate some of the niche activities we have acquired into a more comprehensive offering to the market place We intend to cross-sell services across our customer base

Through packaging the individual services offered across this division, we believe we will be able to offer more of a one stop shop to our customers, enabling them to benefit from a simpler interface with their suppliers We believe that the package of services we now have in this area will allow us to compete for some of the more complex outsourcing arrangements being procured within the public sector for land and property solutions The UK Public Sector outsourcing market has been estimated as £1 6bn by OVUM in 2006, growing at rate of 9 5% until 2010 We have estimated that around £250m of this market relates to land and property outsourcing

The business currently comprises architectural, engineering, planning, project management, land management, business process outsourcing, system support, managed services, consultancy, data archiving and scanning services to local authorities, central government and the NHS as well as private sector clients

Some of the key clients within Supporta Professional Services now include

Home Office
BT
Bromford Housing
Accord Matrix
Smiths Gore
Cross Rail
Transport for London
Oxford Radcliffe Hospitals NHS Trust
Modas
London Borough of Newham

The business has benefited from the acquisitions of Datacare Business Systems Limited in June 2006, Bay Associates Consulting Limited in November 2006 and TerraQuest Solutions Limited in December 2006 These businesses have now been successfully integrated into Professional Services

The Board believes that the Group is uniquely placed to take advantage of opportunities to provide both property services and care packages

TerraQuest has traded ahead of expectations since the date of acquisition and the other two acquisitions show steady organic growth in line with the acquisition plan DataCare's premises in Oxfordshire have still not been granted permanent planning permission, which was a known risk at the time of the acquisition The Board will continue to monitor progress in resolving this issue, but should satisfactory progress not be made then alternative premises will need to be sought

Supporta RPD has strengthened its relationship with the Home Office and this has resulted in increased order levels over the last few months, most of which will materialise in 2007/8 Due to delays in the planning process, as described in the Chairman's Statement, key contracts for the social housing sector due to start in February and March have now been rescheduled for the first half of our 2007/8 financial year

The forward order book for Professional Services is £8 1 million (2006 £5m), with additional anticipated revenues from framework agreements of £8 million (2006 £3 9 million)

The management of Supporta sees significant synergies and cross-selling opportunities for the division, which will lead to good organic growth in 2007/8 and beyond

Current trading and prospects

The Board continually assesses opportunities to develop new and existing services to improve the value added benefits we offer to clients In addition, we are reviewing existing products and services to ensure that our longer term strategy of further developing our Business Process Outsourcing capability will enable us to become a more strategic partner to our client base

The Board believes that the Group is uniquely placed to take advantage of opportunities to provide both property services and care packages, given recent developments and emerging opportunities

Extra Care projects are becoming increasingly demanding for Registered Social Landlords (RSLs), who are obliged to provide care solutions as well as the provision of self-contained or sheltered accommodation units for the elderly

We are also extremely positive about the cross-selling opportunities which are now arising, following Supporta's recent acquisitions and their successful integration into the wider business

John Jasper

Group Chief Executive
24 June 2007

Group Finance Director's Report

For the year ended 31 March 2007

Darren Xiberras
Group Finance Director

Turnover

In 2007 Group turnover increased by 69% to £49 09m (2006 £29 10m) Growth has been generated both from acquisitions and from underlying organic revenue growth of 9% The acquisitions contributing to growth in 2007 include the full year effect from Roger P Dudley Limited, AJH Homecare Limited, Independent Living Organisation Limited and Strathaven Nursing Homes Limited, acquired in the previous year Additionally, the following acquisitions completed within the Professional Services division in this financial year

Company	Date acquired
Datacare Business Systems Limited	29 June 2006
Bay Associates Consulting Limited	6 November 2006
TerraQuest Solutions Ltd	4 December 2006

The disposal of the Payroll business completed on 4 May 2007 and consequently the results presented here include a full year's results for that business

Operating profit

The Group achieved an increase in operating profit* of 83% to £4 32m (2006 £2 36m), including £1 01m from the acquisitions listed in the above table

The Group adopted the provisions of FRS20 for the first time this year which assigns a cost to the share options which executives of the Group enjoy This has resulted in a charge to the profit and loss account for this year of £0 25m and a restatement of last year's results, with a charge of £0 10m These impact EPS by 0 39p in 2006/7 and 0 19p in 2005/6

The Group incurred a number of exceptional charges during the year, relating to the restructuring of the business and redundancy which are summarised in note 2 to the financial statements

After a £4 14m charge in relation to the impairment of the Payroll business prior to its disposal in May, the Group made a loss before tax of £4 11m (2006 loss of £0 16m)

Taxation

Corporation tax of £0 10m (2006 £0 17m) has been provided for, which is equivalent to an effective tax rate of 37% (2006 67%)

Earnings per share

Adjusted earnings per share* increased by 48% to 4 60p (2006 3 11p)

The reported loss after taxation for the year was £4 22m (2006 loss of £0 09m) which equates to a loss per share for the year of 6 54p (2006 loss of 0 18p)

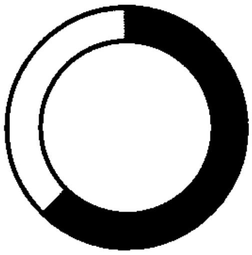
Cashflow

Net cash outflow for the Group in the year was £3 75m compared to an inflow in 2006 of £3 59m

Cash inflow from operating activities increased by 204% to £3 43m in the year (2006 £1 13m inflow) This was driven principally by a combination of improved profitability in the year and more efficient management of working capital Financing activities raised £6 71m in the year (2006 £19 75m), of which £0 04m (net of expenses) came from new share issues, £7 17m from the drawdown of banking facilities offset by a repayment of loan notes amounting to £0 43m The net cash outflow from acquisitions and disposals was £11 91m (2006 £16 15m)

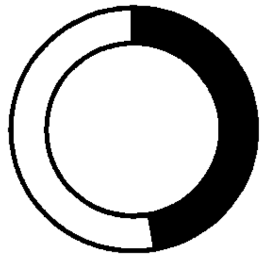
**before share based payment charge, exceptional items and amortisation and impairment of goodwill and intangible assets*

Divisional turnover as a percentage of Group turnover



○ Supporta Professional Services Ltd
38% (£18 57m)
● Supporta Care Ltd
62% (£30 52m)

Operating profit* by division



○ Supporta Professional Services Ltd
53% (£3 37m)
● Supporta Care Ltd
47% (£2 94m)

before share based payment charge, exceptional items and amortisation and impairment of goodwill and intangible assets

Treasury management and financial instruments

Financial instruments include all assets and liabilities of a financial nature such as cash, loans, finance leases, overdrafts and long term liabilities All such instruments play an important part in the operations of the Group to enable it to operate smoothly and effectively and to pay its obligations as they fall due They also enable the Group to fulfill its investment strategy including making appropriate acquisitions The Group's objectives are twofold to use financial instruments to minimise the cost of capital at an acceptably low financial risk, and to maximise flexibility to take advantage of investment and acquisition opportunities as they arise

The Group is primarily a UK provider of outsourced services to the public sector and does not have significant foreign exchange risks Nevertheless the Group's strategy is to hedge its foreign exchange exposure where it arises with foreign currency loans or forward exchange contracts as appropriate

In November the Group increased its existing £19 00m of facilities with Barclays Bank PLC to £31 88m

The facilities comprise £5 50m for working capital and term debt of £26 38m Following the acquisitions of Datacare Business Systems Limited, Bay Associates Consultancy Limited and TerraQuest Solutions Limited there remains £9 31m of term debt capacity, which can be used for new acquisitions and deferred consideration payments in respect of previous acquisitions

At the end of the year the Group had net borrowings of £16 88m

The Group's policy is, and has been throughout the year, that no trading in financial instruments is undertaken

