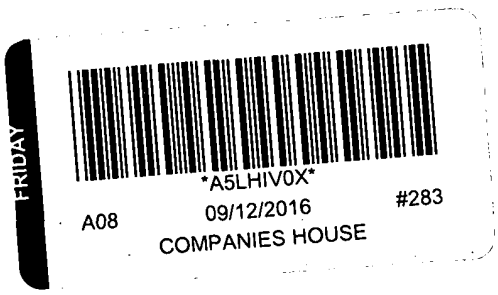
PINNACLE PEOPLE LIMITED
AND SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016



Company number 06588740

PINNACLE PEOPLE LIMITED
CONTENTS
For the year ended 31 March 2016

	Page
Strategic Report	1
Directors' Report	2
Statement of Directors' Responsibilities	3
Independent Auditor's Report to the members of Pinnacle People Limited	4
Consolidated Statement of Profit and Loss & Other Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statements of Changes in Equity	7
Consolidated Cash Flow Statement	8
Notes to the Financial Statements	9
Company Statement of Financial Position	22
Company Statement of Changes in Equity	23
Company Notes to the Financial Statements	24

PINNACLE PEOPLE LIMITED
STRATEGIC REPORT
For the year ended 31 March 2016

Pinnacle People has had a challenging year operationally with a number of key programmes ending and a limited new programmes being released to replace them. This has resulted in a full re-organisation of the business to ensure that it is well positioned to take advantage of future opportunities.

As a result, turnover reduced to £11.0m (2015: £16.8m). After allowing for exceptional restructuring and other one off costs this combined to give a post tax loss of £1.6m (2015: £0.3m).

As a result of the restructuring, Pinnacle People have benefited from further integration into the Pinnacle Group management structure retaining dedicated and passionate operational teams. Pinnacle People directly employed more than 200 staff during the year.

Pinnacle People are a trusted delivery partner in delivering a wide range of contracts both directly to the Department for Work and Pensions (DWP) and as a sub-contractor to other third parties for contracts with the DWP. Throughout the year, The range of delivery has included the Work Programme, Mandatory Work Activity, Community Work Placements, New Enterprise Allowance and somepilot and trailblazer programmes.

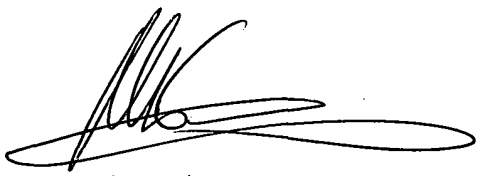
All of the contracts that Pinnacle People deliver are 'payment by results' and the key performance indicators are moving people into sustainable employment or closer to the labour market through work placements or training. The largest welfare to work activity is the Work Programme in the year ended 31st March 2016.

The Group has contracts in place worth over £6m for periods of up to 2-3 years, principally in the Welfare to Work and training sectors.

This visibility of future revenue streams is the principal risk of the business. This is due to the outcome nature of many of the contracts and a number of DWP programmes ending over the next 12 months.
Government has also confirmed that the spending on welfare and other publicly funded projects will reduce significantly through the replacement programmes e.g. Work and Health programme which will have an impact on the whole welfare to work market, and in turn, Pinnacle Peoples ability to sustain previous revenue performance.

To mitigate this risk Pinnacle People continues to ensure that it delivers excellent service and value for money for its customers to ensure that it remains a preferred supplier for both direct contracts with central government, and sub contracts with a select group of larger prime contractors.

Looking forward, Pinnacle People aims to leverage the contacts and exprience of the wider group to diversify its business service lines into supporting socio-economic impact outcomes on behalf of developers, constructors and local authorities. This is seen as a key growth target in the next year as a core component of our Group offer.



Neil Euesden
Group Director of Operations
16 August 2016

PINNACLE PEOPLE LIMITED
DIRECTORS' REPORT
For the year ended 31 March 2016

FINANCIAL STATEMENTS

The directors present their report and the Group financial statements of Pinnacle People Limited for the year ended 31 March 2016. During the year the Company adopted Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

RESULTS AND DIVIDENDS

The Group turnover for the year from continuing operations was £11.0m (2015: £16.8m) with total group operating loss before depreciation at £1,720,000 (2015: loss £2,000). The Group result for the year after taxation but before minority interests amounted to a loss of £1,601,000 (2015: loss £311,000). The directors do not recommend the payment of a dividend (2015: £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.

