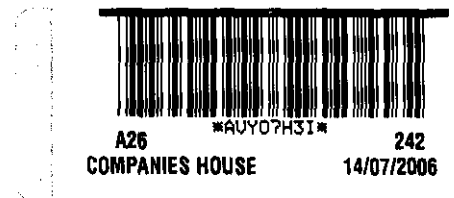


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Whitehead Mann Group

Experts in Leadership

Whitehead Mann Group adds value to the businesses of its clients by assisting them in the recruitment, evaluation and development of key executives.

Highlights

- ▶ Returned to profitability in the second half of the year
- ▶ Refinanced and restructured the business
- ▶ Reduced indirect overheads by 25% year on year
- ▶ Strengthened our client facing teams
- ▶ Introduced new incentives and compensation system

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Chairman's statement

This has been a year of considerable progress. We have restructured and refinanced the business, introduced fundamental staff compensation and training reforms and completed the process of listing the Company on the Alternative Investment Market. We now look forward to building on the stronger platform we have established and delivering the benefits to our clients and shareholders.

Group turnover for the year to 31 March 2006, from continuing operations, was in line with expectations at £39.0 million (2005: £47.2 million). The lower figure was a result of closing both our operations in North America and our interim management business, and reducing the size of our coaching business. Operating loss, from continuing operations, was £1.3 million (2005: £7.2 million). Net debt has been reduced from £10.5 million at 31 March 2005 to £4.1 million at 31 March 2006.

Overall the business has performed in line with our expectations, with a strong performance in the UK. Performance during the second half of the year, and particularly the final quarter, has been especially encouraging and we are starting to see the results of the reorganisation come through. The management team has worked hard to streamline the business

and reduce costs and at the same time we have made a number of significant appointments of new people to rebuild our team. This puts us in a good position to grow our turnover and profitability.

As stated in the prospectus for our successful Placing and Open Offer (which we reported last year and completed at the start of this year, in April 2005), the Board does not intend to pay a dividend for the year ending 31 March 2006. The Board will consider adopting a progressive dividend policy as we deliver the benefits of the Strategic Plan, in line with our profit and cash generation capabilities.

Strategic Plan

We have continued to maintain progress against the medium term Strategic Plan we set out in March 2005 and this is covered in more detail in the Chief Executive's review.

We have reduced indirect overheads by some 25% year on year and at the same time have strengthened our client facing teams. Our ability to attract high quality people demonstrates the value of our brand, and their fresh ideas and enthusiasm are of great benefit as we drive the business forward. Revenue per client facing employee has increased overall by 3% on last year, and by 8% within Executive Search.

- ▶ **Group turnover from continuing operations**
£39.0m (2005: £47.2m)
- ▶ **Operating loss from continuing operations**
£1.3m (2005: £7.2m)

Locating all our staff in London in a single office is improving both teamwork and communication, as well as saving cost, and we have also introduced a new reward and appraisal system which is tied to collective results. We believe this is almost unique amongst the major search firms and is an essential element in putting our clients first.

Board changes

With the restructuring complete, we announced my own appointment as Chairman on 4 April 2006, with immediate effect, taking over from Sir Colin Southgate who will retire from the Board at the Annual General Meeting. Sir Colin has been a member of the Board for over nine years and Chairman since September 2003. We owe him a great debt of gratitude for his guidance, particularly during the last two and a half years, and wish him well in retirement.

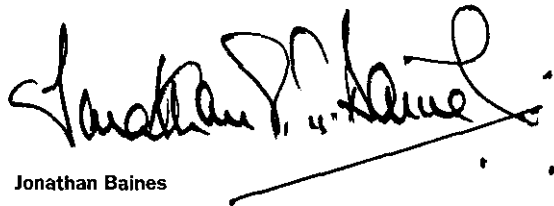
Sir Hugh Collum

It is also with great sadness we acknowledge the passing of Sir Hugh Collum in August of last year. Sir Hugh had served on our Board since our flotation in 1997 until his retirement in July 2005. His contribution, support and friendship to the company were invaluable and he will be much missed.

The future

Now that we have completed the reorganisation, we are much better placed to focus on our clients and to generate growth. Throughout all the change, we have seen continued and undiminished commitment from the high calibre staff of Whitehead Mann.

I can only applaud the energy and enthusiasm shown by my colleagues, and given their skill and professionalism I feel confident that we can achieve our targets. I thank all the staff of Whitehead Mann for their enormous contribution to the success of the business.

A handwritten signature in black ink, appearing to read 'Jonathan Baines', with a horizontal line drawn underneath it.**Jonathan Baines**

Chairman

Chief Executive's review

Whitehead Mann aims to be the firm that leading organisations contact first to resolve their leadership challenges. Our strategy to achieve this is to have the best people delivering the best service to the best clients, within a high performance organisation.

Business overview

Whitehead Mann is an international Executive Search and Leadership Solutions group based in the United Kingdom, with offices in Hong Kong, Paris and Frankfurt, and activities in other parts of the world through alliances with selected partners. We work with national and multinational organisations to recruit executives and to build teams that perform.

In delivering our services, our consultants develop strong relationships with clients and we benefit from high levels of repeat business. Clients include companies; governments and their agencies; professional services firms; private equity firms and their investments; and not-for-profit organisations.

During the year we reorganised our services in Executive Assessment and Executive Development & Coaching into a single team renamed Leadership Solutions. We now operate through two core divisions: Executive Search and Leadership Solutions.

Executive Search

Whitehead Mann's Executive Search service attracts executives to leadership and senior management positions on behalf of clients. In the UK, we are one of the leading firms specialising in main Board and other senior executive appointments.

Our Executive Search service is founded upon detailed industry knowledge, up to date market intelligence, unrivalled access to business leaders and a comprehensive research capability. We pride ourselves on our client service quality, understanding our clients' business cultures, keeping them informed at regular intervals and setting ourselves the highest standards of candidate care. Our consultants identify, interview

and screen potential candidates before delivering a shortlist. A critical skill is being able to persuade potential candidates to put their names forward for consideration for a role.

Whitehead Mann's search activities are focused on both industry sectors and functional specialisms. Our industry sector specialisms are consumer and retail; professional services; financial services; private equity; healthcare; industry; public sector; and technology, media and telecommunications. Our functional specialisms include Board appointments; finance and treasury; human resources; procurement; operations and logistics; sales and marketing; legal and compliance; and technology.

Our search consultants have a variety of backgrounds, in general having had a successful 'first' career themselves before becoming search professionals. They include bankers, human resources directors, management consultants, the armed forces, journalists and market traders.

Leadership Solutions

Whitehead Mann's Leadership Solutions are designed to help organisations enhance the performance of their Boards, management teams and senior executives; manage leadership talent to provide maximum value for both the business and the individual within their organisations; and provide assurance on the suitability of existing teams or potential hires to deliver value for the business.

We have a highly experienced team of advisors, assessors and coaches, with backgrounds as diverse as industrial psychology, management consulting, the private sector, private equity and the world of sport, who are able to engage with Boards and senior executives to facilitate team working, identify and develop high potential individuals and deliver innovative, practical insights into the leadership issues faced at the highest levels of an organisation.

