

**PINNACLE PEOPLE LIMITED
CONSOLIDATED FINANCIAL STATEMENTS**

ANNUAL REPORT

for the year ended 31 March 2012



Company number 06588740

PINNACLE PEOPLE LIMITED

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For the year ended 31 March 2012

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PINNACLE PEOPLE LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2012

FINANCIAL STATEMENTS

The directors present their report and the Group financial statements for the year ended 31 March 2012 which have been prepared under the historical cost convention and the accounting policies set out in note 1

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The Company's principal activity is the delivery and management of welfare to work employment related services. The activities of the Company's subsidiary undertakings are the recruitment and provision of temporary personnel along with the provision of employment related services that tackle long-term unemployment and community worklessness.

Pinnacle People had a very successful 12 months operationally although financially its results have been impacted by the Coalition's desire to pay for results. Whilst eminently sensible for the taxpayer the effect is that new contracts lose money in their first 6-9 months of operation which is then recovered in the following 3-4 years. During the year Pinnacle People successfully won contracts worth over £40m to provide a range of delivery services including the Work Programme, Mandatory Work Activity, European Social Fund and the trialling of the Community Action Plan. A combination of the ending of the Flexible New Deal and Flexible Job Fund in the first quarter and the starting of these new contracts during the year reduced turnover from £12.0m last year to £8.9m this year which resulted in Pinnacle People incurring an EBITDA loss of £510,000 compared to an EBITDA profit of £542,000 last year. Looking forwards Pinnacle People has a strong customer base covering a broad range of services and is well placed to benefit from the investment we have made this year, Pinnacle People are seen as one of the leading providers of innovative solutions in helping people into employment.

The key risk facing Pinnacle People Group relates to contract performance which the business manages by closely monitoring performance and ensuring variances are addressed on a timely basis.

RESULTS AND DIVIDENDS

The Group turnover for the year from continuing operations was £8.9m (2011: £12.0m) with total group operating loss before depreciation at £510,000 (2011: profit £542,000). The Group result for the year after taxation but before minority interests amounted to a loss of £762,000 (2011: profit £200,000). The directors do not recommend the payment of a dividend (2011: £nil).

CHARITABLE DONATIONS

During the year the Group made charitable donations totalling £nil (2011: £nil).

FINANCIAL INSTRUMENTS

The Company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

PINNACLE PEOPLE LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2012

DIRECTORS

The directors during the year were as follows

KJ Whittaker

PMA Lloyd

MWH Penny

NC Karslake

M Taylor

ZES Bull

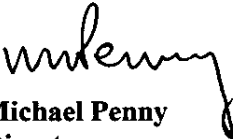
CJ Hodson (resigned 16th May 2011)

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the directors has confirmed that

- (a) so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- (b) they have taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This report was approved by the Board on 17/12 December 2012.



Michael Penny
Director

1st Floor
6 St Andrew Street
London
EC4A 3AE

PINNACLE PEOPLE LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

PINNACLE PEOPLE LIMITED
Independent Auditor's Report to the Members of Pinnacle People Limited

We have audited the financial statements of Pinnacle People Limited for the year ended 31 March 2012 set out on pages 5 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2012 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.


W Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square

London

E14 5GL

17th December 2012

PINNACLE PEOPLE LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2012

	Notes	2012	2011
		£'000's	£'000's
Group Turnover	2	8,941	11,963
Other external charges		(3,234)	(6,202)
Staff costs	22	(3,795)	(3,165)
Depreciation of tangible fixed assets	7	(343)	(217)
Other operating charges		(2,422)	(2,054)
Group operating (loss)/profit	3	(853)	325
Non operating exceptional items	22	(108)	-
Group (loss)/profit before interest and taxation		(961)	325
Interest receivable and similar income	4	-	32
Interest payable and similar charges	15	(67)	(55)
(Loss)/profit on ordinary activities before taxation	2	(1,028)	302
Tax on (loss)/profit on ordinary activities	6	264	(102)
(Loss)/profit on ordinary activities after taxation		(764)	200
Equity minority interest	19	148	-
(Loss)/profit for the financial year	14	(616)	200

All the above amounts are attributable to continuing operations

There is no difference between the loss on ordinary activities before taxation and the retained loss for the period stated above, and their historical cost equivalents