The Group entered into a hedging arrangement during the year to fix a further £6 60m of its borrowings at a fixed rate of 5 00% for four years This was reduced by £0 83m by a loan repayment and will reduce further as the loan is repaid In total £9 81m (2006 £4 04m) of Group borrowings are at a fixed rate, with the remaining £6 18m at floating interest rates It is intended that the hedging strategy be extended as and when facilities increase

Risks

Supporta has identified the four most significant risks faced by the business - and measures to counterbalance them as follows

■ **Staff Recruitment and retention** – our business needs access to appropriately skilled employees to enable us to grow in a sustainable fashion We have implemented our Employer of Choice initiative to mitigate this risk In addition to progress already made through the Supporta Academy on training and development, we will seek to implement flexible benefits schemes in the near future and continue to review our remuneration and employment policies to ensure we can maintain good staff retention within our businesses

■ **Quality failure** – the business provides life critical services to many thousands of people in the UK, in often complex and challenging situations Within our businesses, as part of our Supplier of Choice initiative we have implemented best practice procedures and manuals, health and safety working practices, customer service initiatives and relationship management procedures These are regularly reinforced through staff training and development During the year we intend to invest significantly in our Care operational IT systems to further strengthen our commitment to quality The operational management team meets regularly to review operational quality issues and items of a significant nature are reported to the Board on a regular basis

■ **Long Term Contracts** – a number of our businesses enter into long term contracts These involve significant elements of subjectivity in relation to revenue recognition and can be subject to delays as a result of external factors, for instance planning permission We will implement improved controls over the course of the year to ensure that rigour is applied in areas requiring judgment We will also continue regular client progress review meetings to ensure that visibility of future earnings are based upon the best possible information

■ **Uncontracted revenue** – some of our businesses within the Professional Services division commence work prior to the receipt of a signed order from customers Such work is recognised within accrued income Our experience of dealing with these customers shows that there is limited risk in relation to recovering such income, however the Board will continue to monitor the appropriateness of this practice and policy

Darren Xiberras

Group Finance Director
24 June 2007

Board of Directors

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1 **Dr Clive Grace**
Non-Executive Chairman
Clive is an Honorary Research Fellow at Cardiff Business School, where he researches financial reporting, public services, leadership and governance He is a well-respected consultant and leadership coach, with a wealth of public services improvement experience

Chair of the Board of the Solace Foundation Imprint, Clive is also an active Member of CIPFA and serves on its Council and Management Committee

He has held a number of senior executive positions in the public sector, most recently as Deputy Auditor General for Wales and Director General of the Audit Commission for Wales He holds a DPhil from Oxford University in Law and Sociology, an MA in Government from the University of California, and a Diploma in Business Administration from the Open University

Clive is also a qualified solicitor

2 **John Jasper**
Group Chief Executive
John is a pioneer of outsourced services, with vast experience in the sector and a clear vision of the future

He was a member of the Capita Group Board for six years, and subsequently in the role of Group Chief Executive Officer established HBS (formerly Hyder Business Services), a company which is now a leading provider of outsourced services to the public sector

Since joining Supporta in August 2004, John has transformed the Group into a fast growing and profitable organisation

John is also a fellow of the British Computer Society

3 **Michael Curran**
Deputy Chief Executive
Michael has a wealth of experience in delivering outsourced managed services to the public sector A founding Director of the Parys Snowdon Group, he brings over seventeen years' experience as a service provider to the NHS

Before his appointment as Deputy Chief Executive, Michael was Chief Operating Officer for the Group businesses, and prior to that was Managing Director of the Supporta Services Division, which now forms part of Supporta Professional Services

4 **Darren Xiberras**
Group Finance Director
Darren is a Chartered Certified Accountant, a graduate of the Advanced Development Programme of Cranfield University's School of Management and holds a Bachelor's degree in Economics from Cardiff University

Darren has extensive financial management experience with fast-growing companies in the support services sector, including operational financial management, business acquisitions and disposals, acquisition integration, system implementations, public private partnership contract negotiations and management, sales support and pricing of large outsourcing contracts

Prior to joining Supporta, he held the roles of Divisional Finance Director at Tribal Education Limited, a subsidiary of the Tribal Group plc, and Regional Finance Director of HBS Business Services Limited, where he was responsible for business units with up to £75m annual turnover He trained as an accountant within the utilities industry

5 **Bernadette Walsh**
Managing Director, Supporta Care
Bernadette has over twenty two years' experience in the delivery of outsourced homecare services and solutions to the public sector She has an outstanding reputation and an excellent track record with local authorities in providing very high standards of service Prior to her appointment as Managing Director of Supporta Care, Bernadette was MD of Medico - one of the social care brands within Nestor plc and a Director of Grosvenor Nursing Ltd

6 **Stephen Whiting**
Managing Director, Supporta Professional Services
Steve is a fellow chartered accountant and has an MBA from the University of Bath

He has fifteen years' experience in the outsourcing and professional services industries He was previously Group Finance Director of HBS Business Services and prior to that he enjoyed operational responsibility for a wide range of white collar services businesses supplying both the private and public sectors He has a wide experience of acquisitions, divestments and the implementation of major business change across the UK

7 **Nick Scholte**
Non-Executive Director
Nick is Chief Executive of the NHS Business Services Authority (NHS BSA), which provides a wide range of key support services to NHS contractors, managers and users It was formed in April 2006, out of the merger of the NHS Prescription Pricing Authority, Dental Practice Board, NHS Pensions Authority, NHS Logistics Authority and the NHS Counter Fraud & Security Management Service

Nick is one of the most highly regarded senior officers in the NHS, and has considerable experience of reorganising and restructuring high-volume transaction processing businesses

Company Information

Company registration number	04002389	
Registered office	3 Kingmaker Court, Warwick Technology Park, Warwick, CV34 6UT	
Directors	Dr C Grace	Non Executive Chairman
	J Jasper	Group Chief Executive
	M Curran	Deputy Chief Executive
	D Xiberras	Group Finance Director
	B Walsh	Managing Director, Supporta Care
	S Whiting	Managing Director, Supporta Professional Services
	N Scholte	Non-Executive Director
Secretary	S Whiting	
Bankers	Barclays Bank PLC Corporate Banking Centre, P O Box 11, Park House, Newbrick Road, Stoke Gifford, Bristol, BS34 8TN	
Solicitors	Eversheds Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES	
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 their financial statements for the year ended 31 March 2007

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 £4,218,000 (2006 £91,000) The Directors do not recommend payment of a dividend (2006 £nil) Principal business risks are discussed on page 9 A detailed review can be found in the Group Chief Executive's Report set out on pages 4 to 7

Directors

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

	Appointed	Resigned
C Grace	–	–
J Jasper	–	–
M Curran	–	–
D Xiberras	23 May 2007	–
B Walsh	1 June 2007	–
S Whiting	1 June 2007	–
N Scholte	–	–
S Padgett	–	13 February 2007
D Jackson	–	23 May 2007
R Holt	–	5 February 2007

The annual base salaries and beneficial interests of the Directors in the shares of the Company at 1 April 2006 and 31 March 2007 (or the date of appointment to the Board if later) were as follows

	Annual Base Salary		Ordinary Shares	
	31 March 2007 (or date of appointment if later) £	1 April 2006 (or date of appointment if later) £	31 March 2007 No	1 April 2006 No
C Grace	30,000	25,000	30,000	10,000
J Jasper	175,000	100,000	351,728	65,131
M Curran	100,000	110,000	3,853,680	3,462,195
D Xiberras	100,000	–	–	–
B Walsh	100,000	–	–	–
S Whiting	100,000	–	–	–
N Scholte	20,000	20,000	–	–
S Padgett	–	120,000	n/a	10,000
D Jackson	–	90,000	n/a	–
R Holt	–	15,000	n/a	252,948

No bonuses were paid to Directors in the year (2006 nil)

Directors' Report (continued)