DIRECTORS

The directors during the year were as follows:

KJ Whittaker	(Resigned 31 August 2015)
PMA Lloyd	
MWH Penny	(Resigned 31 December 2015)
NC Karslake	(Resigned 1 September 2015)
M Taylor	(Resigned 1 September 2015)
N Euesden	(Appointed 11 February 2016)
HA Saunders	(Appointed 31 December 2015)
N Wright	(Appointed 11 February 2016)

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.

AUDITORS

Under section 487 of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the Board on 16 August 2016.

H Andrew Saunders
Group Finances & Resources Director
FirstFloor, 6 St Andrew Street
London, EC4A 3AE

PINNACLE PEOPLE LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 March 2016

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), including FRS 101 *Reduced Disclosure Framework*.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINNACLE PEOPLE LIMITED

For the year ended 31 March 2016

We have audited the financial statements of Pinnacle People Limited for the year ended 31 March 2016 set out on pages 5 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 Practises Board'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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 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.

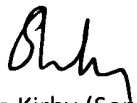
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.



Shaun Kirby (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
16 August 2016

PINNACLE PEOPLE LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS & OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	**2016**	2015
		£000	£000
Revenue	2	**11,013**	16,770
Other external charges		**(4,146)**	(6,275)
Staff costs	15	**(5,618)**	(7,157)
Depreciation and amortisation	7, 8	**(95)**	(146)
Other operating charges		**(2,970)**	(3,341)
Operating loss	3	**(1,815)**	(149)
Interest receivable and similar income	4	**32**	18
Interest payable and similar charges	5	**(179)**	(157)
Loss on ordinary activities before taxation		**(1,962)**	(288)
Tax on loss on ordinary activities	6	**348**	53
Loss on ordinary activities after taxation		**(1,614)**	(235)

Attributable to:

Equity holders of the parent	**(1,601)**	(311)
Non-controlling interest	**(13)**	76
Total loss	**(1,614)**	(235)

There are no recognised gains or losses for the financial year other than as stated in the profit and loss account and therefore no other comprehensive income statement has been presented.

All the above amounts are attributable to continuing operations.

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

The notes on pages 9 to 21 form part of the financial statements.

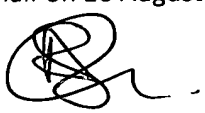
PINNACLE PEOPLE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	**31 March 2016 £000**	31 March 2015 £000	1 April 2014 £000
NON-CURRENT ASSETS				
Intangible assets	7	**17**	36	38
Property, plant and equipment	8	**79**	129	143
Total non-current assets		**96**	165	181
CURRENT ASSETS				
Trade and other receivables	9	**1.310**	2.704	3.316
Cash and cash equivalents		**446**	289	605
Total current assets		**1,756**	2,996	3,921
CURRENT LIABILITIES				
Trade and other payables	10	**(4,011)**	(3,741)	(4,481)
Total curret liabilities		**(4,011)**	(3,741)	(4,481)
Net current liabilities		**(2,255)**	(745)	(558)
Total assets less current liabilities		**(2,159)**	(580)	(377)
Subordinated debt	11	**(715)**	(680)	(648)
Net liabilities		**(2,874)**	(1,260)	(1,025)
CAPITAL AND RESERVES				
Attributable to equity interests				
Called up share capital		**50**	50	50
Profit and loss account		**(2,885)**	(1,284)	(973)
Total shareholders' deficit		**(2,835)**	(1,234)	(923)
Non-controlling interest		**(39)**	(26)	(102)
Capital employed		**(2,874)**	(1,260)	(1,025)

These financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 August 2016.



H Andrew Saunders
Group Finances & Resources Director

Company number: 06588740
The notes on pages 9 to 21 form part of the financial statements.