PINNACLE PEOPLE LIMITED
CONSOLIDATED BALANCE SHEET

As at 31 March 2012

	Notes	2012 £'000's	2011 £'000's
TANGIBLE FIXED ASSETS	7	601	654
CURRENT ASSETS			
Debtors	9	1,551	1,370
Cash at bank	17	200	222
		1,751	1,592
CREDITORS: amounts falling due within one year	10	(2,610)	(1,771)
Net current liabilities		(859)	(179)
Total assets less current liabilities		(258)	475
Subordinated debt	11	(587)	(558)
NET LIABILITIES		(845)	(83)
CAPITAL AND RESERVES			
Attributable to equity interests			
Called up share capital	13	50	50
Profit and loss account	14	(895)	(133)
Total shareholders' deficit	18	(845)	(83)
Equity minority interest	19	-	-
Capital employed		(845)	(83)

These financial statements were approved and authorised for issue by the board and were signed on its behalf on 17th December 2012

The notes on pages 9 to 24 form part of the financial statements


Michael Penny
Director


1st Floor
6 St Andrew Street
London
EC4A 3AE

PINNACLE PEOPLE LIMITED
(Company number 6588740)
COMPANY BALANCE SHEET

As at 31 March 2012

	Notes	2012 £'000's	2011 £'000's
TANGIBLE FIXED ASSETS	7	599	653
INVESTMENTS	8	8	-
TOTAL FIXED ASSETS		607	653
CURRENT ASSETS			
Debtors	9	1,224	1,318
Cash at bank		151	176
		1,375	1,494
CREDITORS: amounts falling due within one year	10	(2,078)	(1,700)
Net current liabilities		(703)	(206)
Total assets less current liabilities		(96)	447
Subordinated debt	11	(587)	(558)
Net liabilities		(683)	(111)
CAPITAL AND RESERVES			
Attributable to equity interests			
Called up share capital	13	50	50
Profit and loss account	14	(733)	(161)
Total shareholders' deficit	18	(683)	(111)

These financial statements were approved and authorised for issue by the board and were signed on its behalf on 17th December 2012


Michael Penny
Director

PINNACLE PEOPLE LIMITED
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2012

	Notes	2012 £'000's	2011 £'000's
Cash inflow from operating activities	15	17	486
Returns on investments and servicing of finance	16	(67)	(23)
Taxation – Group relief		286	(44)
Capital expenditure and financial investment	16	(287)	(515)
Cash outflow before the use of liquid resources and financing		(51)	(96)
Financing	17	29	50
Decrease in cash in the year	17	(22)	(46)
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the year	17	(22)	(46)
Non cash items	17	(29)	(27)
Cash inflow from increase in debt	17	-	-
Movement in net debt in the year		(51)	(73)
Net debt at 1 April		(336)	(263)
Net debt at 31 March	17	(387)	(336)

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards

Going Concern

The Pinnacle People Group is part of the Pinnacle Regeneration Group and is exposed to the cross guarantee relating to the Group's bank facility. The Directors of Pinnacle People Limited are content that the Group has sufficient resources for the guarantee not to be called on for a period of at least 12 months and have therefore adopted the going concern basis of preparation for these financial statements. No adjustments have been made to these financial statements in the event of the Group and Company not being a going concern.

The Directors of this company, having had regard to budgets and cash flow forecasts for Pinnacle People Limited for a period of at least 12 months from the date these financial statements were approved and authorised for issue are content that the Group will be able to provide the necessary level of support and have therefore adopted the going concern basis of preparation for these financial statements. No adjustments have been made to these financial statements in the event of the Group and Company not being a going concern. For further information please refer to the consolidated accounts of Pinnacle Regeneration Group.

Basis of consolidation

The financial statements of the Group represent the consolidation of Pinnacle People Group Limited and its subsidiary undertakings. All material inter-company transactions and balances are eliminated. All subsidiary financial statements are made up to 31 March 2012. In the case of acquisitions and disposals of businesses, the results of trading are consolidated from or to the date upon which control passes.

Turnover

Turnover represents fees receivable for the provision of consultancy services, and is recognised over the period for which services are rendered. Turnover includes £213,000 (2011: £1,775,000) relating to grants received from government.

Grants

Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred. Excess grant income received is deferred until the subsequent period.

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES (continued)

Long term contracts

In respect of long-term contracts, total revenue and related costs are calculated to determine a contract's profitability margin which is recognised in the profit and loss account over the term of the contract after making provision for foreseeable losses. Turnover on long-term contracts is determined by the level of activity during the period. Costs represent amounts invoiced plus accruals for work completed but not invoiced during the period. Project profitability is regularly reviewed by the Board and a detailed exercise is carried out at least once every year.