Delivering the Strategic Plan

Our Strategic Plan has four core aspects: people, services, clients and high performance organisation.

(i) People

We aim to employ the best people in the human capital industry, and to create a culture and reward system that motivates our people to perform.

During the year, we completed a number of important steps in our plan to upgrade continuously our own talent management processes. We improved our hiring processes, training programmes and appraisal and development systems. We successfully introduced new incentive arrangements designed to increase employee share ownership and to align better the interests of employees and shareholders.

We continued throughout the year to make new appointments to strengthen the Group's future, and have demonstrated our ability to attract highly experienced consultants, at the height of their careers. For example, in January 2006, we appointed a Head of Leadership Solutions and a Head of Private Equity. Attracting, retaining and developing the best people are fundamental to our success. Not only do we continue to hire outstanding talent to develop our practice areas but we also have a strong culture of promoting our best consultants, who represent the future of the firm.

Outside the UK, we have made senior appointments in Frankfurt and Paris to strengthen our European offering in response to client demand. Our new German partners will be instrumental in developing our small but talented team in Frankfurt and the new appointments in Paris will strengthen our team to meet the growing demand for our services.

This is an exciting time to be joining Whitehead Mann. The new faces we have recruited bring new energy and ideas, and invigorate our efforts as we see the results of our Strategic Plan begin to drive improvements throughout the business.

(ii) Services

We continue to explore ways in which we can improve our services so that we add value to our clients' businesses. We have begun to improve the synergies between our service lines and to standardise our quality processes on a Group-wide basis.

We also seek to innovate in bringing our services to the market. For example, the Private Equity houses are significant stakeholders in the companies and institutions for which Whitehead Mann works, and important clients in their own right. We have therefore established a single point of contact to deliver all the services of Whitehead Mann, both Search and Leadership Solutions, to the Private Equity community.

In addition, for all major clients, we have instituted a regular programme of seeking feedback on our performance to understand our strengths and further improve our service.

(iii) Clients

A critical factor in our success is the strength and depth of our client relationships. To develop these, we have begun to formalise the client management process, improving information flows to client teams, increasing training and establishing best practice client management methodologies.

During the year we continued to reinforce the Whitehead Mann brand by demonstrating Thought Leadership and through an active programme of marketing and public relations. This included publication of our major research report 'What Makes an Exceptional Non-Executive Director?' based on in-depth interviews between our consultants and 124 of the UK's top Directors.

(iv) High performance organisation

The success of our Strategic Plan also depends on managing and maintaining a high performance organisation. We successfully completed the relocation of all our London team to one building, which has significantly improved teamwork and communication. In January 2006, we completed the assignment of our Queensberry House lease in London, which was the last significant outstanding UK property lease to be assigned under the plan. New performance management systems have been successfully introduced, enabling us to measure performance against both the financial and non-financial milestones and goals within our Strategic Plan.

In addition, over the last 12 months, we have seen a lot of change in our support departments, resulting in substantially improved quality of support and service to the business.

Review of principal business activities**Employees and productivity**

As expected as part of the restructuring, the average number of client facing staff during the year dropped from 240 to 193 (a reduction of 20%, note 4). Total revenue from continuing operations for the year was down from £47.2 million to £39.0 million (17%, note 2). However, on average, revenue per client facing employee from continuing operations (i.e. productivity) rose from £196,000 in the prior year to £202,000 in the current year, up 3%. Similarly, revenue per client facing employee for continuing operations for Executive Search rose from £192,000 in the prior year to £207,000 in the current year, up 8%.

Revenue

Executive Search revenues from continuing activities (comprising 85% of total continuing revenues) for the year were down from £36.4 million to £33.1 million (9%). The UK

performed strongly, with particularly good performances from Financial Services, Consumer and Retail, and Public Sector.

Leadership Solutions revenues from continuing activities (comprising 15% of total continuing revenues) fell from £10.7 million to £5.9 million as a result of the planned departure of coaches in May 2005.

Performance trends

Comparisons of performance with previous years are complicated by a number of underlying changes which have led to reduced revenue, including the closure of our US operations and the departure of a significant number of the coaching team.

However, a comparison of the trends between the first and the second half of the year ended 31 March 2006 shows the positive effects of the turnaround emerging, as follows:

	Six months ended 30 Sept 2005 £000	Six months ended 31 March 2006 £000	Year ended 31 March 2006 £000
Turnover			
Continuing operations	19,578	19,384	38,962
Discontinued operations	699	–	699
	20,277	19,384	39,661
Costs	(22,068)	(18,886)	(40,954)
Operating (loss)/profit	(1,791)	498	(1,293)

Our revenue from continuing operations included approximately £1.5 million from the departed coaching team of which £1.4 million related to the six months ended 30 September 2005. Revenue from continuing operations, excluding the revenue from the departed coaching team, was up from £18.2 million for the first half to £19.3 million in the second half, an increase of 6%.

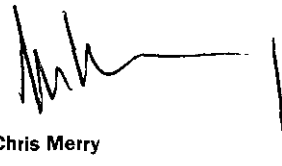
Costs and operating profit

We continue to focus on costs and, in addition to reduced staff costs, have achieved a permanent reduction in the ongoing indirect cost base.

Our operational profitability has improved significantly during the year, moving from an operating loss of £1.8 million in the first six months of the financial year to a profit of £0.5 million in the second half.

Maintaining the momentum

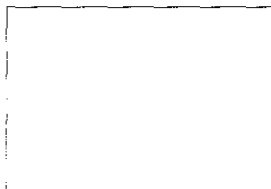
The past year was one of transition and consolidation. We have achieved a great deal, and the Group has a clear and measurable plan for implementation of the remainder of its Strategic Plan. There are still challenges ahead, but we can all look forward to maintaining the momentum with renewed enthusiasm.



Chris Merry
Chief Executive

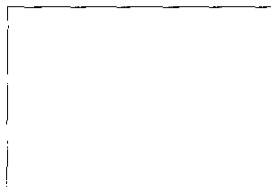
Directors' report

Year ended 31 March 2006



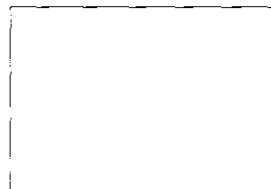
Jonathan Baines
Chairman

Jonathan Baines, who has spent 20 years in the search sector, was appointed Chairman in April 2006. He continues his role as a senior client partner. Jonathan founded and managed Baines Gwinner which was acquired by Whitehead Mann in 2001. Prior to working in the executive search sector, he was in the army and spent six years in Brown Shipley managing the UK treasury operations.



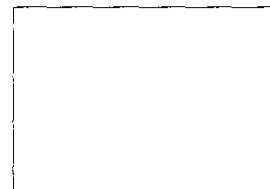
Chris Merry
Chief Executive

Chris Merry has been Chief Executive since April 2005. Prior to joining Whitehead Mann in January 2004, first as Finance Director, then as Managing Director, he was Finance Director of Clifford Chance LLP. Prior to that Chris was a partner at PricewaterhouseCoopers LLP, where he was Managing Partner of the Coopers & Lybrand office in Shanghai from 1994 to 1997.