PINNACLE PEOPLE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2016

	Share capital £000	Retained earnings £000	Total parent equity £000	Non-controlling interest £000	Total equity £000
Balance at 1st April 2014	50	(973)	(923)	(102)	(1,025)
(Loss)/profit for the year	-	(311)	(311)	76	(235)
Balance at 31st March 2015	50	(1,284)	(1,234)	(26)	(1,260)
Loss for the year	-	(1,601)	(1,601)	(13)	(1,614)
Balance at 31st March 2016	**50**	**(2,885)**	**(2,835)**	**(39)**	**(2,874)**

The notes on pages 9 to 21 form part of the financial statements.

PINNACLE PEOPLE LIMITED
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2016

	2016 £000	2015 £000
Cash flows from operating activities		
Loss for the year	**(1,614)**	(235)
Adjustments for:		
Depreciation and amortisation	**95**	146
Financial income	**(32)**	(18)
Financial expense	**179**	157
Taxation	**(348)**	(53)
Cashflow from operations before movements in working capital	**(1,720)**	(3)
Increase in inventories	**-**	(1)
Decrease in trade and other receivables	**1,382**	548
Increase/(decrease) in trade and other payables	**340**	(838)
	2	(294)
Interest receivable	**32**	18
Interest paid	**(179)**	(157)
Tax paid	**293**	215
Net cash inflow/(outflow) from operating activities	**148**	(218)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(24)**	(129)
Acquisition of intangible assets	**(2)**	(1)
Net cash outflow from investing activities	**(26)**	(130)
Cash flows from financing activities		
Increase in subordinate debt	**35**	32
Net cash inflow from financing activities	**35**	32
Net increase/(decrease) in cash and cash equivalents	**157**	(316)
Cash and cash equivalents at 1st April	**289**	605
Cash and cash equivalents at 31st March	**446**	289

The notes on pages 9 to 21 form part of the financial statements.

1 ACCOUNTING POLICIES

Pinnacle People Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 19.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosure:

- Disclosures in respect of transactions with wholly owned subsidiaries;

As the consolidated financial statements of Pinnacle Group Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 1 April 2014 for the purposes of the transition to FRS 101 Adopted IFRSs.

1.1 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 (UK Generally Accepted Accounting Practice).

1.2 GOING CONCERN

The Pinnacle People Group has made a loss of £1,614,000 (2015: £235,000) during the year and has net liabilities of £2,874,000 (2015: £1,260,000) at the year end. The Pinnacle People Group is part of the Pinnacle Group. Pinnacle Group Limited has indicated its willingness to financially support the Pinnacle People Group for a period of at least 12 months from the date these financial statements were approved and authorised for issue.

1 ACCOUNTING POLICIES (continued)

1.3 REVENUE

Revenue represents fees receivable excluding VAT, for the provision of the management of welfare to work employment related services, and is recognised over the period for which services are rendered.

1.4 EXPENSES

Operating leases

Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

Financing income and expenses
Financing expenses comprise interest payable and finance leases recognised in profit or loss using the effective interest method. Financing income comprise interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues.

1.5 INTANGIBLE ASSETS

Intangible assets
Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation
Amortisation is charged to the profit and loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- capitalised software development costs - 3 years

1.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the profit and loss on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Plant and equipment - over 1 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1 ACCOUNTING POLICIES (continued)

1.7 INVESTMENTS

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

1.8 TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.9 NON-CONTROLLING INTEREST

Equity non-controlling 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 non-controlling interest in the financial statements.

1.10 EMPLOYEE BENEFITS

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss in the periods during which services are rendered by employees.

2 REVENUE

	Gross Turnover £000	**Inter- Company Adjustment £000**	**2016 Total £000**
Pinnacle People	8,090	(130)	7,960
Recruitment Services	3,045	(474)	2,571
Pulse Social Enterprises	360	(350)	10
Paragon Concord Families	472	-	472
Total	**11,967**	**(954)**	**11,013**

	Gross Turnover £000	Inter- Company Adjustment £000	2015 Total £000
Pinnacle People	12,443	(518)	11,925
Recruitment Services	2,907	(796)	2,111
Pulse Social Enterprises	860	(897)	(37)
Paragon Concord Families	2,771	-	2,771
Total	18,981	(2,211)	16,770

3 OPERATING LOSS

is stated after charging:

