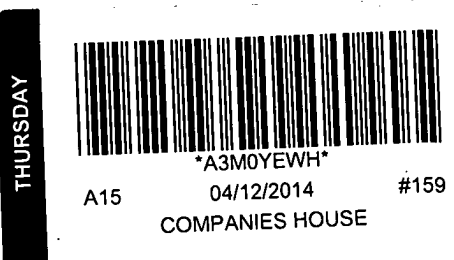


**PINNACLE PEOPLE LIMITED
AND SUBSIDIARY UNDERTAKINGS**

**DIRECTORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014



Company number 06588740

PINNACLE PEOPLE LIMITED
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For the year ended 31 March 2014

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PINNACLE PEOPLE LIMITED
STRATEGIC REPORT
For the year ended 31 March 2014

Pinnacle People have had a very successful 12 months both operationally and financially. Turnover has increased to £17.6m a 28.4% increase on the prior year. Importantly Pinnacle People converted this into an EBITDA of £1.2m compared to a loss of £0.6m last year.

The improvements are in part down to the results based nature of the contracts undertaken by the company. Many of the company's significant contracts were in start up the previous year, operating on a payment by results model which present a time delay from operational performance to income recognition. In line with expectations, these payments matured as demonstrated in the numbers published.

The Pinnacle People group have also benefited from a stable executive management board as well as dedicated and passionate operational teams. Pinnacle People now directly employ more than 200 staff.

Pinnacle People now deliver 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. The range of delivery includes the Work Programme, Mandatory Work Activity, Job Centre Plus Support and European Social Fund provision. Pinnacle People also deliver contracts either directly or as a sub-contractor for Skills Funding Agency and this is deemed to be a significant area of growth over the coming 12 months.

In general, the contracts in place 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 Programme is the Work Programme - in the year ended 31st March 2014 2,145 candidates (2013: 1,919) started a job and 1,707 (2013: 1,081) remained in a job for over 6 months.

The Group has contracts in place worth over £40m over periods of up to 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. Also, considering the state of the public finances there is a risk that Government spending on welfare and other publicly funded projects may reduce, which could have an impact on the Group's ability to grow.

To mitigate this risk Pinnacle People continues to ensure that it delivers excellent service and value for money for its customers so that it is a preferred supplier for outsourced public services in the future and also continues to develop diverse business streams outside of this arena.

Looking forward, Pinnacle People has a strong customer base covering a broad range of services and are seen as one of the leading providers of innovative solutions in helping people into employment. Pinnacle People are well placed to win new contracts as evidenced by it recently being awarded a contract worth some £8.0m over 2 years with G4S to deliver the new Community Work Placement initiative.



Katrina Whittaker
Director
29 July 2014

PINNACLE PEOPLE LIMITED
DIRECTORS' REPORT
For the year ended 31 March 2014

FINANCIAL STATEMENTS

The directors present their report and the Group financial statements for the year ended 31 March 2014 which have been prepared under the historical cost convention and the accounting policies set out in note 1.

RESULTS AND DIVIDENDS

The Group turnover for the year from continuing operations was £17.6m (2013: £13.7m) with total group operating profit before depreciation at £1,227,000 (2013: loss £635,000). The Group result for the year after taxation but before minority interests amounted to a profit of £760,000 (2013: loss £838,000). The directors do not recommend the payment of a dividend (2013: £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
PMA Lloyd
MWH Penny
NC Karlake
M Taylor

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 29 July 2014.


Michael Penny
Director

1st Floor
6 St. Andrew Street
London
EC4A 3AE

PINNACLE PEOPLE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 March 2014

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.

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

For the year ended 31 March 2014

We have audited the financial statements of Pinnacle People Limited for the year ended 31 March 2014 set out on pages 5 to 23. 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 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 2014 and of the group's profit 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.



Shaun Kirby (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
29 July 2014

PINNACLE PEOPLE LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2014

	Notes	2014	2013
		£'000	£'000
Group Turnover	2	17,597	13,704
Other external charges		(6,295)	(5,079)
Staff costs	21	(5,838)	(5,324)
Depreciation of tangible fixed assets	6	(221)	(404)
Other operating charges		(4,237)	(3,936)
Group operating profit/(loss)	3	1,006	(1,039)
Interest payable and similar charges	4	(170)	(181)
Profit/(loss) on ordinary activities before taxation		836	(1,220)
Tax on profit/(loss) on ordinary activities	6	(84)	288
Profit/(loss) on ordinary activities after taxation	13	752	(932)
Attributable to:			
Equity holders of the parent	17	760	(838)
Minority interest - recoverable	18	(8)	(94)
Total profit/(loss)		752	(932)

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.