The share options of the Directors were as follows

	31 March 2007						31 March 2006				
Exercise price (p)	59 5	40 0	62 5	82 5	89 5	71 5	59 5	40 0	62 5	82 5	89 5
C Grace	–	–	–	–	–	–	–	–	–	–	–
J Jasper	2,705,804	250,000	–	–	–	–	1,871,236	250,000	–	–	–
M Curran	–	–	250,000	–	88,666	–	–	–	250,000	–	44,333
D Xiberras	–	–	–	–	100,000	–	–	–	–	–	100,000
B Walsh	–	–	–	–	–	250,000	–	–	–	–	–
S Whiting	–	–	–	50,000	–	200,000	–	–	–	50,000	–
N Scholte	–	–	–	–	–	–	–	–	–	–	–
S Padgett	–	–	250,000	–	333,333	36,750	–	–	250,000	–	333,333
D Jackson	–	–	–	–	250,000	–	–	–	–	–	250,000
R Holt	–	–	–	–	–	–	–	–	–	–	–

On 31 March 2007 J Jasper was granted share options to take the cumulative share options to 4% of the issued share capital under 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 This resulted in the granting of 834,568 share options at 59 5p

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 5% of the issued share capital on 31 March 2008

On 31 March 2007 S Padgett was granted 36,750 share options under the terms of an agreement dated 31 March 2007 between the Company and S Padgett These options were granted at a price of 71 5p

On 31 March 2007 M Curran was granted 44,333 share options under the terms of an agreement dated 12 February 2006 between the Company and M Curran These options were granted at a price of 89 5p

Under the same agreement M Curran will be granted 44,333 share options on 31 March 2008 These options will be granted at a price of 89 5p

On 12 December 2006 S Whiting was granted 200,000 share options at an option price of 71 5p

On 12 December 2006 B Walsh was granted 250,000 share options at an option price of 71 5p

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 affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period The Directors are also responsible for preparing the Directors' Report and other information in the annual report 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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company and the Group 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 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

Directors responsibilities for the financial statements (continued)

In so far as the Directors are aware

- there is no relevant audit information of which the Company's auditors are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

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

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 51 days (2006 54 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 application to the 30 September 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 no charitable donations in the year (2006 nil)

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 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 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

S Whiting
Secretary

24 June 2007

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 five executive Directors and two Non-Executive Directors The Non-Executive Directors are independent of management and any business or other relationship which could interfere with the exercise of their independent judgment 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 Dr C Grace and the Group Chief Executive is J Jasper

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 Annual General Meeting (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 present a balanced and understandable assessment of the Group's position and prospects in all interim and price-sensitive reports, reports to regulators and in the information required to be presented by statute

The Audit Committee comprises Dr C Grace and N Scholte who are Non-Executive Directors The terms of reference of the Committee include keeping under review the scope and results of the external audit and its cost effectiveness The Audit 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 failure 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

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, and
- review of the business at each Board meeting, focusing 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 most significant component is a review by the Audit Committee of the process for identifying and assessing risks and 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 Dr C Grace and N Scholte

Report of the Independent Auditors to the members of Supporta plc

We have audited the Group and parent Company financial statements (the "financial statements") of Supporta plc for the year ended 31 March 2007 which comprise the Principal Accounting Policies, the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and notes 1 to 34 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 (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)

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 information given in the Directors' Report is consistent with the financial statements The information given in the Directors' Report includes that specific information presented in the Group Finance Director's Report and the Group Chief Executive's Report that is cross referred from the Business Review section of the Directors' Report

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

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

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

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

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 March 2007 and of the Group's loss 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 for the year ended 31 March 2007

GRANT THORNTON UK LLP Grant Thornton UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

London
24 June 2007

Financial Statements

For the year ended 31 March 2007

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 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 with the exception of FRS 20 "Share Based Payments" The policies remain the most appropriate for the year

The Group has applied the requirements of FRS20 in accordance with the transitional provisions, to all equity instruments granted after 7 November 2002 that had not vested as of 1 April 2006 This represents a change in accounting policy, and the prior period adjustment resulting from this change resulted in an expense of £0 10m being recognised in the year to 31 March 2006

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 2007 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 as 20 years unless the Directors are of the opinion that a particular acquisition has a shorter life

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 primarily to the National Health Service Where those services are provided on annual contracts revenue is spread evenly over the duration of the contract Where annual contracts do not apply then revenue is recognised on delivery of the service

Revenue generated by Supporta Professional Services is attributable to the provision of architectural and engineering consultancy services primarily to Registered Social Landlords and the Home Office, and on business process outsourcing and consultancy

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 range of estimated useful lives for each major asset category, which are reviewed annually, are

Leasehold property	Term of the lease
Office equipment, fixtures and fittings (including computer equipment) and motor vehicles	3 to 8 years

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

Development expenditure
Expenditure on development of 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 three 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

Share based payments
The Group operates several share option plans for key employees All share based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2006 are recognised in the financial statements

All goods and services received in exchange for the grant of any share based payment are measured at their fair values Where employees are rewarded using share based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions

All equity-settled share based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to "share based payment reserve"

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates Any cumulative adjustment prior to vesting is recognised in the current period No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium

Consolidated Profit and Loss Account

For the year ended 31 March 2007

	Note	Continuing operations £000	Acquisitions £000	Discontinued operations £000	Total 31 March 2007 £000	Continuing operations Restated £000	Operations to be discontinued Restated £000	Total 31 March 2006 Restated £000
Turnover	1	37,086	5,622	6,380	49,088	21,880	7,222	29,102
Cost of sales		(28,099)	(2,969)	(4,326)	(35,394)	(15,186)	(5,099)	(20,285)
Gross profit		8,987	2,653	2,054	13,694	6,694	2,123	8,817
Operating expenses								
- Pre sharebased payments, exceptional items and amortisation and impairment of goodwill and intangible assets	2	(6,599)	(1,648)	(1,124)	(9,371)	(5,069)	(1,393)	(6,462)
- FRS 20 share based payment charge	30	(252)	–	–	(252)	(100)	–	(100)
- Exceptional items	2	(504)	(161)	–	(665)	(266)	(27)	(293)
- Amortisation and impairment of goodwill and intangible assets	2	(1,769)	(271)	(283)	(2,323)	(1,105)	(282)	(1,387)
Administrative expenses		(9,124)	(2,080)	(1,407)	(12,611)	(6,540)	(1,702)	(8,242)
Operating profit/(loss)		(137)	573	647	1,083	154	421	575
Operating profit before share based payments, exceptional items and amortisation and impairment of goodwill and intangible assets		2,388	1,005	930	4,323	1,625	730	2,355
Profit/(loss) on disposal of fixed assets					7			(4)
Impairment of goodwill of Payroll business	26				(4,144)			–
(Loss)/profit on ordinary activities before interest					(3,054)			571
Net interest payable	3				(970)			(235)
Other finance charges	4				(90)			(179)
(Loss)/profit on ordinary activities before taxation					(4,114)			157
Tax on (loss)/profit on ordinary activities	6				(104)			(173)
(Loss)/profit on ordinary activities after taxation					(4,218)			(16)
Equity minority interests					–			(75)
Loss transferred from reserves					(4,218)			(91)
Loss per share - basic and diluted	8				(6 54)p			(0 18)p

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 March 2007

	Note	Total 31 March 2007 £000	Total 31 March 2006 Restated £000
Loss for the financial year		(4,218)	(91)
Pension scheme	31		
- Actual return less expected return on scheme assets		(233)	900
- Experience gains and losses arising on the scheme liabilities		–	648
- Changes in assumptions underlying the present value of the scheme liabilities		(5)	(1,557)
- Deferred tax movement		–	110
Total recognised (loss)/gain for the year		(4,456)	10

The changes in the pension scheme liability are detailed in note 31 to the accounts