		2016 £000	2015 £000
Operating lease rentals	- hire of plant and machinery	**8**	13
	- other	**476**	444
Depreciation/impairment	- owned assets	**95**	146
Fees payable to the company's auditor for the audit of the company's annual accounts		**8**	8
Fees payable to the Company's auditor for services in respect of:			
- the audit of the Company's subsidiaries pursuant to legislation		**12**	10
- other services		**2**	2

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £000	2015 £000
Intercompany interest receivable	**32**	18

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2016	2015
	£000	£000
On bank and other loans	**172**	146
Other	**7**	11
Total interest payable and similar charges	**179**	157

6 TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of credit in the year

	2016	*Restated* 2015
	£000	£000
Current Tax		
Tax on loss for the year	**(3)**	98
Group relief surrendered	**(396)**	(213)
Adjustment for previous years	**40**	(2)
Total current tax credit	**(359)**	(117)
Deferred Tax		
Origination and reversal of timing differences	**14**	14
Recognition of previously unrecognised tax losses	**(3)**	50
Total deferred tax	**11**	64
Tax credit on loss on ordinary activities	**(348)**	(53)

(b) Factors affecting tax 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:

	2016	2015
	£000	£000
Loss on ordinary activities before tax	**(1,962)**	(287)
Loss on ordinary activities before tax multiplied by standard rate of UK corporation tax of 20% (2015: 21%)	**(392)**	(60)
Non-deductible expenses	**1**	2
Capital allowances greater than depreciation charge	**(8)**	(3)
Losses carried forward	**-**	-
Adjustment for previous years	**40**	(6)
Losses utilised	**-**	(50)
Current tax credit for year	**(359)**	(117)

6 TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

The Chancellor announced on 8th July 2015 that the UK corporation tax rate will reduce to 18% by 2020. A reduction in the rate from 20% to 19% will become effective on 6 April 2017 with a further reduction to 18% planned to take effect from 6 April 2020.

It has not yet been possible to quantify the fully anticipated effect of the further 2% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax asset accordingly.

7 INTANGIBLE ASSETS

	Restated Development & software costs £000
Cost	
Balance at 1 April 2015	223
Additions	2
Balance at 31st March 2016	**225**
Amortisation and impairment	
Balance at 1 April 2015	187
Amortisation for the year	21
At 31 March 2016	**208**
At 31 March 2016	**17**
At 31 March 2015	36

Amortisation and impairment charge

The amortisation charge is recognised in the following line items in the profit and loss:

	2016	2015
	£000	£000
Depreciation and amortisation	**21**	36

8 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & buildings £000	Plant and equipment £000	*Restated* Total £000
Cost			
At 1 April 2015	7	418	425
Additions	-	24	24
At 31 March 2016	**7**	**442**	**449**
Depreciation			
At 1 April 2015	6	290	296
Charge for the year	1	73	74
At 31 March 2016	**7**	**363**	**370**
Net book value			
At 31 March 2016	**-**	**79**	**79**
At 31 March 2015	1	128	129

9 TRADE AND OTHER RECEIVABLES

	2016 £000	*Restated* 2015 £000
Trade receivables	**727**	571
Other receivables	**72**	153
Prepayments and accrued income	**397**	1,855
Deferred tax asset (note 12)	**114**	125
Total trade and other receivables	**1,310**	2,704

10 TRADE AND OTHER PAYABLES

	~2016 £000	*Restated* 2015 £000
Trade payables	**80**	298
Amounts owed to Group undertakings	**2,138**	1,997
Corpration tax	**32**	-
Other taxes and social security costs	**469**	491
Other payables	**448**	482
Accruals and deferred income	**844**	470
Total trade and other payables	**4,011**	3,738

11 SUBORDINATED DEBT

	2016 £000	2015 £000
Subordinated debt at 1 April	**680**	648
Accrued interest	**35**	32
Subordinated debt at 31 March	**715**	680

The subordinated debt owed to Pinnacle Group Limited was lent to the Company to provide the initial working capital. 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:

	2016 £000	*Restated* 2015 £000
Tax effect of timing differences because of:		
Excess of depreciation over capital allowances	**111**	125
Losses carried forward	**3**	-
Total deferred tax asset	**114**	125