The notes on pages 9 to 23 form part of the financial statements.

PINNACLE PEOPLE LIMITED
GROUP BALANCE SHEET
As at 31 March 2014

		2014 £'000	2013 £'000
	Notes		
TANGIBLE FIXED ASSETS	6	181	336
CURRENT ASSETS			
Debtors	8	3,316	3,056
Cash at bank	16	605	181
Total current assets		3,921	3,237
CREDITORS: amounts falling due within one year	9	(4,479)	(4,734)
Net current liabilities		(558)	(1,497)
Total assets less current liabilities		(377)	(1,161)
Subordinated debt	10	(648)	(616)
NET LIABILITIES		(1,025)	(1,777)
CAPITAL AND RESERVES			
Attributable to equity interests			
Called up share capital	12	50	50
Profit and loss account	13	(973)	(1,733)
Total shareholders' deficit	17	(923)	(1,683)
Equity minority interest	18	(102)	(94)
Capital employed		(1,025)	(1,777)

These financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 July 2014.



Michael Penny
Director

Company number: 06588740

The notes on pages 9 to 23 form part of the financial statements.

PINNACLE PEOPLE LIMITED
COMPANY BALANCE SHEET
As at 31 March 2014

		2014 £'000	2013 £'000
	Notes		
TANGIBLE FIXED ASSETS	6	143	270
INVESTMENTS	7	8	8
TOTAL FIXED ASSETS		151	278
CURRENT ASSETS			
Debtors	8	3,709	2,955
Cash at bank		66	110
		3,775	3,065
CREDITORS: amounts falling due within one year	9	(4,230)	(4,229)
Net current liabilities		(455)	(1,164)
Total assets less current liabilities		(304)	(886)
Subordinated debt	10	(648)	(616)
Net liabilities		(952)	(1,502)
CAPITAL AND RESERVES			
Attributable to equity interests			
Called up share capital	12	50	50
Profit and loss account	13	(1,002)	(1,552)
Total shareholders' deficit	17	(952)	(1,502)

These financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 July 2014.



Michael Penny
Director

Company number: 06588740

The notes on pages 9 to 23 form part of the financial statements.

PINNACLE PEOPLE LIMITED
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Cash inflow from operating activities	14	755	57
Returns on investments and servicing of finance	15	(170)	(173)
Taxation – Group relief		(127)	205
Capital expenditure and financial investment	15	(66)	(137)
Cash inflow/(outflow) before the use of liquid resources and financing		392	(48)
Financing	16	32	29
Increase/(decrease) in cash in the year	16	424	(19)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year	16	424	(19)
Non-cash items	16	(32)	(29)
Movement in net debt in the year		392	(48)
Net debt at 1 April		(435)	(387)
Net debt at 31 March	16	(43)	(435)

The notes on pages 9 to 23 form part of the financial statements.

PINNACLE PEOPLE LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

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 (UK Generally Accepted Accounting Practice).

Going Concern

The Pinnacle People Group has made a profit of £752,000 (2013: loss £932,000) during the year and has net liabilities of £1,025,000 (2013: liabilities £1,777,000) at the year end. The Pinnacle People Group is part of the Pinnacle Regeneration Group. Pinnacle Regeneration 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.

Basis of consolidation

The financial statements of the Group represent the consolidation of Pinnacle People Limited and its subsidiary undertakings. All material inter-company transactions and balances are eliminated. All subsidiary financial statements are made up to 31 March 2014. 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 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.

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.

PINNACLE PEOPLE LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

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.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, less depreciation. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and equipment – over 1 to 5 years

Investments

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

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.

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.

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.