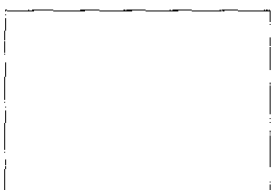
Mark Ground
Finance Director

Mark Ground was appointed Group Finance Director in June 2005. He is also Company Secretary. He is a chartered accountant, and joined in July 2001 following four years as a management consultant with Arthur Andersen.



Carol Leonard
Director

Carol Leonard is a senior search consultant who operates at Board level specialising in consumer industries. Prior to Whitehead Mann's acquisition of Leonard Hull Holdings Limited in April 2004, Carol was Chief Executive and founder. She was previously a director of Norman Broadbent International. Before entering executive search she was a business reporter and journalist.



Sir Colin Southgate
Non-Executive Director

Sir Colin stepped down as Chairman of Whitehead Mann in April 2006 and it is intended he will step down from the Board at the AGM. He is Chairman of two privately held technology companies.



Alan Smith
Non-Executive Director

Alan Smith chairs both the Remuneration Committee and the Nominations Committee of Whitehead Mann and is a member of the Audit Committee. He has been a Non-Executive Director since March 1997. He is Chairman of Space NK Limited.



Abdul Bhanji
Non-Executive Director

Abdul Bhanji chairs the Audit Committee and has been a Non-Executive Director since March 2005. He is a chartered accountant and a former partner of PricewaterhouseCoopers. He is the Chairman of the Aga Khan Foundation (UK) National Committee, a governor of the School of Oriental and African Studies, and a Marshall Commissioner.

Financial statements

The Directors present their report, financial statements and auditors report for the year ended 31 March 2006.

Principal activities, business review and future developments

The principal activities of the Group as a whole are Executive Recruitment and Leadership Solutions. We expect the activities of the Group to continue into the foreseeable future. The Company's principal activity is to act as the holding company for the Group's trading subsidiaries which are listed in note 13 to these accounts. The Company itself does not trade.

A full business review is set out in the Chairman's and CEO's reports.

Results and dividends

The results for the year are set out in the profit and loss account on page 13.

The retained loss of £1,532,000 (2005: £21,521,000 – restated, see note 22) is to be transferred to reserves. The Directors do not propose to pay a final dividend (2005: nil).

Directors' responsibilities**Financial statements, including adoption of going concern**

United Kingdom company law requires the Directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

Substantial interests

The Directors have been notified of the following substantial interests in the Company's Ordinary Share capital as at 1 June 2006:

	Number of ordinary shares	Percentage %
Jupiter Asset Management	12,071,519	19.70
Progressive Asset Management	5,487,832	8.95
Aviva Plc	5,243,171	8.56
SG Asset Management	3,765,228	6.14
Legal & General Investment Mgmt	2,664,417	4.35
Baillie Gifford	2,334,023	3.81
Aitima Partners	2,294,333	3.74
Canada Life	2,274,999	3.71
Jeremy Hosking	2,129,333	3.47

Authority to allot shares

The Directors' authority to allot shares, and the authority to allot shares for cash without reference to statutory pre-emption rights, expires at the forthcoming AGM. An ordinary resolution and a special resolution to renew this authority until the close of the AGM in 2007 will be proposed at the AGM to be held on 6 July 2006.

Donations

During the year the Group made charitable donations of £30,100 (2005: £17,800) to Wellbeing of Women, various cancer related charities, and to assist deserving causes in local communities and the arts.

Supplier payment policy

The Group's policy is to pay suppliers at the end of the month following that in which the invoice is processed. This policy is made known to the staff who handle payments and to suppliers on request.

The Company had no trade creditors as at 31 March 2006 (2005: nil).

Directors and their interests

The Directors of the Company who held office during the year are as follows:

Current Directors

JFT Baines, Chairman (appointed as Chairman 4 April 2006)
 CJ Merry, Chief Executive
 MG Ground, Finance Director (appointed 8 June 2005)
 CJ Leonard, Director
 Sir Colin Southgate, Non-Executive Director (resigned as Chairman 4 April 2006)
 AKP Smith, Non-Executive Director
 AF Bhanji, Non-Executive Director

Former Directors

Sir Hugh Collum, Non-Executive Director (resigned 8 July 2005)

The interests of the Directors in the share capital of the Company at the beginning and end of the year (or on appointment or resignation) were as set out below. There have been no changes in the interests of the Directors in shares since 1 April 2006.

Directors' shareholdings

	5p ordinary shares as at 31 March 2006	5p ordinary shares as at 28 April 2005 ²	5p ordinary shares as at 31 March 2005
Current Directors			
Jonathan Baines	685,937	375,000	100,000
Chris Merry	375,000	375,000	20,000
Mark Ground	34,428	-	- ¹
Carol Leonard	282,257	250,000	-
Sir Colin Southgate	300,001	300,001	138,462
Alan Smith	135,000	135,000	30,000
Abdul Bhanji	250,000	250,000	-
Former Directors			
Sir Hugh Collum	65,000 ³	65,000	30,000
Stephen Lawrence	-	-	50,000

1 at date of appointment

2 at date of listing on the Alternative Investment Market

3 at date of resignation

Directors' share options and share awards

	No. of options/ share awards at the start of the period	Awarded during the period	Exercised during the period	No. of options/ share awards at the end of the period
Share options				
Jonathan Baines	-	1,250,000	-	1,250,000
Chris Merry	-	1,250,000	-	1,250,000
Mark Ground	-	270,000	-	270,000
Carol Leonard	-	750,000	-	750,000
	-	3,520,000	-	3,520,000
Restricted Stock Scheme				
Jonathan Baines	-	900,000	-	900,000
Chris Merry	-	900,000	-	900,000
Carol Leonard	-	375,000	-	375,000
	-	2,175,000	-	2,175,000
Employee Benefit Scheme				
Jonathan Baines	58,575	-	(30,000)	28,575
Chris Merry	10,000	-	-	10,000
	68,575	-	(30,000)	38,575
Share Incentive Plan and Equity Participation Plan				
Mark Ground	-	1,875	-	1,875
Carol Leonard	-	6,250	-	6,250
	-	8,125	-	8,125

On 31 March 2005, C Merry, J Baines and C Leonard were granted 250,000 share options and M Ground 100,000 share options under the Enterprise Management Incentive Scheme at an exercise price of 40p. In addition, on 8 July 2005, C Merry and J Baines were granted 1,000,000 options, C Leonard 500,000 options and M Ground 170,000 options under the Company's Executive Share Scheme at an exercise price of 40p. All of these share options vest between March 2008 and December 2008, and are exercisable until July 2012.

On 1 July 2005, C Merry and J Baines were awarded rights to 900,000 shares and C Leonard 375,000 shares under the Company's Restricted Stock Scheme. The rights to the shares are exercisable between March 2008 and December 2008.

On 1 July 2005, J Baines exercised his right to 30,000 nil price shares, granted to him under the Employee Benefit Trust. The market value of the shares at the date of exercise was 31p.

On 30 June 2005, C Leonard and M Ground were awarded 6,250 and 1,875 nil priced matching shares respectively as part of the employee share offer. The shares are held in trust under the Share Incentive Plan and Equity Participation Plan until their vesting date of 31 March 2008.