12 DEFERRED TAXATION (continued)

The movement in the deferred taxation asset is as follows:

	2016	*Restated* 2015
	£000	£000
At 1 April	**125**	189
Credit to the profit and loss account	**(11)**	(64)
At 31 March	**114**	125

13 OPERATING LEASES

The total non-cancellable operating lease rentals are payable as follows:

	2016	2015
	£000	£000
Less than one year	**175**	326
Between one and five years	**60**	233
Greater than five years	**-**	-
Total	**235**	559

14 DIRECTORS EMOLUMENTS

	2016	2015
	£000	£000
Aggregate emoluments and benefits	**199**	193
Company pension contributions to money purchase scheme	**11**	11
Total	**210**	204
Highest paid director		
Aggregate emoluments and benefits	**153**	137
Company pension contributions to money purchase scheme	**11**	11
Total	**164**	148

On 31st August 2015, K Whittaker resigned as director from the organisation. Termination payments of £103,825 were made to her. The outstanding loan balance of £46,755 was repaid on the date of resignation. Pinnacle Group purchased the 5,000 ordinary shares held by K Whittaker for a consideration of £75,000.

PMA Lloyd, HA Saunders (appointed in year) and MWH Penny (resigned in year) are directors of Pinnacle Group Limited, the company's overall group parent undertaking. Their services were deemed to relate mostly to work carried out for Pinnacle Group Limited and the related costs were therefore included in the administrative expenses of Pinnacle Group Limited.

N Euesden and N Wright are directors of Pinnacle PSG Limited, the company's overall group parent undertaking. Their services were deemed to relate mostly to work carried out for Pinnacle PSG Limited and the related costs were therefore included in the administrative expenses of Pinnacle PSG Limited.

15 EMPLOYEES

(1) Number of employees

The average weekly number of operational employees (including directors) employed by the Group during the year was 145 (2015: 215) and can be analysed by segment as follows:

	2016 Number	2015 Number
Welfare to work employment services	**137**	204
Recruitment and provision of temporary personnel	**5**	5
Long-term unemployment and community worklessness services	**3**	6
Total employees	**145**	215

(2) Employment costs

	2016 £000	2015 £000
Wages and salaries	**5,095**	6,426
Social security costs	**410**	580
Pension costs – defined contribution	**113**	151
Total costs	**5,618**	7,157

16 RELATED PARTY TRANSACTIONS

During the year the following transactions took place with related parties:

Pinnacle People Limited was charged £475,000 (2015: £580,000) by Pinnacle Group Limited, the parent company, in respect of group services. At the year-end Pinnacle People Limited owed £3,171,000 (2015: £2,897,000) to Pinnacle Group Limited in respect of working capital support.

Pinnacle People Limited was charged £73,000 (2015: £94,000) by Pinnacle Connect Limited, a subsidiary of Pinnacle Group Limited, for the supply of call centre services.

Pinnacle People Limited was charged £15,000 (2015: £14,000) by Pinnacle PSG Limited, a subsidiary of Pinnacle Group Limited, in respect of HR and other services.

At the year-end Paragon Concord Families Limited owed £35,000 (2015: £97,000) in respect of working capital support and £184,000 (2015: £120,000) in respect of management fees to Pinnacle People Limited, its parent company. Paragon Concord Families Limited was charged £64,000 (2015: £153,000) as a management fee and £61,000 (2015: £365,000) for the supply of staff by Pinnacle People Limited during the year.

16 RELATED PARTY TRANSACTIONS (continued)

At the year end Pinnacle Recruitment (Services) Limited was due £642,000 (2015: £534,000) from Pinnacle Group Limited, the overall group parent company, in respect of working capital support.

During the year the Pinnacle Recruitment (Serivces) Limited charged Pinnacle PSG Limited, a subsidiary of Pinnacle Group Limited, £20,000 (2015: £nil) in respect of the supply of temporary staff.

During the year the Pinnacle Recruitment (Serivces) Limited charged Pinnacle FM Limited, a subsidiary of Pinnacle Group Limited, £15,000 (2015: £2,000) in respect of the supply of temporary staff.