PINNACLE PEOPLE LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

2 TURNOVER AND PROFIT/(LOSS) BEFORE TAX

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

	2014			2013		
	Turnover	Profit/(loss) on ordinary activities before tax	Net assets/ (liabilities)	Turnover	Profit/ (loss) on ordinary activities before tax	Net assets/ (liabilities)
	£'000	£'000	£'000	£'000	£'000	£'000
Pinnacle People	12,254	722	(952)	10,607	(901)	(1,502)
Pinnacle People Recruitment	2,718	277	297	2,297	165	88
Pinnacle People Enterprises	871	40	43	546	64	20
Paragon Concord Families	1,754	(33)	(406)	254	(367)	(375)
	17,597	1,006	(1,018)	13,704	(1,039)	(1,769)
Consolidation adjustments	-	-	(7)	-	-	(8)
Exceptional items	-	-	-	-	-	-
	17,597	1,006	(1,025)	13,704	(1,039)	(1,777)
Net interest expense	-	(170)	-	-	(181)	-
Total	17,597	836	(1,025)	13,704	(1,220)	(1,777)

3 OPERATING PROFIT/(LOSS)

is stated after charging:

	2014 £'000	2013 £'000
Operating lease rentals	-	6
- hire of plant and machinery	-	-
- other	404	500
Depreciation	221	404
- owned assets	-	-
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	11	11

PINNACLE PEOPLE LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2014	2013
	£'000	£'000
On bank and other loans	158	173
Other	12	8
Total interest payable and similar charges	170	181

5 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

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

	2014	2013
	£'000	£'000
Current Tax		
United Kingdom corporation tax at 23% (2013: 24%) on profit/(loss) for the year	-	-
Group relief paid/(receipt)	117	(384)
Adjustment for previous years	10	-
Under provision in respect of previous years	-	179
Total current tax	127	(205)
Deferred Tax		
Origination and reversal of timing differences	(45)	(83)
Reversal of previously recognised tax losses	97	-
Recognition of previously unrecognised tax losses	(95)	-
Total deferred tax	(43)	(83)
Tax charge/(credit) on profit/(loss) on ordinary activities	84	(288)

PINNACLE PEOPLE LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

5 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)

(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:

	2014	2013
	£'000	£'000
Profit/(loss) on ordinary activities before tax	836	(1,220)
Profit/(loss) on ordinary activities before tax multiplied by standard rate of UK corporation tax of 23% (2013: 24%)	192	(293)
Non-deductible expenses	2	4
Capital allowances less than depreciation charge	17	63
Losses carried forward	1	21
Adjustment for previous years	10	-
Losses utilised	(95)	-
Current tax for year	127	(205)

(c) Factors that may affect future tax charges

The Chancellor announced on 21st March 2013 that the UK corporation tax rate will reduce to 20% by 2016. A reduction in the rate from 24% to 23% became effective on 6 April 2013 with a further reduction to 21% planned to take effect from 6 April 2014. This will further reduce the Group's future current tax charge and reduce the Group's deferred tax asset accordingly.

PINNACLE PEOPLE LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

6 TANGIBLE FIXED ASSETS

Group	Leasehold land & buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2013	7	1,315	1,322
Additions	-	66	66
Disposals	-	(868)	(868)
Intercompany transfer	-	(1)	(1)
At 31 March 2014	7	512	519
Depreciation			
At 1 April 2013	3	983	986
Charge for the year	1	220	221
Elimination on disposal	-	(868)	(868)
Intercompany transfer	-	(1)	(1)
At 31 March 2014	4	334	338
Net book value			
At 31 March 2014	3	178	181
At 31 March 2013	4	332	336

PINNACLE PEOPLE LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

6 TANGIBLE FIXED ASSETS (continued)

Company	Leasehold land & buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 April 2013	7	1,231	1,238
Additions	-	66	66
Disposals	-	(867)	(867)
Intercompany transfers	-	(1)	(1)
At 31 March 2014	7	429	436
Depreciation			
At 1 April 2013	3	965	968
Charge for the year	1	192	193
Eliminated on disposal	-	(867)	(867)
Intercompany transfers	-	(1)	(1)
At 31 March 2014	4	289	293
Net book value			
At 31 March 2014	3	140	143
At 31 March 2013	4	266	270

7 FIXED ASSET INVESTMENTS

	Investment in subsidiary undertakings £000
Cost as at 1 April 2013 and 31 st March 2014	8

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 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.