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

Consolidated Balance Sheet

As at 31 March 2007

	Note	Total 31 March 2007 £000	Total 31 March 2006 Restated £000
Fixed assets			
Intangible assets	9	47,287	37,663
Tangible assets	10	1,450	1,041
		48,737	38,704
Current assets			
Debtors	12	12,895	9,271
Cash at bank and in hand	13	1,828	3,579
		14,723	12,850
Creditors amounts falling due within one year	14	(18,648)	(13,370)
Net current liabilities		(3,925)	(520)
Total assets less current liabilities		44,812	38,184
Creditors amounts falling due after more than one year	15	(15,232)	(8,637)
Provisions for liabilities and charges	16	(569)	(411)
Net assets excluding pension liability		29,011	29,136
Pension liability	31	(2,560)	(2,358)
Net assets		26,451	26,778
Capital and reserves			
Called up share capital	19	3,370	3,119
Share premium account	20	30,320	26,694
Profit and loss account	20	(7,614)	(3,158)
Share based payment reserve	30	375	123
Shareholders' funds		26,451	26,778

The financial statements were approved by the Board of Directors on 24 June 2007

J Jasper
Director

D Xiberras
Director

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

Company Balance Sheet

As at 31 March 2007

	Note	Total 31 March 2007 £000	Total 31 March 2006 Restated £000
Fixed assets			
Tangible assets	10	**345**	418
Investments	11	**31,279**	25,363
		31,624	25,781
Current assets			
Debtors	12	**21,183**	16,111
Cash at bank and in hand	13	**804**	1,329
		21,987	17,440
Creditors amounts falling due within one year	14	**(17,238)**	(8,658)
Net current assets		**4,749**	8,782
Total assets less current liabilities		**36,373**	34,563
Creditors amounts falling due after more than one year	15	**(14,809)**	(8,327)
Provisions for liabilities and charges	16	**(20)**	–
Net assets		**21,544**	26,236
Capital and reserves			
Called up share capital	19	**3,370**	3,119
Share premium account	20	**30,320**	26,694
Profit and loss account	20	**(12,521)**	(3,700)
Share based payment reserve	30	**375**	123
Shareholders' funds		**21,544**	26,236

The financial statements were approved by the Board of Directors on 24 June 2007

J Jasper
Director

D Xiberras
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 2007

	Note	Total 31 March 2007 £000	Total 31 March 2006 Restated £000
Net cash inflow/(outflow) from operating activities	22	3,434	1,127
Returns on investment and servicing of finance			
Interest received		44	15
Interest paid		(1,008)	(247)
Hire purchase interest paid		(6)	(3)
Net cash outflow from returns on investments and servicing of finance		(970)	(235)
Taxation			
Corporation tax paid		(590)	(244)
Corporation tax refunded		11	89
Net cash outflow from taxation		(579)	(155)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(568)	(797)
Purchase of intangible fixed assets		(40)	–
Sale of tangible assets		186	38
Net cash outflow from capital expenditure and financial investment		(422)	(759)
Acquisitions and disposals			
Purchase of subsidiary undertakings and businesses		(7,319)	(16,909)
Payment in respect of previous acquisitions		(4,723)	(2,418)
Cash acquired with subsidiary undertakings		191	3,238
Overdraft acquired with subsidiary undertakings		(63)	–
Cash received on disposal of business		-	(57)
Net cash outflow from acquisitions and disposals		(11,914)	(16,146)
Financing			
Issue of ordinary share capital (net of expenses)		40	12,442
Repayment of loan notes		(435)	–
Net increase in borrowings		7,167	8,228
Reduction in invoice discounting facility		-	(894)
Capital element of finance lease rentals		(67)	(23)
Net cash inflow from financing		6,705	19,753
(Decrease)/increase in cash	23	(3,746)	3,585

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

1 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)		Operating profit/(loss) Restated		Net assets/(liabilities) Restated	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
Supporta Care	**30,518**	16,281	**2,943**	1,134	**1,994**	654	**6,859**	4,050
Supporta Professional Services	**18,570**	12,821	**3,376**	2,797	**1,699**	1,786	**3,740**	3,650
Corporate	-	-	**(1,996)**	(1,576)	**(2,610)**	(1,865)	**15,852**	19,078
	49,088	29,102	**4,323**	2,355	**1,083**	575	**26,451**	26,778

The impact of disposals and acquisitions on the results for the year are given in notes 26 and 27

The effect of the sale of the Payroll division included within Supporta Professional Services is further explained in note 34, post balance sheet events

**before share based payment charge, exceptional items and amortisation and impairment of goodwill and intangible assets*

2 Loss on ordinary activities before taxation

Loss for the year is stated after charging	2007 £000	2006 £000
Auditors remuneration		
Audit services	85	85
Non audit services*	50	43
	135	128
Exceptional items		
Restructuring costs	564	199
Redundancy on closure of business	101	94
	665	293
Amortisation		
Goodwill - normal	2,296	1,360
Goodwill - exceptional impairment	4,144	–
	6,440	1,360
Amortisation of Intangible asset (software development)	27	27
	6,467	1,387
Depreciation		
Tangible fixed assets, owned	429	315
Tangible fixed assets, held under hire purchase contracts	40	19
	469	334
Other operating lease rentals	1,476	685

Exceptional impairment of goodwill relates to Parys Snowdon Payroll Services Limited and Parys Snowdon Group Limited

These businesses were sold after the 31 March 2007 and the impairment represents the excess value of goodwill over the net disposal proceeds and is further explained in Note 26

*Non audit services comprise tax compliance £30,000 and other £20,000

Analysis of restructuring costs	2007 £000	2006 £000
Severance payments	267	–
Relocation costs	104	129
Abortive acquisitions	20	15
Payments relating to discontinued businesses from previous financial year	142	55
One off retention bonus relating to 2006/7 acquisitions	31	–
Restructuring costs	564	199

3 Net interest payable

	2007 £000	2006 £000
Interest payable and similar charges		
On bank loans and overdrafts	(972)	(175)
On invoice discounting facility	–	(46)
Other interest	(36)	(26)
Finance charges in respect of hire purchase contracts	(6)	(3)
	(1,014)	(250)
Other interest receivable and similar income		
Bank interest	44	15
	(970)	(235)

4 Other finance charges

	2007 £000	2006 £000
Expected return on pension scheme assets	359	234
Interest on pension scheme liabilities	(449)	(413)
	(90)	(179)

5 Directors and employees

Staff costs during the year were as follows

	2007 £000	2006 £000
Wages and salaries	32,359	18,391
Social security costs	2,768	1,515
Redundancy costs	202	102
Pension costs	348	326
	35,677	20,334

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

	2007 Number	2006 Number
Directors	7	8
Supporta Services	230	213
General Recruitment	–	2
Supporta Care - administration	151	91
Supporta Care - home care staff	1,647	1,171
Supporta Property	112	42
Corporate	29	20
	2,176	1,547

Remuneration in respect of Directors was as follows

	2007 £000	2006 £000
Emoluments	795	570
Gains made on the exercise of options	–	19
Pension contributions to a money purchase pension scheme	28	23
	823	612

Three Directors (2006 3) are accruing benefits under the money purchase scheme

The pension contributions of the highest paid Director were £15,500 (2006 £10,400)

The highest paid Director in the year received remuneration of £135,000 (2006 £130,000)

6 Tax on profit on ordinary activities

The tax charge represents

	2007 £000	2006 Restated £000
Current tax		
UK Corporation tax @ 30% (2006 30%) on profit for the period	476	405
Adjustments in respect of previous period	(211)	(143)
Tax charge on loss on ordinary activities	265	262
Deferred tax origination and reversal of timing differences	(161)	(89)
	104	173

The tax assessed or the period is lower than the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained as follows

	2007 £000	2006 Restated £000
(Loss)/profit on ordinary activities before taxation	(4,114)	157
(Loss)/profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2006 30%)	(1,234)	47
Goodwill amortisation	656	304
Share option exercise	(15)	(14)
Rate differences/marginal relief	(17)	(7)
Amounts written off investments	–	23
Losses brought forward and utilised	(4)	(85)
Adjustments to tax in previous periods	(211)	(143)
Timing differences	27	39
Permanent differences and other	(180)	68
FRS 20 restatement	–	30
Tax adjustment re disposal of operations	1,243	–
	265	262