Amounts recoverable on contracts are valued at anticipated net sales value of work done after provision for contingencies and anticipated future losses on contracts. Cash received on account of contracts is deducted from amounts receivable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors. Contract provisions in excess of amounts recoverable are included in provisions. Any difference between the calculated turnover figure and the invoiced amounts in the month is treated as deferred income or accrued income as appropriate.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of each asset on a straight-line basis over its estimated useful life as follows:

Fixtures and equipment – over 1 to 5 years

Deferred taxation

Provision is made for deferred taxation on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not. Deferred tax assets and liabilities have not been discounted.

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

Pension costs

The Pinnacle Regeneration Group operates a defined contribution pension scheme for eligible employees. The costs incurred are charged against income in the year to which the contributions relate.

Minority Interest

Equity minority interests represent the share of the profits less losses on ordinary activities attributable to the interests of equity shareholders in subsidiaries which are not wholly owned by the Group. For financial reporting purposes, 100% of the assets, liabilities and earnings of the companies are consolidated within those of the Group and the minority's share is recorded as a minority interest in the financial statements.

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES (continued)

Investments

Fixed asset investments are stated at cost less any provision for impairment

Finance and operating leases

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the useful lives of the equivalent owned assets. Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

2 TURNOVER AND LOSS BEFORE TAX

All income and profits arise from within the United Kingdom. The analysis by segment of turnover, (loss)/profit on ordinary activities before tax and net (liabilities)/assets is shown below

	Turnover	2012 Loss on ordinary activities before tax	Net liabilities	Turnover	2011 Profit/ (loss) on ordinary activities before tax	Net assets/ (liabilities)
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Pinnacle People	7,177	(597)	(683)	8,696	332	(111)
Pinnacle People Recruitment	1,551	(87)	(33)	1,492	2	33
Pinnacle People Enterprises	213	(26)	(26)	1,775	(9)	(5)
Paragon Concord Families	-	(143)	(95)	-	-	-
	8,941	(853)	(837)	11,963	325	(83)
Consolidation adjustments	-	-	(8)	-	-	-
Exceptional items	-	(108)	-	-	-	-
	8,941	(961)	(845)	11,963	325	(83)
Net interest expense	-	(67)	-	-	(23)	-
Total	8,941	(1,028)	(845)	11,963	302	(83)

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

3 OPERATING LOSS

is stated after charging/(crediting)

	2012 £'000's	2011 £'000's
Operating lease rentals - other	291	123
- hire of plant and machinery	12	5
Depreciation - owned assets	343	217
Fees payable to the company's auditor for the audit of the company's annual accounts	8	11
Fees payable to the company's auditor for services in respect of		
- the audit of the Company's subsidiaries pursuant to legislation	9	12

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £'000's	2011 £'000's
Interest receivable from bank deposits	-	1
Other	-	31
	-	32

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £'000's	2011 £'000's
On bank and other loans	62	54
Other	5	1
	67	55

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

6 TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of (credit)/charge in the year

	2012 £'000's	2011 £'000's
Current Tax		
United Kingdom corporation tax at 26% (2011: 28%) on (loss)/profit for the year	-	-
Group relief (receipt)/payment	(186)	110
Overprovision in respect of prior years	(101)	(54)
Total current tax	(287)	56
Deferred Tax		
Origination and reversal of timing differences	23	46
Total deferred tax	23	46
Tax (credit)/charge/ on (loss)/profit on ordinary activities	(264)	102

(b) Factors affecting tax (credit)/charge for year

The tax assessed in each year varies from the standard rate of corporation tax in the UK in the relevant years. The differences are explained below:

	2012 £'000's	2011 £'000's
(Loss)/profit on ordinary activities before tax	(1,028)	302
(Loss)/profit on ordinary activities before tax multiplied by standard rate of UK corporation tax of 26% (2011: 28%)	(267)	84
Non deductible expenses	4	4
Capital allowances less than / (greater than) depreciation charge	41	22
Losses/(profits) group relieved	185	(110)
Losses utilised	37	-
Current tax (credit)/charge for year	-	-

(c) Factors that may affect future tax charges

The effective tax rate of the Company will continue to be affected by short term timing differences and the availability of trading losses to offset against future taxable profits.