Auditors

A resolution proposing that Deloitte & Touche LLP be re-appointed as auditors of the Company will be considered at the AGM.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, the Group's intranet and regular newsletters sent to all employees. We have a number of meetings throughout the year informing and consulting employees. In addition, all employees of the Group are eligible to receive an annual cash incentive related to the overall profitability of the Group.

Environmental policy

By virtue of the nature of the Group's activities, the Group considers its impact on an ongoing basis on the environment to be minimal. Notwithstanding that, we regularly consider the likely impact the Group might have on the environment and the Board takes this into account in its decision making.

Derivatives and other financial instruments

The Group's financial instruments comprise borrowings, cash and items such as trade debtors and creditors that arise as a result of normal operations. The Group does not enter into complex derivative transactions and does not trade in financial instruments.

The Board reviews and agrees policies for managing its financial instruments periodically. It does not consider the Group's exposure to risk arising from financial instruments to be significant.

The Group's policy is to maximise interest income by placing excess funds on the money market and to fix interest rates on borrowings through interest rate swaps. The Group's liquidity risk is not considered to be significant. The Group does not have significant transactions which are not undertaken in local currency. The Group is exposed to foreign currency movements in the accounting for overseas operations but does not consider it necessary to hedge against this exposure.

Enhanced business review

Principal risks and uncertainties

The Group works in a competitive environment, affected by the level of economic activity. A slowdown in general economic activity may see organisations hire fewer senior permanent employees. Therefore, a significant economic downturn could have an adverse effect on the Group's financial operations and business results.

The Group's continued success will depend on the efforts of its people. Loss of key personnel could affect the Group's business, revenues and profitability. However, the Group believes the incentive arrangements currently in place mitigate this risk.

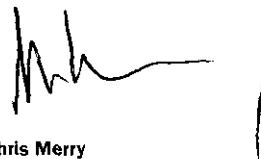
The financial aspects of the enhanced business review have been incorporated into the Chief Executive's review.

Dialogue with shareholders

There is regular dialogue with institutional shareholders, including presentations after the announcement of the interim and annual results. This dialogue is principally undertaken by the Chief Executive and the Finance Director who regularly report back to the Board the views of shareholders, the brokers and other key advisors and interested parties. The Board, as a body, uses the AGM as an opportunity to communicate with private and institutional investors and welcomes their participation.

It is our policy that the chairmen of the Audit and Remuneration Committees are available at the AGM to answer questions and the Chairman of the Group is available at other times at the specific request of the shareholders.

This report was approved by the Board on 7 June 2006.



Chris Merry
Chief Executive

Independent auditors' report to the members of Whitehead Mann Group Plc

We have audited the Group and individual Company financial statements ("the financial statements") of Whitehead Mann Group Plc for the year ended 31 March 2006 which comprise the consolidated profit and loss account, the consolidated and Company balance sheet, the consolidated cashflow statement, the statement of total recognised gains and losses and the related notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and individual Company's affairs as at 31 March 2006 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

Date: 7 June 2006

Consolidated profit and loss account for the year ended 31 March 2006

		2006 Before exceptional items	2006 Exceptional items (note 9)	2006 Total	2005 Before exceptional items	2005 Exceptional items (note 9)	2005 Total
	Notes	£000	£000	£000	£000	£000	£000
Turnover							
Continuing operations	2	38,962	–	38,962	47,158	–	47,158
Discontinued operations	2	699	–	699	3,976	–	3,976
		39,661	–	39,661	51,134	–	51,134
Staff costs	4	(22,528)	(810)	(23,338)	(28,385)	(1,812)	(30,197)
Depreciation		(603)	–	(603)	(893)	(623)	(1,516)
Goodwill charges	11	(1,178)	–	(1,178)	(1,779)	(3,716)	(5,495)
Operating charges		(15,817)	(18)	(15,835)	(19,975)	(2,976)	(22,951)
Operating (loss)/profit	7	(465)	(828)	(1,293)	102	(9,127)	(9,025)
Continuing operations		(531)	(761)	(1,292)	1,958	(9,127)	(7,169)
Discontinued operations		66	(67)	(1)	(1,856)	–	(1,856)
Profit/(loss) on termination of operations	9	–	350	350	–	(9,801)	(9,801)
Net interest payable	8	(687)	–	(687)	(821)	–	(821)
Loss before taxation		(1,152)	(478)	(1,630)	(719)	(18,928)	(19,647)
Tax (charge)/credit on loss on ordinary activities	10	(116)	214	98	(1,358)	1,012	(346)
Loss for the year		(1,268)	(264)	(1,532)	(2,077)	(17,916)	(19,993)
Basic and fully diluted loss per share (continuing and discontinued)	24			(2.63p)			(71.96p)
Basic and fully diluted loss per share from continuing operations	24			(2.63p)			(28.57p)

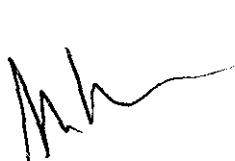
Statement of total recognised gains and losses

	2006 £000	2005 £000
Loss for the period on ordinary activities after tax	(1,532)	(19,993)
Currency translation differences on foreign currency investments	(10)	133
	(1,542)	(19,860)

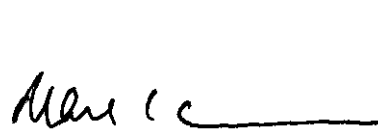
Consolidated and Company balance sheet as at 31 March 2006

	Notes	Consolidated 2006 £000	Consolidated 2005 £000	Company 2006 £000	Company 2005 £000
Fixed assets					
Intangible fixed assets	11	14,766	15,942	-	-
Tangible fixed assets	12	2,485	1,942	-	-
Investments	13	-	-	17,383	16,901
		17,251	17,884	17,383	16,901
Current assets					
Debtors	14	9,564	11,204	1,541	994
Cash at bank and in hand		893	762	-	-
		10,457	11,966	1,541	994
Creditors: amounts falling due within one year	15	(11,282)	(18,672)	(477)	(980)
Net current (liabilities)/assets		(825)	(6,706)	1,064	14
Total assets less current liabilities		16,426	11,178	18,447	16,915
Creditors: amounts falling due after more than one year	16	(2,917)	(6,309)	(42)	(9,473)
Provisions for liabilities and charges	18	(2,887)	(5,423)	(1,753)	(2,489)
Net assets/(liabilities)		10,622	(554)	16,652	4,953
Capital and reserves					
Called up share capital	21	3,064	1,401	3,064	1,401
Share premium account	23	18,034	7,860	18,034	7,860
Employee Benefit Trust / SIP reserves	23	(271)	(429)	(271)	(429)
Merger reserve	23	2,714	3,488	-	-
Other reserves	23	896	-	896	-
Profit and loss account	23	(13,815)	(12,874)	(5,071)	(3,879)
Equity shareholders' funds and total capital employed	23	10,622	(554)	16,652	4,953

The financial statements were approved by the Board on 7 June 2006 and signed on its behalf by