During the year the Pinnacle Recruitment (Serivces) Limited charged Pinnacle Housing Limited, a subsidiary of Pinnacle Group Limited, £1,920,000 (2015: £1,290,000) in respect of the supply of temporary staff.

During the year the Pinnacle Recruitment (Serivces) Limited charged Pinnacle Connect Limited, a subsidiary of Pinnacle Group Limited, £44,000 (2015: £118,000) in respect of the supply of temporary staff.

At the year end Pulse Social Enterprises CIC was due £391,000 (2015: £366,000) from Pinnacle Group Limited, the overall group parent company, in respect of working capital support provided to the Company.

Pulse Social Enterprises CIC was charged £nil (2015: £7,000) by Pinnacle Connect Limited, a subsidiary of Pinnacle Group Limited, in respect of call centre services.

At the year-end Paragon Concord Families Limited owed £14,000 (2015: £24,000) in respect of working capital support and £12,000 (2015: £36,000) in respect of management fees to Ixion Social Enterprise Limited, a company also owned by its parent company, Ixion Holdings (Contracts) Limited. Paragon Concord Families Limited was charged £17,000 (2015: £40,000) as a management fee by Ixion Social Enterprise Limited during the year.

Paragon Concord Families Limited was charged £nil (2015: £4,000) for the supply of staff by Pinnacle Recruitment (Services) Limited, a subsidiary of Pinnacle People Limited, during the year.

Paragon Concord Families Limited was charged £3,000 (2015: £17,000) for company guarantee charges by Pinnacle Group Limited, the overall group parent company, during the year.

16 RELATED PARTY TRANSACTIONS (continued)

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	
	2016	2015	**2016**	2015
	Number	Number	**£000**	£000
KJ Whittaker	**-**	5,000	**-**	46
J Baxter	**-**	1,250	**-**	10
M Rhucroft	**1,250**	1,250	**10**	10
Total	**1,250**	7,500	**10**	66

During the year, Pinnacle Group Limited purchased the 5,000 ordinary shares held by KJ Whittaker for a consideration of £75,000 and the 1,250 ordinary shares held by J Baxter for a consideration of £18,750.

During the year, Pinnacle Group Limited bought the management loans at cost from KJ Whittaker and J Baxter.

17 PARENT UNDERTAKING AND CONTROLLING PARTY

The overall group parent undertaking is Pinnacle Group Limited who own 95% (2015: 85%) of the ordinary share capital of Pinnacle People Limited. The remaining 5% (2015: 15%) of the ordinary share capital of Pinnacle People Limited is held by management.

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

18 CONTINGENT LIABILITIES

In the normal course of business claims arise that are subject to a process of negotiation that in some cases can be protracted over a significant period of time. Provision has been made for all amounts which the directors consider likely to be payable in respect of such claims.

The Company has issued guarantees to support the indebtedness of Pinnacle Group Limited and its subsidiaries. The exposure to this guarantee at the balance sheet date was £nil (2015: £nil).

19 EXPLANATION OF TRANSITION TO FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015 and in the preparation of an opening FRS 101 balance sheet at 1 April 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).

The only adjustment from UK GAAP to FRS 101 are:-

- The split of software with a net book value of £17k (2015: £36k) as intangible assets rather than property, plant and equipment which has been analysed in note 7.
- Operating lease incentives which are split over the length of the lease under FRS 101. This resulted in a net £14k increase in the income statement and a £17k decrease in accruals and a £3k decrease in deferred taxation on the statement of financial position for the year ended 31 March 2015.

PINNACLE PEOPLE LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
For the year ended 31 March 2016

	Notes	**31 March 2016 £000**	31 March 2015 £000	1 April 2014 £000
Non-current assets				
Investments	21	**8**	8	8
Intangible assets	22	**17**	29	38
Property, plant and equipment	23	**75**	123	105
Total non-current assets		**100**	160	151
Current assets				
Trade and other receivables	24	**1,207**	2,419	3,709
Cash and cash equivalents		**199**	76	66
Total current assets		**1,406**	2,495	3,775
Trade and other payables	25	**(4,293)**	(3,727)	(4,230)
Net current liabilities		**(2,887)**	(1,232)	(455)
Total assets less current liabilities		**(2,787)**	(1,072)	(304)
Subordinated debt	26	**(715)**	(680)	(648)
Net liabilities		**(3,502)**	(1,752)	(952)
Capital and Reserves				
Called up share capital		**50**	50	50
Profit and loss account		**(3,552)**	(1,802)	(1,002)
Total shareholders' deficit		**(3,502)**	(1,752)	(952)

These financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 August 2016.