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 £8,821,000 (2006 loss £1,587,000 restated)

The Company's loss for the year includes an impairment charge relating to the loss on disposal of operations of £4,653,000 which became unconditional after the end of the financial year

8 Loss per share and adjusted earnings per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares

The Group has only one category of potentially dilutive shares those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year

	2007 Earnings £000	2007 Weighted average number of shares £000	2007 EPS pence	2006 Earnings Restated £000	2006 Weighted average number of shares Restated £000	2006 EPS Restated pence
Basic and diluted loss per share	(4,218)	64,488	(6 54)	(91)	51,466	(0 18)
Adjusted to exclude share based payments, exceptional items and amortisation of goodwill and intangible assets						
Basic loss per share	(4,218)	64,488	(6 54)	(91)	51,466	(0 18)
Exceptional items (adjusted for tax)	4,609	-	7 15	205	-	0 40
FRS 20 share based payment charge	252	-	0 39	100	-	0 19
Goodwill and intangible assets amortisation	2,323	-	3 60	1,387	-	2 69
Adjusted basic earnings per share	2,966	64,488	4 60	1,601	51,466	3 11
Diluted loss per share	(4,218)	65,139	(6 48)	(91)	51,862	(0 18)
Exceptional items	4,609	-	7 08	205	-	0 40
FRS 20 share based payment charge	252	-	0 39	100	-	0 19
Goodwill and intangible asset amortisation	2,323	-	3 57	1,387	-	2 67
Adjusted diluted earnings per share	2,966	65,139	4 55	1,601	51,862	3 09

9 Intangible fixed assets

The Group

	Research & Development £000	Purchased Goodwill £000	Goodwill on Consolidation £000	Total £000
Cost				
At 1 April 2006	88	4,520	36,323	**40,931**
Additions	40	29	16,022	**16,091**
At 31 March 2007	**128**	**4,549**	**52,345**	**57,022**
Amortisation				
At 1 April 2006	34	340	2,894	**3,268**
Provided in the year	27	226	2,070	**2,323**
Impairment in the year	-	-	4,144	**4,144**
At 31 March 2007	**61**	**566**	**9,108**	**9,735**
Net book amount				
At 31 March 2007	**67**	**3,983**	**43,237**	**47,287**
At 31 March 2006	54	4,180	33,429	37,663

See Note 27 for details of goodwill arising in the year

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

10 Tangible fixed assets

The Group

	Leasehold Property £000	Office Equipment £000	Computer Software £000	Motor Vehicles £000	Total £000
Cost					
At 1 April 2006	101	946	388	8	1,443
Acquisition of subsidiary undertaking	–	260	195	34	489
Additions	21	107	440	–	568
Disposals	–	(135)	(169)	–	(304)
At 31 March 2007	**122**	**1,178**	**854**	**42**	**2,196**
Depreciation					
At 1 April 2006	35	269	98	–	402
Provided in the year	29	179	246	15	469
On disposal	–	(62)	(63)	–	(125)
At 31 March 2007	**64**	**386**	**281**	**15**	**746**
Net book amount					
At 31 March 2007	**58**	**792**	**573**	**27**	**1,450**
At 31 March 2006	66	677	290	8	1,041

The Company

	Office Equipment £000	Computer Software £000	Total £000
Cost			
At 1 April 2006	383	94	477
Additions	9	40	49
Disposals	(36)	–	(36)
At 31 March 2007	**356**	**134**	**490**
Depreciation			
At 1 April 2006	21	38	59
Provided in the year	50	36	86
At 31 March 2007	**71**	**74**	**145**
Net book amount			
At 31 March 2007	**285**	**60**	**345**
At 31 March 2006	362	56	418

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

	Office Equipment £000	Motor Vehicles £000	Total £000
Net book amount			
At 31 March 2007	**77**	**11**	**88**
At 31 March 2006	26	–	26
Depreciation provided in the year	35	5	40

11 Fixed asset investments

The Company

	Subsidiary Undertaking £000
Cost and net book amount	
At 1 April 2006	25,363
Additions	10,569
Impairment	(4,653)
At 31 March 2007	**31,279**

The cost and net book value brought forward includes a long term inter company loan totalling £4,520,000 to Supporta Care

Additions relate mainly to the purchase of 100% of the ordinary share capital of TerraQuest Solutions Limited and revision of the maximum value of deferred consideration which has now been settled in respect of Parys Snowdon Group of £213,000 The increase was as a result of better than forecast trading and is explained in note 27

The impairments related to Parys Snowdon Payroll Limited and part of Parys Snowdon Group Limited The business and certain assets and liabilities were sold on 4 May 2007

The value of the impairment is the book value of the investments less the disposal proceeds

At 31 March 2007 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 listed on the 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 by parent Company	Proportion held by subsidiary	Nature of business
Subsidiary undertakings					
Supporta Care Limited	United Kingdom	Ordinary	100%		Home and social care provision
Supporta Services Limited	United Kingdom	Ordinary	100%		Support services
Staff VMS Limited	United Kingdom	Ordinary	100%		Back office services
Parys Snowdon Payroll Services Limited	United Kingdom	Ordinary	100%		Payroll services
Supporta Professional Services Limited*	United Kingdom	Ordinary	100%		Architectural services
Independent Living Organisation Limited	United Kingdom	Ordinary		100%	Home and social care provision
Strathaven Nursing Homes Limited	United Kingdom	Ordinary		100%	Home and social care provision
Datacare Business Systems Limited	United Kingdom	Ordinary		100%	Data storage and scanning
Bay Associates Consulting Limited	United Kingdom	Ordinary		100%	Civil and structural engineering
TerraQuest Solutions Limited	United Kingdom	Ordinary	100%		Business Process Outsourcing and Consultancy

*On 19 March 2007 Supporta Property Limited (formerly Roger P Dudley Limited) was renamed Supporta Professional Services Limited

12 Debtors

	The Group		The Company	
	2007	2006 Restated	2007	2006 Restated
	£000	£000	£000	£000
Trade debtors	**7,118**	5,649	**1,441**	139
Amounts owed by Group undertakings	**-**	-	**19,428**	15,343
Social security and other taxes	**-**	126	**-**	118
Other debtors	**462**	414	**116**	61
Prepayments and accrued income	**5,315**	3,082	**198**	450
	12,895	9,271	**21,183**	16,111

13 Cash at bank and in hand

At 31 March 2007 the Group and Company bank balances included £804,000 (2006 £818,000) held in an escrow bank account £400,000 of this amount can only be used to repay loan notes issued in respect of the Roger P Dudley Limited acquisition The remainder is held in an escrow account relating to the acquisition of Datacare Business Systems Limited This is payable to the vendors on the condition that the business secures a long term lease and planning permission at its current location within 3 years of the date of acquisition

14 Creditors amounts falling due within one year

	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Bank loans and overdrafts	**5,171**	1,107	**7,804**	1,104
Loan notes issued on acquisition	**888**	540	**888**	550
Trade creditors	**1,423**	1,620	**311**	429
Amounts owed to Group undertakings	**-**	-	**4,887**	3,596
Social security and other taxes	**2,609**	1,367	**164**	76
Corporation tax	**934**	715	**-**	-
Other creditors	**952**	943	**-**	-
Accruals and deferred Income	**2,973**	1,481	**892**	365
Deferred consideration	**3,663**	5,566	**2,283**	2,515
Amounts due under hire purchase contracts	**35**	31	**9**	23
	18,648	13,370	**17,238**	8,658