Chris Merry
Chief Executive



Mark Ground
Finance Director

Consolidated cash flow statement for the year ended 31 March 2006

	Notes	2006 £000	2006 £000	2005 £000	2005 £000
Net cash (outflow)/inflow from operating activities	26		(3,235)		2,844
Return on investments and servicing of finance			.		
Interest received		69		10	
Interest paid		(885)		(599)	
Net cash outflow from returns on investment and servicing of finance			(816)		(589)
Taxation					
UK taxation repaid/(paid)			345		(2,119)
Capital expenditure					
Purchase of tangible fixed assets		(1,163)		(277)	
Sale of tangible fixed assets		-		3	
Net cash outflow from capital expenditure			(1,163)		(274)
Acquisitions and disposals					
Purchase of subsidiary undertakings in previous periods	28	(795)		(2,815)	
Cash acquired with subsidiary undertakings		-		104	
Sale of 49.9% share of subsidiary		-		102	
Closure of US business		-		(192)	
Cash balance disposed of with subsidiary		-		(63)	
Net cash outflow from acquisitions and disposals			(795)		(2,864)
Equity dividends paid			-		(1,528)
Cash outflow before financing			(5,664)		(4,530)
Financing					
Issue of ordinary share capital			13,225		39
Expenses on issue of shares			(1,416)		-
Payment to acquire own shares			(130)		-
Repayment of bank loan			(8,000)		(900)
New bank loan			5,000		3,050
Increase/(decrease) in cash in the period	27		3,015		(2,341)

**Notes to the financial statements for the year ended
31 March 2006**

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year, except as noted below.

The Group adopted Financial Reporting Standard 21 (Events after the balance sheet date) in the current period. In accordance with this standard, when dividends are declared after the balance sheet date, the entity shall not recognise these dividends as a liability at the balance sheet date. This has had the effect of increasing equally the retained loss and the brought forward reserves for the year ended 31 March 2005 by £1.1 million (note 22) reflecting the final dividend for the year ended 31 March 2004 which was proposed after the year end. The net assets of the Group as at 31 March 2005 remain unchanged and the results for the year ended 31 March 2006 are not affected.

The Group has also adopted Financial Reporting Standard 22 (Earnings per share) which does not have an effect on the results of the current or prior periods.

a Accounting convention

The financial statements are prepared under the historical cost convention, and in accordance with applicable United Kingdom law and accounting standards.

b Basis of consolidation

These financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings for the year ended 31 March 2006.

Entities acquired or sold have been consolidated using the acquisition method of accounting from the date on which control passed.

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account has not been presented for the Company. The loss of £1,019,000 (2005: £13,513,000 loss) from the consolidated loss for the financial year attributable to Whitehead Mann Group Plc, has been dealt with in the financial statements of the Company.

c Turnover

Turnover comprises the amount receivable (excluding VAT) in respect of all services provided in the period in the normal course of business. Revenue is recognised when the Company has performed services in accordance with the agreement with the relevant client and has obtained a right to consideration for those services.

d Tangible fixed assets and depreciation

Fixed assets are stated at cost, net of any depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life at the following rates:

Leasehold improvements	– over the term of the lease
Fixtures and fittings	– 15%–25% p.a.
Office equipment	– 25% p.a.

The Company's policy is to write down to nil the carrying value of leasehold improvements in respect of properties that it considers surplus to requirements when the decision to dispose of the property has been taken.

e Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment. The Company has taken advantage of Section 133 of the Companies Act 1985 in accounting for shares issued on acquisition. Cost is measured by reference to the nominal value of the shares issued. Any premium is ignored. On consolidation the premium is recognised as part of the fair value of the consideration given and has been credited to the merger reserve.

f Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over the useful economic life, which is between five and twenty years. Provision is made for any impairment.

g Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

h Operating lease costs

Rentals under operating leases are charged on a straight-line basis over the lease terms, even if the payments are not made on such a basis. Benefits received or receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the lease cost is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used. The Group provides for the known future cost, being the shortfall between rental outgoings and rental income, in respect of sublet properties when the liability crystallises and in respect of vacant properties, an estimate of the likely future cost, based on current market estimates.

Notes to the financial statements continued**i Pension costs**

The Company makes contributions to various defined contribution pension schemes on behalf of certain employees. Pension costs are charged to the profit and loss account as incurred. Differences between contributions payable in the year and the contributions actually paid are shown as either accruals or prepayments in the balance sheet.

j Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. *The taxation liabilities of certain Group companies are reduced wholly or in part by the surrender of losses by fellow Group companies.*

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date. *Deferred tax arises where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences between the Company's taxable profits and its results as stated in the financial statements arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements.*

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average rates of tax that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. *Deferred tax is measured on a non-discounted basis.*

k Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising from translation of the opening assets and the results of the overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the *statement of recognised gains and losses*. All other exchange differences are included in the profit and loss account.

l Interest rate swaps

Interest rate swaps are used to manage debt interest rate exposures. Amounts payable or receivable in respect of interest rate swap agreements are recognised as adjustments to interest expense over the period of the agreement.

m Employee Benefit Trust

The results and net assets of the Employee Benefit Trust have been included in the consolidated financial statements. Consideration paid for own shares held in the Employee Benefit Trust is deducted in arriving at shareholders' funds and no gain or loss is subsequently realised on purchases, sales, issue or cancellation of these shares.

The intrinsic cost of share grants made by the Employee Benefit Trust is charged to the profit and loss account over the period from the date of grant until the shares vest.

n Provisions for vacant and surplus property

Rent due on surplus properties which are unoccupied is provided until the lease terminates. Where a sublet has been agreed, a provision is made for the length of the remaining lease of any shortfall between rent received and rent paid.

Appropriate discount rates are used where applicable to reduce the balance sheet amount to the net present value of the liability. The unwinding discount is shown in interest charges, in the profit and loss account.

Notes to the financial statements continued

2 Turnover

Analysis of turnover by origin

	Continuing £000	Discontinued £000	2006 £000	Continuing £000	Discontinued £000	2005 £000
United Kingdom	34,245	699	34,944	42,050	1,694	43,744
North America	-	-	-	-	2,282	2,282
Rest of World	4,717	-	4,717	5,108	-	5,108
Total	38,962	699	39,661	47,158	3,976	51,134

An analysis of turnover by destination is not materially different from the analysis of turnover by origin and so has not been presented separately.

Analysis of turnover by type

	Continuing £000	Discontinued £000	2006 £000	Continuing £000	Discontinued £000	2005 £000
Executive Search	33,057	-	33,057	36,434	1,411	37,845
Leadership Solutions	5,905	-	5,905	10,724	871	11,595
Interim Management	-	699	699	-	1,694	1,694
Total	38,962	699	39,661	47,158	3,976	51,134

The Directors have decided not to disclose profit before tax and net assets, by origin or type, as they consider the disclosure of this information would be prejudicial to the interests of the Group.