H Andrew Saunders
Group Finances & Resources Director

Company number: 06588740

The notes on pages 24 to 31 form part of the financial statements.

PINNACLE PEOPLE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1st April 2014	50	(1,002)	(952)
Profit for the year	-	(800)	(800)
Balance at 31st March 2015	50	(1,802)	(1,752)
Profit for the year	-	(1,750)	(1,750)
Balance at 31st March 2016	**50**	**(3,552)**	**(3,502)**

The notes on pages 24 to 31 form part of the financial statements.

20 ACCOUNTING POLICIES

Pinnacle People Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 32.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;

As the consolidated financial statements above include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 1 April 2014 for the purposes of the transition to FRS 101 Adopted IFRSs.

20.1 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 (UK Generally Accepted Accounting Practice).

20.2 GOING CONCERN

Pinnacle People Limited has made a loss of £1,750,000 (2015: £800,000) during the year and has net liabilities of £3,502,000 (2015: £1,752,000) at the year end. The Pinnacle People Group is part of the Pinnacle Group. Pinnacle Group Limited has indicated its willingness to financially support the Pinnacle People Group for a period of at least 12 months from the date these financial statements were approved and authorised for issue.

20.3 INTANGIBLE ASSETS

Intangible assets
Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation
Amortisation is charged to the profit and loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- capitalised software development costs - 3 years

20.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the profit and loss on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Plant and equipment	-	over 1 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

20.5 INVESTMENTS

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

20.6 TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

20.7 NON-CONTROLLING INTEREST

Equity non-controlling 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 non-controlling interest in the financial statements.

21 FIXED ASSET INVESTMENTS

	Investment in subsidiary undertakings
	£000
Cost as at 1 April 2015 and 31st March 2016	**8**

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

Company	Principal Activity	Class of shares held	Holding %
Pinnacle Recruitment (Services) Limited	Recruitment	£1 Ordinary	100
Pulse Social Enterprises Community Interest Company	Employment Services	£1 Ordinary	100
Paragon Concord Families Limited	Employment Services	£1 Ordinary	75

Each of the above subsidiaries is included in the consolidated accounts.

22 INTANGIBLE ASSETS

	Restated Development & software costs £000
Cost	
Balance at 1 April 2015	168
Additions	2
Balance at 31st March 2016	**170**
Amortisation and impairment	
Balance at 1 April 2015	139
Amortisation for the year	14
At 31 March 2016	**153**
At 31 March 2016	**17**
At 31 March 2015	29

Amortisation and impairment charge

The amortisation charge is recognised in the following line items in the profit and loss:

	2016	2015
	£000	£000
Depreciation and amortisation	**14**	17

23 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & buildings £000	Fixtures and equipment £000	Total £000
Cost			
At 1 April 2015	7	387	394
Additions	-	20	20
At 31 March 2016	**7**	**407**	**414**
Depreciation			
At 1 April 2015	6	265	271
Charge for the year	1	67	68
At 31 March 2016	**7**	**332**	**339**
Net book value			
At 31 March 2016	**-**	**75**	**75**
At 31 March 2015	1	122	123

24 TRADE AND OTHER RECEIVABLES

	2016 £000	2015 £000
Trade receivables	**422**	253
Amounts owed by Group undertakings	**219**	217
Other receivables	**71**	132
Prepayments and accrued income	**394**	1,701
Deferred tax asset (note 27)	**102**	116
Total trade and other receivables	**1,207**	2,419

25 TRADE AND OTHER PAYABLES

	2016 £000	2015 £000
Trade payables	**64**	207
Amounts owed to Group undertakings	**3,171**	2,897
Other taxes and social security costs	**406**	336
Other payables	**19**	65
Accruals and deferred income	**633**	222
Total trade and other payables	**4,293**	3,727

26 SUBORDINATED DEBT

	2016 £000	2015 £000
Subordinated debt at 1 April	**680**	**648**
Accrued interest	**35**	**32**
Subordinated debt at 31 March	**715**	**680**

The subordinated debt owed to Pinnacle Group Limited was lent to the Company to provide the initial working capital. 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.