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

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

15 Creditors amounts falling due after more than one year

	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Bank loans and overdrafts	**12,611**	7,644	**12,588**	7,644
Deferred consideration	**2,621**	200	**2,221**	-
Loan notes issued on acquisition	**-**	783	**-**	673
Amounts due under hire purchase contracts	**-**	10	**-**	10
	15,232	8,637	**14,809**	8,327

The total deferred consideration relates to the acquisitions in the year of £5,351,000, and acquisitions in previous years of £933,000

16 Provisions for liability and charges

	The Group		The Company	
	2007 £000	2006 Restated £000	2007 £000	2006 £000
Deferred tax	105	–	–	–
Other Provisions	464	411	20	–
	569	411	20	–

The deferred tax provision relates to accelerated capital allowances
The Company has tax losses carried forward of £308,000 which are unlikely to be utilised The Company has not recognised this as an asset The Group has tax losses carried forward by Staff VMS Limited of £676,000 Due to the length of time to utilise these loses the Group has not recognised this as an asset All other tax losses are for subsidiaries that no longer trade

The £20,000 other provisions for the Company is a dilapidation provision

Other provisions

	Dilapidations £000	Onerous lease £000	Total £000
At 1 April 2006	364	47	411
Additions	20	88	108
Release of provisions	(42)	(13)	(55)
At 31 March 2007	342	122	464

The dilapidations provision is for costs expected to arise at the termination of leases

The amounts are based on the expected dilapidations costs at the point of acquisition and can be summarised below

	Payable within 1 year £000	Payable between 1 5 years £000	Payable after 5 years £000	Total £000
Parys Snowdon Group	74	86	–	160
Quality Care Partnership	7	–	–	7
Roger P Dudley Limited	–	–	60	60
AJH Care Limited	3	–	–	3
Independent Living Organisation Limited	73	12	7	92
Supporta plc	–	–	20	20
	157	98	87	342

17 Borrowings

	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Within one year, or on demand				
Bank and other borrowings	5,171	1,107	7,804	1,104
Hire purchase contracts	35	31	9	23
After one and within two years				
Bank and other borrowings	4,341	1,113	4,318	1,113
Hire purchase contracts	-	10	–	10
Between two and five years				
Bank and other borrowings	8,270	3,338	8,270	3,338
Over five years				
Bank and other borrowings	–	3,193	-	3,193
	17,817	8,792	20,401	8,781

18 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 Group financial instruments are interest rate 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 and hire purchase contracts The fair value of the financial instruments is not materially different to book value

The interest rate exposure of the financial assets and liabilities of the Group as at 31 March 2007 and 31 March 2006 was

		Interest rate			Interest rate	
	Fixed 2007 £000	Floating 2007 £000	Total 2007 £000	Fixed 2006 £000	Floating 2006 £000	Total 2006 £000
Financial assets						
Cash at bank	–	1,828	1,828	–	3,579	3,579
Financial liabilities						
Bank overdrafts	–	(1,995)	(1,995)	–	–	–
Bank loans	(9,775)	(6,012)	(15,787)	(4,000)	(4,751)	(8,751)
Hire purchase contracts	(35)	–	(35)	(41)	–	(41)
	(9,810)	(6,179)	(15,989)	(4,041)	(1,172)	(5,213)

At 31 March 2007 bank loans amounting to £6,012,000 were subject to floating interest rates The floating rate borrowings bear interest rates based on LIBOR

The Group entered into a hedging arrangement during the year to fix an additional £6,600,000 of its borrowings at a fixed rate of 5 00% for four years This was reduced by £825,000 by a loan repayment and will reduce further as the loan is repaid This arrangement has 3 25 years remaining

The Group entered into a similar arrangement in the year ended 31 March 2006 to fix £4,000,000 of its borrowings at a fixed rate of 4 83% which has 3 75 years remaining, this reduces as the loan is repaid

Hire purchase contracts were subject to fixed interest arrangements

The weighted average fixed interest rate and weighted average period for which the rate is fixed for liabilities at 31 March 2007 was 4 93% and 3 45 years respectively Using LIBOR at 31 March 2007, the fair value of the fixed rate element of the loan outstanding is £9,624,000

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

19 Share capital

	2007 £000	2006 £000
Authorised		
100,000,000 (2006 100,000,000) ordinary shares of 5p each	**5,000**	5,000
Allotted, called up and fully paid		
67,402,493 (2006 62,381,920) ordinary shares of 5p each	**3,370**	3,119

Allotments during the year of new ordinary 5p shares were as follows

On the exercise of employee share options

21 July 2006	80,000 were issued at a price of 50p per share

Other allotments

18 August 2006	1,277,170 shares were issued at 82 7p per share in respect of the final earn out for the Parys Snowdon Group acquisition
18 August 2006	302,297 shares were issued at 82 7p per share in respect of the final earn out for the Quality Care acquisition
4 December 2006	3,361,106 shares were issued at 75 3p per share in respect of the initial consideration for the TerraQuest acquisition

20 Share premium account and reserves

The Group

	Share premium account £000	Profit & loss account Restated £000
At 1 April 2006	26,694	(3,158)
Retained loss for the year	–	(4,218)
Premium on allotment during the year	3,626	–
Actuarial loss	–	(238)
At 31 March 2007	**30,320**	**(7,614)**

The Company

	Share premium account £000	Profit & loss account Restated £000
At 1 April 2006	26,694	(3,700)
Retained loss for the year	–	(8,821)
Premium on allotment during the year	3,626	–
At 31 March 2007	**30,320**	**(12,521)**

21 Reconciliation of movements in shareholders' funds

	2007 £000	2006 Restated £000
Group		
Loss for the financial year	(4,218)	(91)
FRS 20 Share based payment reserve movement	252	100
Issue of shares	3,877	14,279
Actuarial loss	(238)	(9)
Deferred tax movement	–	110
Net (decrease)/increase in shareholders' funds	(327)	14,389
Shareholders' funds at 1 April	26,778	12,389
Shareholders' funds at 31 March	26,451	26,778

	2007 £000	2006 Restated £000
Company		
Loss for the financial year	(8,821)	(1,587)
FRS 20 Share based payment reserve movement	252	100
Issue of shares	3,877	14,279
Net (decrease)/increase in shareholders' funds	(4,692)	12,792
Shareholders' funds at 1 April	26,236	13,444
Shareholders' funds at 31 March	21,544	26,236

22 Net cash inflow from operating activities

	2007 £000	2006 £000
Operating profit	1,083	575
Depreciation	469	334
Amortisation	2,323	1,387
FRS 20 Share based payment charge	252	100
Loss on sale of tangible fixed assets	–	4
Increase in debtors	(617)	(867)
Increase in creditors	(76)	(406)
Net cash inflow from operating activities	3,434	1,127

23 Reconciliation of net cash flow to movement in net debt

	2007 £000	2006 £000
(Decrease)/increase in cash in the year	(3,746)	3,585
Cash outflow from financing	(7,167)	(7,334)
Cash outflow from hire purchase contracts	67	23
Change in net debt resulting from cash flows	(10,846)	(3,726)
Hire purchase contracts acquired on acquisition of subsidiary	(61)	(8)
Issue of loan notes for acquisition	–	(1,323)
Repayment of loan notes	435	–
Loan acquired on acquisition of subsidiary	(34)	–
Movement in net debt in the year	(10,506)	(5,057)
Net debt at 1 April	(6,371)	(1,314)
Net debt at 31 March	(16,877)	(6,371)

24 Analysis of changes in net debt

	At 1 April 2006 £000	Cash Flow £000	On acquisition £000	At 31 March 2007 £000
Cash in hand and at bank	3,579	(1,751)	-	**1,828**
Overdraft	-	(1,995)	-	**(1,995)**
	3,579	(3,746)	-	**(167)**
Issue of loan notes	(1,323)	435	-	**(888)**
Bank loan	(8,586)	(7,167)	(34)	**(15,787)**
Hire purchase contracts	(41)	67	(61)	**(35)**
	(6,371)	(10,411)	(95)	**(16,877)**