3 Continuing and discontinued operations

	Continuing before exceptional items £000	Continuing exceptional items £000	Discontinued before exceptional items £000	Discontinued exceptional items £000	2006 Total £000
Staff costs	22,443	743	85	67	23,338
Depreciation	603	-	-	-	603
Goodwill charges	1,178	-	-	-	1,178
Operating charges	15,269	18	548	-	15,835
Loss on termination of operations	-	-	-	(350)	(350)
Total	39,493	761	633	(283)	40,604

	Continuing before exceptional items £000	Continuing exceptional items £000	Discontinued before exceptional items £000	Discontinued exceptional items £000	2005 Total £000
Staff costs	26,193	1,812	2,192	-	30,197
Depreciation	744	623	149	-	1,516
Goodwill charges	1,583	3,716	196	-	5,495
Operating charges	16,680	2,976	3,295	-	22,951
Loss on termination of operations	-	-	-	9,801	9,801
Total	45,200	9,127	5,832	9,801	69,960

Notes to the financial statements continued

4 Employees

Number of employees	2006 Number	2005 Number
<i>The average number of employees during the year, including Executive Directors, split by function was:</i>		
Client facing staff		
Executive Search	160	190
Leadership Solutions	33	50
	193	240
Support staff	51	59
Total	244	299

At 31 March 2006 the Group employed 193 client facing staff (2005: 239) and 54 support staff (2005: 54). The Company had no employees at any point during the year (2005: nil).

Employment costs	2006 £000	2005 £000
Wages and salaries	20,126	24,836
Social security costs	1,568	2,397
Other pension costs	834	1,152
Sub total	22,528	28,385
Redundancy and people related costs (note 9)	810	1,812
Total	23,338	30,197

At the year end the Group had accrued pension contributions of £78,000 (2005: £79,000). Information regarding Directors is provided in the note below.

5 Directors' remuneration

	2006 £000	2005 £000
Emoluments	902	737
Compensation for loss of office	–	342
Pension contributions	44	40
Total	946	1,119

Directors' emoluments include the following amounts in respect of the highest paid Director:

Emoluments	200	186
Compensation for loss of office	–	342
Pension contributions	20	–
Total	220	528

At the year end 3 Directors (2005: 3) had retirement benefits accruing under money purchase schemes in respect of qualifying services.

Notes to the financial statements continued

6 Share options

Details of Directors' share options are given in the Directors' Report. The table below details all outstanding options. The closing share price on 31 March 2006 was 39.0p with a high of 49.5p and a low of 27.5p during the year.

Date of grant: Financial Year	Exercise price	First date of exercise	Last date of exercise	Exercised during the year	Number of options awarded during the year	Number of options cancelled during the year	Number of options outstanding as at 31 March 2006
1997	136p	March 2000	March 2007	-	-	-	35,000
2000	298p-360p	June 2003	Nov 2010	-	-	(44,300)	132,175
2001	423p-458p	Jan 2004	March 2011	-	-	(87,500)	108,750
2002	105p-392p	June 2005	Nov 2012	-	-	(30,000)	244,475
2003	122p-290p	Jan 2006	Jan 2013	-	-	(371,188)	563,676
2004	127.5p-345p	Jan 2007	Oct 2014	-	-	(285,000)	80,000
2005	86.5p	Jan 2008	Jan 2012	-	-	-	10,000
2006	33.5p-40p	March 2008	July 2012	-	17,325,000	(2,570,000)	14,755,000
Total				-	17,325,000	(3,387,988)	15,929,076

Following the Group's Placing and Open Offer key employees were offered share awards in the following new incentive schemes:

(i) 7,000,000 share options were granted under the Company's Enterprise Management Incentive Scheme at an exercise price of 40p per share. The options vest during the period March 2008 to December 2008, and are exercisable until July 2012.

(ii) A further 10,325,000 share options were granted under the Company's Executive Share Scheme, and are exercisable at a price range of 33.5p-40p per share. The options vest during the period March 2008 to December 2008, and are exercisable until July 2012.

7 Operating loss

Operating loss is stated after charging:

	2006 £000	2005 £000
Auditors' remuneration – audit services	66	70
Auditors' remuneration – other services	92	364
Property lease rentals	3,766	4,558
Loss on disposal of fixed assets – ordinary items	17	71
Impairment of tangible fixed assets – exceptional items	-	2,001
Net foreign exchange losses	-	38

The auditors' remuneration for other services included £43,000 (2005: £285,000) for professional services relating to the restructuring and £49,000 (2005: £79,000) primarily for tax services. The auditors' remuneration for the Company is borne by a Group subsidiary in both the current and prior year.

Notes to the financial statements continued

8 Interest

	2006 £000	2005 £000
Interest receivable	102	10
Interest payable and similar charges	(764)	(745)
Unwinding of discount on provisions	(25)	(86)
Total	(687)	(821)

9 Exceptional items

	2006 £000	2005 £000
(Profit)/loss on termination of operations	(350)	9,801
Impairment in carrying value of goodwill	–	3,716
Provisions for vacant property and related asset write-downs	37	3,014
Redundancy and people related costs	810	1,812
Other costs	(19)	697
Profit on sale of 49.9% interest in Whitehead Mann SAS	–	(112)
Total	478	18,928

The exceptional credit of £350,000 relates to provisions estimated at 31 March 2005 for the closure of the US operations, which were not required.

Exceptional items include £37,000 relating to an under provision of losses incurred on vacant properties and a £19,000 over provision of general restructuring costs provided for at 31 March 2005.

Included in the £810,000 balance is £130,000 relating to an under provision of redundancy and people related payments provided for at the previous year end. In addition, we noted in the prospectus for our Placing and Open Offer in March 2005 that an employee had issued High Court proceedings against Whitehead Mann Limited, in relation to remuneration of ordinary shares in Whitehead Mann Group Plc being due following financial targets being met by the employee. On 8 November 2005 we were informed by the High Court that judgement had been awarded in favour of the claimant. We have appealed this decision and the hearing is scheduled for July 2006. However, during the year, costs of £680,000 have been paid relating to the initial settlement awarded and associated legal costs.

Notes to the financial statements continued

10 Tax on ordinary and exceptional activities

(a) The tax (credit)/charge comprises:

	2006 £000	2005 £000
Current tax		
UK corporation tax charge/(credit) on losses for the year	202	(143)
Adjustments in respect of prior years	(385)	62
Total current tax credit	(183)	(81)
Deferred tax		
Origination and reversal of timing differences:		
Current year charge	69	493
Adjustment for prior years	16	(66)
Total deferred tax charge	85	427
Tax (credit)/charge on loss on ordinary activities	(98)	346
Tax relief on exceptional items	214	1,012
Tax charge on ordinary activities before exceptional items	116	1,358

(b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%).

The difference is explained below.