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

7 TANGIBLE FIXED ASSETS

Group	Leasehold land & buildings £'000's	Fixtures and equipment £'000's	Total £'000's
Cost			
At 1 April 2011	-	900	900
Additions	7	285	292
Disposals	-	(6)	(6)
At 31 March 2012	7	1,179	1,186
Depreciation			
At 1 April 2011	-	246	246
Charge for the year	1	342	343
Elimination on disposal	-	(4)	(4)
At 31 March 2012	1	584	585
Net book value			
At 31 March 2012	6	595	601
At 31 March 2011	-	654	654

Company	Leasehold land & buildings £'000's	Fixtures and equipment £'000's	Total £'000's
Cost			
At 1 April 2011	-	897	897
Additions	7	284	291
Disposals	-	(6)	(6)
At 31 March 2012	7	1,175	1,182
Depreciation			
At 1 April 2011	-	244	244
Charge for the year	1	342	343
Elimination on disposal	-	(4)	(4)
At 31 March 2012	1	582	583
Net book value			
At 31 March 2012	6	593	599
At 31 March 2011	-	653	653

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

8 FIXED ASSET INVESTMENTS

	Investment in subsidiary undertakings
	£
Cost as at 1 April 2011	2
Additions in period	7,500
Cost as at 31 March 2012	7,502

All subsidiary undertakings are registered in England and Wales and operate within the United Kingdom. The principal subsidiary undertakings at the year end were

Company	Principal activity	Class of shares held	Holding %
Pinnacle People Recruitment Limited	Recruitment	£1 Ordinary	100
Pinnacle People Enterprises	Employment	£1 Ordinary	100
Community Interest Company	Services		
Paragon Concord Families Limited	Employment Services	£1 Ordinary	75

Each of the above subsidiaries is included in the consolidated accounts

During the period Pinnacle People Limited purchased a 75% share holding in Paragon Concord Families Limited for £7,500

9 DEBTORS

	Group	Company	Group	Company
	2012	2012	2011	2011
	£'000's	£'000's	£'000's	£'000's
Amounts falling due within one year				
Trade debtors	691	555	887	835
Other debtors	230	206	38	38
Prepayments and accrued income	567	437	359	359
Deferred tax asset (note 12)	63	26	86	86
	1,551	1,224	1,370	1,318

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

10 CREDITORS: amounts falling due within one year

	Group	Company	Group	Company
	2012	2012	2011	2011
	£'000's	£'000's	£'000's	£'000's
Trade creditors	315	274	55	51
Amounts owed to Group undertakings	1,372	1,208	28	50
Other taxes and social security costs	379	318	340	315
Other creditors	98	75	82	82
Accruals and deferred income	446	203	1,266	1,202
	2,610	2,078	1,771	1,700

11 SUBORDINATED DEBT

	2012	2011
	£'000's	£'000's
Subordinated debt at 1 April	558	531
Accrued interest	29	27
Subordinated debt at 31 March	587	558

The subordinated debt owed to Pinnacle Regeneration Group Limited was lent to the Company to provide the initial working capital for the bid costs. Interest accrues on the subordinated debt at a rate of 5% per annum. Interest is rolled up into the debt every 6 months on 30 September and 31 March.

12 DEFERRED TAXATION

Deferred taxation provided in the accounts is as follows

	Group	Company	Group	Company
	2012	2012	2011	2011
	£'000's	£'000's	£'000's	£'000's
Tax effect of timing differences because of:				
Excess of depreciation over capital allowances	26	26	(13)	(13)
Losses carried forward	37	-	99	99
Total deferred tax asset	63	26	86	86

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

12 DEFERRED TAXATION (continued)

The movement in the deferred taxation (asset) is as follows

	Group	Company	Group	Company
	2012	2012	2011	2011
	£'000's	£'000's	£'000's	£'000's
At 1 April	86	86	132	132
Charged to the profit and loss account	(23)	(60)	(46)	(46)
At 31 March	63	26	86	86

13 CALLED UP SHARE CAPITAL

The share capital of the Company is shown below

Allotted and fully paid

	2012		2011	
	Number	£'000's	Number	£'000's
£1 00 ordinary shares	50,000	50	50,000	50

During 2011 the issued share capital of Pinnacle People Limited increased from £1 to £50,000. Management employees of Pinnacle People Limited purchased £12,500, at par, of the additional share capital thus taking a 25% minority interest in the company. The shareholding held by Pinnacle Regeneration Group Limited decreased from 100% to 75%.