25 Major non-cash transactions

Part of the consideration for the purchase of interests in subsidiary undertakings comprised shares Further details of these are given in note 27 below

26 Disposals

On 4 May 2007 the Group disposed of the Payroll division of Supporta Services Limited for a cash consideration of £3,700,000

The sale did not become unconditional until after the year end and therefore the proceeds are not recognised in the year ended 31 March 2007

The carrying value of goodwill relating to this business is £7,545,000 A goodwill impairment charge has been made of £4,144,000 to reduce the goodwill to the sale proceeds less costs

The Company's acquisition costs have also been subject to impairment using the same basis

	Group £000	Company £000
Intangible fixed assets - goodwill/acquisition costs of Payroll business	7,545	8,054
Cash received	3,700	3,700
Less provision against consideration	(299)	(299)
	3,401	3,401
Impairment of goodwill/acquisition cost	4,144	4,653

27 Acquisitions

Additions to Goodwill during the year were as follows

	£000
Hindsight adjustment to goodwill on previous acquisitions	432
Deferred consideration adjustment on previous acquisition - Strathaven Nursing Homes Limited	691
Deferred consideration adjustment on previous acquisition - Independent Living Organisation Limited	232
Deferred consideration adjustment on previous acquisition - Parys Snowdon Group Limited	202
Deferred consideration adjustment on previous acquisition - AJH Care Limited	30
Purchase of Datacare Business Systems Limited	2,912
Purchase of Bay Associates Consulting Limited	2,054
Purchase of TerraQuest Solutions Limited	9,498
	16,051

The hindsight adjustment to goodwill on a previous acquisition relates to the following

Roger P Dudley

Revaluation of opening work in progress, related creditors and bonuses relating to the pre-acquisition period amounting to £213,000

Strathaven Nursing Homes Limited

In the year to 31 March 2007 fair value adjustments increased goodwill by £172,000 and include

- revaluation of fixed assets
- additional audit fee provision
- reassessment of holiday pay accruals
- reassessment of opening wage accruals
- a review of other debtors
- onerous contract provision

Other acquisitions

A further £47,000 of transaction costs and dilapidation provisions were also required

Datacare Business Systems Limited

On 29 June 2006 the Group acquired 100% of the ordinary share capital of Datacare Business Systems Limited for an initial consideration of £2,820,000, satisfied in cash of which £400,000 is held in escrow

The maximum consideration was capped at £3,420,000, before acquisition costs The remaining consideration is contingent on achieving profits before interest and tax (PBIT) in the year ending 30 June 2007

The first element of the earn-out is based on a multiple of PBIT in excess of £358,000 for the year ending 30 June 2007 subject to a maximum payment of £500,000 The second element is based on a multiple of PBIT in excess of £152,000 for the period 1 April 2007 to 31 June 2007, subject to a maximum payment of £100,000

The first element of the additional consideration is payable within 90 days of 30 June 2007, and the second on 29 June 2008

Of the initial consideration £400,000 was deferred The payment of this sum is conditional upon the business securing a long term lease and planning permission at its current location within three years from the date of acquisition

Goodwill arising on acquisition has been capitalised in the Consolidated Balance Sheet and is being amortised over the estimated useful economic life of 20 years The purchase of this company has been accounted for by the acquisition method

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

27 Acquisitions (continued)

Datacare Business Systems Limited (continued)

	Book value £000	Fair value adjustment £000	Provisional fair value £000
Fixed assets			
Tangible assets	474	(144)	330
	474	(144)	330
Current assets			
Debtors	390	–	390
Cash at bank and in hand	102	–	102
	492	–	492
Creditors amounts falling due within one year			
Trade creditors	95	–	95
Corporation tax	71	8	79
Other creditors	56	–	56
Accruals and deferred income	55	100	155
Amounts due under hire purchase contracts	61	–	61
	338	108	446
Net current assets/(liabilities)	154	(108)	46
Provisions and other liabilities			
Deferred taxation	68	–	68
Net assets/(liabilities)	560	(252)	308
Goodwill arising on consolidation			2,912
			3,220
Satisfied by			
Cash and acquisition costs			2,770
Future deferred consideration			450
			3,220

27 Acquisitions (continued)

Datacare Business Systems Limited (continued)

The fair values may be revised within the year to March 2008 if deemed necessary

The fair value adjustment includes

- revaluation of fixed assets
- adjustment to opening corporation tax creditor
- adjustment to pre acquisition profits due to effective control
- onerous contract provisionn

The profit and loss accounts of the Company for the pre acquisition period 1 April 2005 to 29 June 2006 and for the full financial year are summarised below

	Pre acquisition period to 29 Jun 2006 £000	12 months to 31 March 2006 £000
Turnover	433	1,916
Net profit before taxation	14	336
Taxation	(4)	(114)
Retained profit	10	222

Bay Associates Consulting Limited

On 6 November 2006 the Group acquired 100% of the ordinary share capital of Bay Associates Consulting Limited for an initial consideration of £1,581,000, satisfied in cash

The maximum consideration was capped at £2,357,000, before acquisition costs The remaining consideration was contingent on achieving profits before interest and tax (PBIT) in the year ending 31 October 2007

The first element of the earn-out is based on a multiple of 2 times PBIT in excess of £460,000 for the year ended 31 October 2007 subject to a maximum payment of £350,000 The second element is based on a multiple of 4 times PBIT for the period 1 August 2007 to 31 October 2007, subject to a maximum payment of £140,000

The first element of the additional consideration is payable on 29 January 2008, and the second on 6 November 2008

Goodwill arising on acquisition has been capitalised in the Consolidated Balance Sheet and is being amortised over the estimated useful economic life of 20 years The purchase of this company has been accounted for by the acquisition method

27 Acquisitions (continued)

Bay Associates Consulting Limited (continued)

	Book value £000	Fair value adjustment £000	Provisional fair value £000
Fixed assets			
Tangible assets	39	(21)	18
	39	(21)	18
Current assets			
Debtors	682	(44)	638
Cash at bank and in hand	89	-	89
	771	(44)	727
Creditors amounts falling due within one year			
Trade creditors	115	2	117
Corporation tax	120	8	128
Other creditors	359	-	359
Accruals and deferred income	6	69	75
	600	79	679
Net current assets/(liabilities)	171	(123)	48
Net assets/(liabilities)	210	(144)	66
Goodwill arising on consolidation			2,054
			2,120
Satisfied by			
Cash and acquisition costs			1,723
Future deferred consideration			397
			2,120

The fair values may be revised within the year to March 2008 if deemed necessary

The fair value adjustment includes

- revaluation of fixed assets
- adjustment to opening corporation tax creditor
- revaluation of opening work in progress and related creditors
- onerous contract provision
- proportion of bonuses relating to pre acquisition

The profit and loss accounts of the Company for the pre acquisition period 1 July 2006 to 6 November 2006 and for the 9 months to 31 March 2007 are summarised below

	Pre acquisition period to 6 Nov 2006 £000	9 months to 31 March 2006 £000
Turnover	442	1,416
Net profit/(loss) before taxation	(6)	190
Taxation	(1)	(70)
Retained profit/(loss)	(7)	120

27 **Acquisitions (continued)**

TerraQuest Solutions Limited

On 28 November 2006 the Group acquired 100% of the ordinary share capital of TerraQuest Solutions Limited for an initial consideration of £4,810,000 plus expenses and working capital requirements of £220,000 The initial consideration was settled by £2,500,000 in cash and £2,530,000 in ordinary shares

The maximum consideration was capped at £9,590,000, before acquisition costs The remaining consideration was contingent on achieving profits before interest and tax (PBIT) in the year ending 31 March 2007

The deferred consideration is dependent upon performance, with up to £4,560,000 payable in respect of the 12 months to 31 March 2007 and is due on 31 October 2007 To the extent that all of the £4,560,000 is not paid in respect of performance for the 12 months ended 31 March 2007, the remaining portion of the £4,560,000 can become payable, depending on performance in respect of the quarter ending 31 March 2007, due on the 31 January 2008 Any deferred consideration is payable as 50% in cash and 50% in the ordinary shares of Supporta plc