	2006 £000	2005 £000
Loss on ordinary activities before tax	(1,630)	(19,647)
Corporation tax standard rate	30%	30%
Loss on ordinary activities taxed at the standard rate of corporation tax in the UK	(489)	(5,894)
Effects of:		
Goodwill amortisation and impairment not deductible for tax purposes	353	3,440
Expenditure not deductible for tax purposes	266	2,135
Depreciation lower than capital allowances	(69)	(13)
Other timing differences	-	(461)
Unrealised overseas tax losses	141	650
Adjustments in prior periods	(385)	62
Current tax credit for the year	(183)	(81)

Notes to the financial statements continued

11 Intangible fixed assets

Group	2006 £000	2005 £000
Cost		
1 April	47,232	44,076
Foreign exchange movements	2	12
Additions	~	3,356
Disposals	~	(212)
31 March	47,234	47,232
Amortisation		
1 April	(31,290)	(20,034)
Charge for the year	(1,178)	(1,779)
Impairment	~	(9,669)
Disposals	~	192
31 March	(32,468)	(31,290)
Net book value		
31 March	14,766	15,942

12 Tangible fixed assets

Group	Leasehold improvements £000	Fixtures and fittings £000	Office equipment £000	Total £000
Cost				
1 April 2005	2,486	987	1,800	5,273
Additions	776	160	227	1,163
Disposals	~	(578)	(72)	(650)
31 March 2006	3,262	569	1,955	5,786
Depreciation				
1 April 2005	(1,350)	(555)	(1,426)	(3,331)
Charge for the year	(216)	(166)	(221)	(603)
Disposals	~	562	71	633
31 March 2006	(1,566)	(159)	(1,576)	(3,301)
Net book value				
31 March 2006	1,696	410	379	2,485
31 March 2005	1,136	432	374	1,942

Notes to the financial statements continued

13 Investments

Company	Total £000
Cost	
Opening balance as at 1 April 2005	28,193
Capital contribution	482
Closing balance as at 31 March 2006	28,675
Impairment	
Balance as at 1 April 2005 and 31 March 2006	11,292
Net book value	
Balance as at 31 March 2006	17,383
Balance as at 1 April 2005	16,901

The principal trading subsidiaries are Whitehead Mann Limited (100% owned and registered in England & Wales), Whitehead Mann SAS (50.1% owned and registered in France) and Whitehead Mann GmbH (100% owned and registered in Germany). The principal activities of all the companies are Executive Search and Leadership Solutions.

The capital contribution in the year relates to the fair value of share warrants issued by the Company during the year to RBS (note 17) as part of the refinancing of the loan held with its subsidiary, Whitehead Mann Limited.

14 Debtors

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Trade debtors	7,831	9,265	-	-
Amounts owed by subsidiary undertakings	-	-	1,541	994
Other debtors	345	395	-	-
Prepayments and accrued income	1,141	1,212	-	-
Deferred tax (note 19)	247	332	-	-
Total	9,564	11,204	1,541	994

Included within other debtors is £35,000 (2005: £64,000) due in more than one year.

15 Creditors: amounts falling due within one year

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Bank loans and overdrafts	1,759	4,845	-	-
Trade creditors	787	1,507	-	-
Corporation tax	656	493	-	-
Other taxation and social security	1,854	2,006	-	-
Other creditors	4,754	6,338	59	-
Accruals and deferred income	1,144	3,012	90	509
Deferred consideration	328	471	328	471
Total	11,282	18,672	477	980

Notes to the financial statements continued

16 Creditors: amounts falling due after more than one year

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Bank loans and overdrafts	2,848	6,000	–	–
Other creditors	69	6	–	–
Amounts due to subsidiary undertakings	–	–	42	9,170
Deferred consideration	–	303	–	303
Total	2,917	6,309	42	9,473

Deferred consideration in notes 15 and 16 relates to further amounts payable in respect of acquisitions and has been provided in full. £Nil (2005: £58,000) of these amounts is guaranteed by cash deposits held in separate bank accounts not immediately accessible by the rest of the Group.

17 Borrowings

	Group 2006 £000	Group 2005 £000
Bank overdrafts	11	2,845
Bank loans	4,596	8,000
Total	4,607	10,845

The maturity of borrowings is as follows:

Due within one year	1,759	4,845
Due within two to five years	2,848	6,000
Due after more than five years	–	–
Total	4,607	10,845

In April 2005, in conjunction with the Placing and Open Offer, the Group refinanced its term loan facility of £8 million loan and overdraft facility of up to £3 million with Royal Bank of Scotland (RBS) with a new loan of £5 million and a new invoice discounting facility of up to £4 million. In connection with these new banking facilities, Whitehead Mann Group Plc issued to West Register (Investments) Limited, a wholly owned subsidiary of RBS, warrants entitling the holders to subscribe in cash for 1,200,000 ordinary shares at their nominal value, in the time period between 22 April 2006 and 21 April 2015. Bank loans reflect the loan of £5,000,000 net of the unamortised fair value of the share warrants and facility fees totalling £404,000.

All facilities with RBS are secured by way of fixed and floating charges over the assets of Whitehead Mann Limited, a subsidiary of the Company. In addition, all obligations to RBS are guaranteed by the Company. The bank loan is repayable in 10 equal and quarterly instalments commencing in May 2006.

The Group has hedged its exposure to interest rate changes with an interest rate swap (see note 20).

The Company had no borrowings at the year end (2005: £nil).

Notes to the financial statements continued

18 Provisions for liabilities and charges

	Property provisions 2006 £000	Contingent consideration 2006 £000	Total 2006 £000	Total 2005 £000
Group				
As at 1 April	3,944	1,479	5,423	3,728
Foreign exchange movements	-	-	-	20
Profit and loss account charge	87	-	87	6,777
Utilisation of provision/payment	(2,299)	(349)	(2,648)	(2,013)
Release of provisions on closure of US operations	-	-	-	(4,654)
Unwinding of discount on provisions	25	-	25	86
Acquisitions of business	-	-	-	1,479
As at 31 March	1,757	1,130	2,887	5,423
Company				
As at 1 April	1,010	1,479	2,489	250
Profit and loss account charge	115	-	115	1,010
Utilisation of provision/payment	(502)	(349)	(851)	(250)
Acquisitions of business	-	-	-	1,479
As at 31 March	623	1,130	1,753	2,489

Provision has been made for rental commitments relating to surplus properties. These are expected to be utilised within 4 years. The contingent consideration is in respect of the acquisition of Leonard Hull Holdings Limited.

19 Deferred tax asset

	2006 £000	2005 £000
Group		
Depreciation in excess of capital allowances	110	200
Other timing differences	137	132
Total	247	332

A deferred tax asset has not been recognised in respect of taxation losses arising in overseas subsidiaries as the Group does not anticipate taxable profits arising in the immediate future. The estimated value of the losses not recognised is £641,000 (2005: £500,000).

The movement in the deferred tax balance arises from a current year charge of £69,000 and an adjustment in respect of previous years of £16,000.

Notes to the financial statements continued**20 Derivatives and other financial instruments**

The Directors' report provides an explanation of the Group's policies in respect of financial instruments. As permitted by FRS13 (Derivatives and other financial instruments disclosures) short-term debtors and creditors have been excluded from the disclosures. The fair value of the Group's assets and liabilities is not materially different to book value.

The Group's borrowings are denominated in sterling and incur interest at Libor plus 1.75%. In April 2005 the Group refinanced its borrowings with a new £5 million loan and invoice discounting facility (see note 17). The facility was not in use at the year end and the maximum funds available totalled £3,128,000. The facility incurs interest at the sterling base rate plus 2%.

The Group entered into a fixed rate interest rate swap in order to hedge its exposure to interest rate changes. The notional principal amount of the swap at 31 March 2006 was £2,050,000 (2005: £4,050,000). The swap is at a fixed rate of 5.53% and the maturity date is 27 May 2007. The fair value of the swap as at 31 March 2006 was £14,537 (2005: £25,564).