PINNACLE PEOPLE LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

8 DEBTORS: amounts falling due within one year

	Group	Company	Group	Company
	2014	2014	2013	2013
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	1,390	929	1,294	1,044
Amounts owed by Group undertakings	-	1,085	-	293
Other debtors	173	150	409	397
Prepayments and accrued income	1,564	1,419	1,207	1,133
Deferred tax asset (note 11)	189	126	146	88
Total debtors	3,316	3,709	3,056	2,955

9 CREDITORS: amounts falling due within one year

	Group	Company	Group	Company
	2014	2014	2013	2013
	£'000	£'000	£'000	£'000
Trade creditors	194	98	61	52
Amounts owed to Group undertakings	2,499	2,862	3,044	3,164
Other taxes and social security costs	518	495	626	497
Other creditors	251	63	404	107
Accruals and deferred income	1,017	712	599	409
Total creditors	4,479	4,230	4,734	4,229

10 SUBORDINATED DEBT

	2014	2013
	£'000	£'000
Subordinated debt at 1 April	616	587
Accrued interest	32	29
Subordinated debt at 31 March	648	616

The subordinated debt owed to Pinnacle Regeneration 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.

PINNACLE PEOPLE LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

11 DEFERRED TAXATION

Deferred taxation provided in the accounts is as follows:

	Group	Company	Group	Company
	2014	2014	2013	2013
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of:				
Excess of depreciation over capital allowances	134	125	88	88
Losses carried forward	55	1	58	-
Total deferred tax asset	189	126	146	88

The movement in the deferred taxation asset is as follows:

	Group	Company	Group	Company
	2014	2014	2013	2013
	£'000	£'000	£'000	£'000
At 1 April	146	88	63	26
Charged to the profit and loss account	43	38	83	62
At 31 March	189	126	146	88

12 CALLED UP SHARE CAPITAL

The share capital of the Company is shown below:

Allotted and fully paid

	2014		2013	
	Number	£'000	Number	£'000
£1 ordinary shares	50,000	50	50,000	50

PINNACLE PEOPLE LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

13 RESERVES

Group	Profit and loss account £'000
At 1 April 2013	(1,733)
Profit for the financial year	760
At 31 March 2014	(973)
Company	Profit and loss account £'000
At 1 April 2013	(1,552)
Profit for the financial year	550
At 31 March 2014	(1,002)

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 profit attributable to shareholders, dealt with in the accounts of the Company, is £550,000 (2013: loss £819,000).

**14 RECONCILIATION OF OPERATING LOSS TO NET
CASH INFLOW FROM OPERATING ACTIVITIES**

	2014 £'000	2013 £'000
Operating loss	1,006	(1,039)
Profit on disposal of fixed assets	-	(2)
Depreciation of tangible fixed assets	221	404
Increase in debtors	(217)	(1,422)
(Decrease)/increase in creditors	(255)	2,116
Net cash inflow from operating activities	755	57

PINNACLE PEOPLE LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

**15 ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT**

	2014	2013
	£'000	£'000
Returns on investments and servicing of finance		
Interest paid	(170)	(173)
Net cash outflow for returns on investment and servicing of finance	(170)	(173)
Capital expenditure and financial investment		
Sale of tangible fixed assets	-	4
Purchase of tangible fixed assets	(66)	(141)
Net cash outflow for capital expenditure and financial investment	(66)	(137)

16 ANALYSIS OF NET DEBT

	At 1 April	Cash flow	Other non-cash	At 31 March 2014
	2013		changes	
	£'000	£'000	£'000	£'000
Cash at bank	181	424	-	605
Subordinated debt	(616)	-	(32)	(648)
Total net debt	(435)	424	(32)	(43)

17 RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2014	2013
	£'000	£'000
Profit/(loss) for the year after taxation and minority interest	760	(838)
Net increase/(decrease) in shareholders' funds	760	(838)
Opening shareholders' deficit	(1,683)	(845)
Closing shareholders' deficit	(923)	(1,683)

PINNACLE PEOPLE LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

17 RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS (continued)

RECONCILIATION OF MOVEMENTS IN COMPANY SHAREHOLDERS' FUNDS

	2014	2013
	£'000	£'000
Profit/(loss) for the year after taxation	550	(819)
Net increase/(decrease) in shareholders' funds	550	(819)
Opening shareholders' deficit	(1,502)	(683)
Closing shareholders' deficit	(952)	(1,502)

18 MINORITY INTEREST

	2014	2013
	£'000	£'000
Minority interest at beginning of year	(94)	-
Loss for the year	(8)	(94)
Minority interest at end of year	(102)	(94)

The minority interest at the end of the year is the amount recoverable from Ixion Social Enterprise Limited (formerly Ixion Holdings Limited) who hold a 25% shareholding in Paragon Concord Families Limited. There is a legally binding agreement that Ixion Social Enterprise Limited will fund Paragon Concord Families Limited up to £150,000.