Goodwill arising on acquisition has been capitalised in the Consolidated Balance Sheet and is being amortised over the estimated useful economic life of 20 years The purchase of this company has been accounted for by the acquisition method

	Book value £000	Fair value adjustment £000	Provisional fair value £000
Fixed assets			
Tangible assets	268	(127)	141
	268	(127)	141
Current assets			
Debtors	1,957	(160)	1,797
	1,957	(160)	1,797
Creditors amounts falling due within one year			
Bank loans and overdrafts	97	–	97
Trade creditors	382	–	382
Corporation tax	220	107	327
Other creditors	448	–	448
Accruals and deferred income	110	191	301
	1,257	298	1,555
Net current assets/(liabilities)	700	(458)	242
Provisions and other liabilities			
Deferred taxation	20	–	20
Net assets/(liabilities)	948	(585)	363
Goodwill arising on consolidation			9,498
			9,861
Satisfied by			
Cash and acquisition costs			2,826
Shares issued			2,531
Future deferred consideration			4,504
			9,861

The fair values may be revised within the year to March 2008 if deemed necessary

27 Acquisitions (continued)

TerraQuest Solutions Limited (continued)

The fair value adjustment includes

- revaluation of fixed assets
- adjustment to opening corporation tax creditor
- revaluation of opening work in progress and related creditors
- onerous contract provision
- proportion of bonuses relating to pre acquisition
- adjustment to pre acquisition profits due to effective control

The profit and loss accounts of the Company for the pre acquisition period 1 April 2005 to 4 December 2006 and for the full financial year are summarised below

	Pre acquisition period to 4 Dec 2006 £000	12 months to 31 March 2006 £000
Turnover	5,676	8,920
Operating profit	500	1,207
Exceptional items	(18)	(218)
Net profit before taxation	468	977
Taxation	(140)	(292)
Net profit after taxation	328	685
Dividends	(64)	(64)
Retained profit	264	621

From the acquisitions, Datacare Business Systems, Bay Associates Consulting and TerraQuest Solutions made the following contributions to and utilisation of Group cash flows

	Datacare Business Systems £000	Bay Associates Consulting £000	TerraQuest Solutions £000	Total £000
Net cash inflow from operating activities	230	212	685	1,127
Returns on investment and servicing of finance	-	1	1	2
Corporation tax paid	(68)	–	–	(68)
Capital expenditure and financial investment	(37)	(5)	(44)	(86)
Increase in cash	125	208	642	975

28 Capital commitments

The Group has a capital commitment to purchase fixed assets of £70,000 There were no capital commitments at 31 March 2006

29 Contingent liabilities

There were no contingent liabilities at 31 March 2007 or 31 March 2006

30 Share based payments

Equity settled share option schemes

The Company's share option schemes provide for an exercise price equal to the average quoted market price of the Company's shares for the three dealing days prior to the date of grant There is no vesting period If the options remain unexercised after a period of 10 years from the date of grant, the options expire Furthermore, options are forfeited after the expiry of 30 days from the date the employee leaves the Group

	2007 Options	2007 Weighted average exercise price (pence)	2006 Options	2006 Weighted average exercise price (pence)
Outstanding at beginning of year	**3,818,902**	**66 0**	1,329,778	53 8
Granted during the year	**1,645,651**	**65 9**	2,619,124	71 4
Forfeited during the year	**(190,000)**	**70 5**	-	-
Exercised during the year	**(80,000)**	**50 0**	(130,000)	50 5
Outstanding at the end of the year	**5,194,553**	**66 1**	3,818,902	66 0
Exerciseable at the end of the year	**5,194,553**	**66 1**	3,818,902	66 0

The weighted average share price at the date of exercise for share options exercised during the period was 82 0p per share (2006 86 0p) The options outstanding at 31 March 2007 had an exercise price ranging from 40 0p to 89 5p per share (2006 40 0p to 89 5p) The estimated fair value of options granted in the year using the Black-Scholes method, was 30 9p per share (2006 36 8p)

The inputs into the Black-Scholes valuation model for options granted during the year were as follows

	2007	2006
Weighted average share price	**71 1p**	74 3
Weighted average exercise price	**65 6p**	64 9
Expected volatility	**44%**	52%
Expected life	**4 years**	4 years
Risk free rate	**5%**	5%
Expected dividend yield	**0%**	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 6 years The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions, and behavioural considerations

The Group recognised a total expense of £252,000 relating to the equity settled share option scheme transactions in 2007 (2006 £100,000)

31 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 Supporta Services Limited, previously employed by Parys Snowdon Payroll Services Limited and Parys Snowdon Group Limited and its subsidiary undertakings which have been hived up into it

The assets of the scheme are administered by trustees in a fund independent from the assets of the Group

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 13 September 2004, 31 March 2005, 31 March 2006 and 31 March 2007 by a qualified independent actuary using the projected unit method

The main assumptions used by the actuary were

	31 March 2007 %	31 March 2006 %	31 March 2005 %
Rate of increase in salaries	**4 20**	3 95	3 90
Rate of increase in pensions in payment	**3 20**	2 95	3 43
Discount rate	**5 20**	4 95	5 42
Inflation assumption	**3 20**	2 95	2 90

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

	Long term rate of return expected 31 March 2007 %	Market value at 31 March 2007 £000	Long term rate of return expected 31 March 2006 %	Market Value at 31 March 2006 £000	Long term rate of return expected 31 March 2005 %	Market Value at 31 March 2005 £000
Equities	**7 50**	**3,403**	7 10	3,317	7 10	2,426
Bonds	**5 00**	**926**	5 00	965	5 00	780
Property	**7 50**	**1,557**	7 10	1,361	7 10	1,083
Cash	**5 25**	**21**	4 75	11	4 75	42
Total market value of assets		**5,907**		5,654		4,331
Present value of scheme liabilities		**(9,564)**		(9,023)		(7,496)
Deficit in scheme		**(3,657)**		(3,369)		(3,165)

The movements in the net pension liability, on an FRS 17 basis, during the year ended 31 March 2007 were

	31 March 2007 £000	31 March 2006 £000
Deficit at 31 March	**(3,369)**	(3,165)
Total service cost	**(262)**	(228)
Contributions	**302**	212
Other financial income	**(90)**	(179)
Actuarial loss	**(238)**	(9)
	(3,657)	(3,369)
Deferred taxation adjustment	**1,097**	1,011
	(2,560)	(2,358)

31 Pensions (continued)

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

	31 March 2007 %	31 March 2006 %	31 March 2005 %
Actual less expected return	(233)	900	(75)
As a percentage of assets	(4%)	16%	(2%)
Experience gain on liabilities	–	648	–
As a percentage of liabilities	0%	7%	0%
Total amount recognised in the statement of total recognised gains and losses	(238)	(9)	(227)
As a percentage of liabilities	(2%)	0%	3%

32 Leasing commitments

Operating lease payments amounting to £1,284,000 (2006 £1,046,000) are due within one year The leases to which these relate expire as follows

	31 March 2007		31 March 2006	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
In one year or less	452	7	184	45
Between one and five years	662	163	725	92
Over 5 years	227	62	–	–
	1,341	232	909	137

33 Related party transactions

During the year the Group paid £32,313 for recruitment services to Bandtrace a company owned by J Jasper's spouse There were no balances outstanding at either 31 March 2007 or 31 March 2006

During the year the Group paid £7,005 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 either 31 March 2007 or 31 March 2006

34 Post balance sheet events

On 4 May 2007 the Group disposed of the Payroll division of Supporta Services Limited for a total consideration of £3 7m Cash The business provides payroll services to 27 NHS organisations The consideration received from the sale of the business will be used to reduce debt

Health & Social Care
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