In 2012 Pinnacle Regeneration Limited purchased part of the share capital from two former management employees, increasing its shareholding from 75% to 80%. The remainder of the share capital of the two former management employees was purchased by an existing management employee shareholder.

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

14 RESERVES

Group	Profit and loss account £'000's
At 1 April 2011	(133)
Loss for the financial year	(762)
At 31 March 2012	(895)

Company	Profit and loss account £'000's
At 1 April 2011	(161)
Loss for the financial year	(572)
At 31 March 2012	(733)

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The loss attributable to shareholders, dealt with in the accounts of the Company, is £572,000 (2011 profit £203,000)

15 RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £'000's	2011 £'000's
Operating (loss)/profit	(960)	325
Profit on disposal of fixed assets	(3)	-
Depreciation of tangible fixed assets	343	217
(Increase)/decrease in debtors	(202)	817
Increase/(decrease) in creditors	839	(873)
Net cash inflow from operating activities	17	486

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

16 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2012 £'000's	2011 £'000's
Returns on investments and servicing of finance		
Interest received	-	32
Bank interest paid	(67)	(55)
Net cash outflow for returns on investment and servicing of finance	(67)	(23)
 Capital expenditure and financial investment		
Sale of tangible fixed assets	5	-
Purchase of tangible fixed assets	(292)	(515)
Net cash outflow for capital expenditure and financial investment	(287)	(515)
 Financing		
Issue of shares	-	50
Net cash inflow from financing	-	50

17 ANALYSIS OF NET DEBT

	At 1 April 2011 £'000's	Cash flow £'000's	Other non-cash changes £'000's	At 31 March 2012 £'000's
Cash at bank	222	(22)	-	200
Subordinated debt	(558)	-	(29)	(587)
Total net debt	(336)	(22)	(29)	(387)

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

18 RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2012 £'000's	2011 £'000's
(Loss)/profit for the year after taxation and minority interest	(762)	200
Issue of share capital	-	50
Net (decrease)/increase in shareholders' funds	(762)	250
Opening shareholders' deficit	(83)	(333)
Closing shareholders' deficit	(845)	(83)

RECONCILIATION OF MOVEMENTS IN COMPANY SHAREHOLDERS' FUNDS

	2012 £'000's	2011 £'000's
(Loss)/profit for the year after taxation	(572)	203
Issue of share capital	-	50
Net (decrease)/increase in shareholders' funds	(572)	253
Opening shareholders' deficit	(111)	(364)
Closing shareholders' deficit	(683)	(111)

19 MINORITY INTEREST

The minority interest represents the management interest held in Pinnacle People Limited

	2012 £'000's	2011 £'000's
Minority interest at beginning of year	-	-
(Loss)/profit for the year	(148)	22
Share capital issued	2	13
Adjustment due to shareholder deficit	146	(35)
Minority interest at end of year	-	-

There is no minority interest at the end of the period as the shareholders funds are in deficit

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

20 FINANCIAL COMMITMENTS

Operating leases

At 31 March 2012 the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings	Other	Land and buildings	Other
	2012	2012	2011	2011
	£'000's	£'000's	£'000's	£'000's
Expiry date				
Within one year	125	-	35	-
Between one and five years	210	5	18	-
	335	5	53	-

21 DIRECTORS EMOLUMENTS

	2012	2011
	£	£
Aggregate emoluments and benefits	279,728	177,583
Company pension contributions to money purchase scheme	19,500	10,499
	299,228	188,082
Highest paid director		
Aggregate emoluments and benefits	117,000	111,750
Company pension contributions to money purchase scheme	11,000	6,417
	128,000	118,167

PMA Lloyd and MWH Penny are directors of Pinnacle Regeneration Group Limited, the company's ultimate parent undertaking. Their services were deemed to relate mostly to work carried out for Pinnacle Regeneration Group Limited and the related costs were therefore included in the administrative expenses of Pinnacle Regeneration Group Limited.