19 FINANCIAL COMMITMENTS

Operating leases

At 31 March 2014 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	Other	Land and buildings	Other
	2014	2014	2013	2013
	£'000	£'000	£'000	£'000
Expiry date:				
Within one year	60	-	10	-
Between one and five years	177	4	196	1
Over five years	4	-	21	-
Total commitments	241	4	227	1

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20 DIRECTORS EMOLUMENTS

	2014	2013
	£'000	£'000
Aggregate emoluments and benefits	155	233
Company pension contributions to money purchase scheme	11	19
Total	166	252
Highest paid director		
Aggregate emoluments and benefits	117	117
Company pension contributions to money purchase scheme	11	11
Total	128	128

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.

21 EMPLOYEES

(1) Number of employees

The average weekly number of operational employees (including directors) employed by the Group during the year was 179 (2013: 162) and can be analysed by segment as follows:

	2014	2013
	Number	Number
Welfare to work employment services	165	150
Recruitment and provision of temporary personnel	4	4
Long-term unemployment and community worklessness services	10	8
Total employees	179	162

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21 EMPLOYEES (continued)

(2) Employment costs

	2014	2013
	£'000	£'000
Wages and salaries	5,227	4,736
Social security costs	496	495
Pension costs – defined contribution	116	93
Total costs	5,839	5,324

22 RELATED PARTY TRANSACTIONS

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

Pinnacle People Limited was charged £521,000 (2013: £428,000) by Pinnacle Regeneration Group Limited in respect of group services. At the year-end Pinnacle People Limited owed £2,862,000 (2013: £3,164,000) to Pinnacle Regeneration Group Limited, the parent company, in respect of working capital support.

Pinnacle People Limited was charged £125,000 (2013: £156,000) by Pinnacle Connect Limited (formerly Pinnacle Maintenance Services Limited) for the supply of call centre services.

At the year-end Pinnacle People Limited was owed £830,000 (2013: £217,000) by Paragon Concord Families Limited in respect of working capital support and management fees. Pinnacle People Limited charged Paragon Concord Families Limited £153,000 (2013: £153,000) in respect of support services and £213,000 (2013: £13,000) in respect of the supply of staff during the year.

Pinnacle People Recruitment Limited charged Paragon Concord Families Limited £10,000 (2013: £8,000) in respect of the supply of staff.

At the year-end Pinnacle People Recruitment Limited was due £192,000 (2013: £64,000) from Pinnacle Regeneration Group Limited, the overall group parent company, in respect of working capital support. Pinnacle People Recruitment Limited charged Pinnacle PSG Limited £nil (2013: £2,000) in respect of the supply of temporary staff.

Pinnacle People Enterprises CIC charged Paragon Concord Families Limited £nil (2013: £10,000) in respect of the supply of staff.

Pinnacle People Enterprises CIC was charged £14,000 (2013: £18,000) by Pinnacle Connect Limited in respect of call centre services.

Paragon Concord Families Limited was charged £17,000 (2013: £17,000) by Pinnacle Regeneration Group Limited for company guarantee charges.

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22 RELATED PARTY TRANSACTIONS (continued)

Pinnacle People Recruitment Limited charged Pinnacle Housing Limited £1,742,000 (2013: £1,520,000) in respect of the supply of temporary staff.

Pinnacle People Recruitment Limited charged Pinnacle Connect Limited £277,000 (2013: £200,000) in respect of the supply of temporary staff.

At the year-end Pinnacle People Enterprises Limited was due £171,000 (2013: £57,000) from Pinnacle Regeneration Group Limited in respect of working capital support provided to the Company.

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	
	2014 Number	2013 Number	2014 £'000	2013 £'000
KJ Whittaker	5,000	5,000	44	42
J Baxter	1,250	1,250	9	9
M Rhucroft	1,250	1,250	9	9
Total	7,500	7,500	62	60

23 PARENT UNDERTAKING AND CONTROLLING PARTY

The group parent undertaking is Pinnacle Regeneration Group Limited who own 85% (2013: 85%) of the ordinary share capital of Pinnacle People Limited. The remaining 15% (2013: 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 Regeneration Group Limited. The financial statements of the Company are available from 1st Floor, 6 St Andrew Street, London, EC4A 3AE.

24 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 Regeneration Group Limited and its subsidiaries. The exposure to this guarantee at the balance sheet date was £nil (2013: £nil).