27 DEFERRED TAXATION

Deferred taxation provided in the accounts is as follows:

	2016 £000	2015 £000
Tax effect of timing differences because of:		
Excess of depreciation over capital allowances	**102**	116

The movement in the deferred taxation asset is as follows:

	2016 £000	2015 £000
At 1 April	**116**	126
Credit to the income statement	**(14)**	(10)
At 31 March	**102**	116

28 OPERATING LEASES

The total non-cancellable operating lease rentals are payable as follows:

	2016 £000	2015 £000
Less than one year	**175**	326
Between one and five years	**60**	233
Greater than five years	**-**	-
Total	**235**	559

29 RELATED PARTY TRANSACTIONS

During the year the following transactions took place with related parties:

Pinnacle People Limited was charged £475,000 (2015: £580,000) by Pinnacle Group Limited, the parent company, in respect of group services. At the year-end Pinnacle People Limited owed £3,171,000 (2015: £2,897,000) to Pinnacle Group Limited in respect of working capital support.

Pinnacle People Limited was charged £73,000 (2015: £94,000) by Pinnacle Connect Limited, a subsidiary of Pinnacle Group Limited, for the supply of call centre services.

Pinnacle People Limited was charged £15,000 (2015: £14,000) by Pinnacle PSG Limited, a subsidiary of Pinnacle Group Limited, in respect of HR and other services.

29 RELATED PARTY TRANSACTIONS (continued)

At the year-end Paragon Concord Families Limited owed £35,000 (2015: £97,000) in respect of working capital support and £184,000 (2015: £120,000) in respect of management fees to Pinnacle People Limited, its parent company. Paragon Concord Families Limited was charged £64,000 (2015: £153,000) as a management fee and £61,000 (2015: £365,000) for the supply of staff by Pinnacle People Limited 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	
	2016	2015	**2016**	2015
	Number	Number	**£000**	£000
KJ Whittaker	**-**	5,000	**-**	46
J Baxter	**-**	1,250	**-**	10
M Rhucroft	**1,250**	1,250	**10**	10
Total	**1,250**	7,500	**10**	66

During the year, Pinnacle Group Limited purchased the 5,000 ordinary shares held by KJ Whittaker for a consideration of £75,000 and the 1,250 ordinary shares held by J Baxter for a consideration of £18,750.

During the year, Pinnacle Group Limited purchased the management loans at cost from KJ Whittaker and J Baxter.

30 PARENT UNDERTAKING AND CONTROLLING PARTY

The overall group parent undertaking is Pinnacle Group Limited who own 95% (2015: 85%) of the ordinary share capital of Pinnacle People Limited. The remaining 5% (2015: 15%) of the ordinary share capital of Pinnacle People Limited is held by management.

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

31 CONTINGENT LIABILITIES

In the normal course of business claims arise that are subject to a process of negotiation that in some cases can be protracted over a significant period of time. Provision has been made for all amounts which the directors consider likely to be payable in respect of such claims.

The Company has issued guarantees to support the indebtedness of Pinnacle Group Limited and its subsidiaries. The exposure to this guarantee at the balance sheet date was £nil (2015: £nil).

32 EXPLANATION OF TRANSITION TO FRS 101

As stated in note 20, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 24 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015 and in the preparation of an opening FRS 101 balance sheet at 1 April 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).

The only adjustment from UK GAAP to FRS 101 are:-

- The split of software of £17k (2015: £29k) as intangible assets rather than property plant and equipment which has been analysed in note 22.
- Operating lease incentives which are split over the length of the lease under FRS 101. This resulted in a net £14k increase in the income statement and a £17k decrease in accruals and a £3k decrease in deferred taxation on the statement of financial position for the year ended 31 March 2015.