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

22 EMPLOYEES

(1) Number of employees

The average weekly number of operational employees (including directors) employed by the Group during the year was 112 (2011 87) and can be analysed by segment as follows

	2012 Number	2011 Number
Welfare to work employment services	101	77
Recruitment and provision of temporary personnel	8	4
Long-term unemployment and community worklessness services	3	6
	112	87

(2) Employment costs

	2012 £'000's	2011 £'000's
Wages and salaries	3,371	2,833
Social security costs	354	300
Pension costs – defined contribution	70	32
	3,795	3,165
Exceptional re-organisation costs	108	-
	3,903	3,165

The exceptional costs of £108,000 related to employment severance costs resulting from restructuring within the business, and gave rise to a tax credit of £28,000

23 PENSIONS

The Group participates in one pension scheme

The defined contribution schemes is a Group Personal Pension for which employee contributions are a minimum of 2.5% of salary, and employer contributions are 7% of salary for non-executives and 10% of salary for executives

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

24 INTERMEDIATE AND ULTIMATE CONTROLLING PARTIES

The ultimate parent undertaking is Pinnacle Regeneration Group Limited who own 80.0% (2011: 75%) of the ordinary share capital of Pinnacle People Limited. The remaining 20.0% (2011: 25%) of the ordinary share capital of Pinnacle People Limited is held by management.

Following a new equity injection on 9th June 2011 Greenmark Enterprises Limited, New Hampshire Enterprises Limited and Agarwood Enterprises Limited, all incorporated in the British Virgin Islands, collectively have the right to appoint the majority of directors to the Board of Pinnacle Regeneration Group Limited.

These financial statements are consolidated into the financial statements of Pinnacle Regeneration Group Limited. The financial statements of the Company are available from 1st Floor, 6 St Andrew Street, London, EC4A 3AE.

25 RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemptions available under Financial Reporting Standard 8, 'Related Party Disclosures', not to disclose any transactions or balances with entities that are 100% controlled by Pinnacle Regeneration Group Limited.

During the year the following amounts were receivable from / payable to related parties:

At the year end Pinnacle People Limited owed £nil (2011: £nil) to Pinnacle Housing Limited, a fellow group subsidiary, in respect of working capital support. During the period Pinnacle People Limited charged Pinnacle Housing Limited £nil (2011: £7,000) in respect of the supply of temporary staff.

At the year end Pinnacle People Limited owed £883,000 (2011: was due £50,000) to Pinnacle Regeneration Group Limited, the parent company, in respect of working capital support. During the period the Company was charged £328,000 (2011: £223,000) by Pinnacle Regeneration Group Limited in respect of group services.

During the year Pinnacle People Limited was charged £126,000 (2011: £331,000) by Pinnacle Maintenance Services Limited for the supply of call centre services. Pinnacle People Limited charged Pinnacle Maintenance Services Limited £nil (2011: £54,000) for the services of temporary staff.

At the year end Pinnacle People Recruitment Limited owed £95,000 (2011: £nil) to Pinnacle Regeneration Group Limited, the ultimate parent company, in respect of working capital support. During the period Pinnacle Regeneration Group Limited charged the Company £nil (2011: £21,000) in respect of group services.

At the year end Pinnacle People Recruitment Limited owed £nil (2011: £nil) to Pinnacle PSG Limited, a fellow group subsidiary, in respect of group taxation relief. During the year the Company charged Pinnacle PSG Limited £4,000 (2011: £5,000) in respect of the supply of temporary staff.

PINNACLE PEOPLE LIMITED

NOTES TO THE ACCOUNTS

25 RELATED PARTY TRANSACTIONS (continued)

During the year Pinnacle People Recruitment Limited charged Pinnacle Housing Limited £1,095,000 (2011 £1,006,000) in respect of the supply of temporary staff

During the year Pinnacle People Recruitment Limited charged Pinnacle Maintenance Services Limited £139,000 (2011 £205,000) in respect of the supply of temporary staff

At the year end Pinnacle People Enterprises Limited owed £395,000 (2011 was due £22,000) to Pinnacle Regeneration Group Limited in respect of working capital support provided to the Company. During the period the Company was charged £nil (2011 £62,000) by Pinnacle Regeneration Group Limited in respect of group services

During the year management were issued share capital as detailed below. In addition, at the year end the Company owed the directors loan amounts also detailed below

	Equity		Loan	
	2012 Number	2011 Number	2012 £'000's	2011 £'000's
KJ Whittaker	5,000	3,750	38	30
ZES Bull	2,500	2,500	12	11
J Baxter	1,250	1,250	9	8
M Rhucroft	1,250	1,250	9	8
CJ Hodson	-	2,500	-	17
M Brooks	-	1,250	-	8
	10,000	12,500	68	82

26 CONTINGENT LIABILITIES

The Company and all principal subsidiary undertakings have issued guarantees in favour of Bank of Scotland to support the indebtedness of Pinnacle Regeneration Group Limited and its subsidiaries. The exposure to this guarantee at the balance sheet date was £nil (2011 £5,516,806)