£4,000 (2005: £46,000) of the Group's cash balance is denominated in US dollars and held on account at a rate of interest of 1%. Cash balances in euros of £412,000 (2005: £404,000) receive interest at 0.2%. The Group's subsidiary cash balances of £98,000 do not earn interest.

21 Share capital

	2006	2005
	£000	£000
Authorised		
100,000,000 5p ordinary shares (2005: 34,200,000 5p ordinary shares)	5,000	1,710
Allotted, called up and fully paid		
61,284,621 5p ordinary shares (2005: 28,024,209 5p ordinary shares)	3,064	1,401

On 28 April 2005, and as part of the restructuring of the Group, the authorised share capital of the Company was increased from 34,200,000 ordinary shares to 100 million ordinary shares.

On 28 April 2005 the Company issued 33,260,412 shares at 40p per share as part of the Placing and Open Offer.

Also, in April 2005 the Company issued to West Register (Investments) Limited, a wholly owned subsidiary of RBS, warrants entitling the holders to subscribe in cash for 1,200,000 ordinary shares at their nominal value, in the time period between 22 April 2006 and 21 April 2015 (note 17).

22 Dividends

	2006	2005
	£000	£000
Final dividend for 2004: 4.0p per share	–	1,103
Interim dividend for 2005: 1.5p per share	–	425
Total	–	1,528

The Group has adopted Financial Reporting Standard 21 (Events after the balance sheet date) in the current period. In accordance with this standard, dividends declared after the balance sheet date are not recognised as a liability at the balance sheet date. This has had the effect of increasing equally the retained loss and the brought forward reserves for the year ended 31 March 2005 by £1.1 million reflecting the final dividend for the year ended 31 March 2004 which was proposed after the year end. Therefore, the retained Group loss for 2005 is restated to £21,521,000, and the Group net assets remain unchanged. The results for the year ended 31 March 2006 are not affected by the adoption of FRS21.

The 540,086 (2005: 234,434) shares held by the Employee Benefit Trusts do not receive dividends as the Trusts have waived their right to these dividends.

Notes to the financial statements continued

23 Reserves

Group

	Share capital	Share premium account	Employee Benefit Trusts	Merger reserve	Other reserves	Profit and loss reserve	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2005	1,401	7,860	(429)	3,488	–	(12,874)	(554)
Change due to currency fluctuations	–	–	–	–	–	(10)	(10)
Transfer between reserves	–	–	125	(774)	–	649	–
Retained loss for the year end	–	–	–	–	–	(1,532)	(1,532)
Shares placed in Employee Benefit Trusts	–	–	(158)	–	–	–	(158)
Employee Benefit Trusts credits in respect of profit and loss charge for the year	–	–	191	–	–	(48)	143
Shares issued	1,663	10,174	–	–	–	–	11,837
Fair value of share warrants and restricted shares to be issued	–	–	–	–	896	–	896
Balance at 31 March 2006	3,064	18,034	(271)	2,714	896	(13,815)	10,622

On 28 April 2005, the Trustees of the Employee Benefit Trust acquired 273,506 ordinary shares at a price of 40p per share. Also, on 30 June 2005, as part of the employee share offer, the Trustees of the Share Incentive Plan and the Equity Participation Plan acquired 42,052 and 73,646 shares respectively, at a price of 31p per share. These shares were purchased to meet the obligation to award employees matching shares, pursuant to the Employee Share offer. The shares vest on 31 March 2008.

Other reserves represents the fair value of share warrants issued during the year to West Register (Investments) Limited, a wholly owned subsidiary of RBS (note 17) and the credit relating to the charge for the nil price Restricted Shares which were issued to certain employees under the Restricted Stock Scheme as part of the Placing and Open Offer. The shares vest over a three year period to 31 March 2008 and are subject to earnings growth and EPS performance criteria.

The merger reserve, which arose on the acquisition of subsidiary undertakings, is transferred to the profit and loss reserve as the associated goodwill is amortised.

Company

	Share capital	Share premium account	Employee Benefit Trusts	Other reserve	Profit and loss reserve	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2005	1,401	7,860	(429)	–	(3,879)	4,953
Retained loss for the year end	–	–	–	–	(1,019)	(1,019)
Transfer between reserves	–	–	125	–	(125)	–
Shares placed in Employee Benefit Trusts	–	–	(158)	–	–	(158)
Employee Benefit Trusts credits in respect of profit and loss charge for the year	–	–	191	–	(48)	143
Fair value of share warrants and restricted shares to be issued	–	–	–	896	–	896
Shares issued	1,663	10,174	–	–	–	11,837
Balance at 31 March 2006	3,064	18,034	(271)	896	(5,071)	16,652

At 31 March 2006 the Employee Benefit Trusts held 540,086 (2005: 234,434) shares in Whitehead Mann Group Plc to satisfy options granted to employees, and shares allocated for award to employees under the Whitehead Mann Group Plc Equity Participation Plan and Share Incentive Plan. These are long-term incentive plans which award shares to employees based on performance. The shares vest three years after the award is made. Shares are held by the Employee Benefit Trusts when an award is made and transferred to employees when the shares vest. The market value of the shares owned by the Employee Benefit Trusts at the mid-market price on 31 March 2006 was £210,633 (2005: £99,634). The nominal value of these shares was £27,004 (2005: £11,722).

The Company has an obligation to make regular contributions to the Trusts to enable it to meet its costs. In the current year £26,000 (2005: £28,000) has been charged to the profit and loss account. Rights to dividends on shares held by the Trusts have been waived by the Trustees.

Notes to the financial statements continued

23 Reserves continued

The net assets of the Employee Benefit Trust which are included in the accounts are:	2006 £000	2005 £000
Whitehead Mann Group Plc shares at cost	271	429
Bank and intercompany loans	(271)	(429)
Net assets	-	-

24 Earnings per share

	2006		2005	
	(Loss)/ earnings per share	(Loss)/ earnings £000	(Loss)/ earnings per share	(Loss)/ earnings £000
Basic and fully diluted loss per share	(2.63p)	(1,532)	(71.96p)	(19,993)
Adjusted for:				
Discontinued operations	-	1	43.39p	12,055
Basic and fully diluted loss per share from continuing operations	(2.63p)	(1,531)	(28.57p)	(7,938)
Basic and fully diluted loss per share	(2.63p)	(1,532)	(71.96p)	(19,993)
Adjusted for:				
Goodwill amortisation	2.02p	1,178	6.40p	1,779
Exceptional items, net of tax	0.45p	264	64.49p	17,916
Adjusted loss per share before goodwill amortisation and exceptional items	(0.16p)	(90)	(1.07p)	(298)

The calculation of basic earnings per share and adjusted earnings per share is based on 58,267,841 shares (2005: 27,782,597) being the weighted average number of shares in issue during the year (excluding the shares held by Whitehead Mann Group Plc Employee Benefit Trust).

25 Financial commitments

	2006 £000	2005 £000
The Group is committed to paying the following annual amounts under operating leases on properties expiring:		
In less than one year	377	360
In two to five years	582	1,776
In more than five years	2,253	2,842
Total	3,212	4,978

Notes to the financial statements continued

26 Reconciliation of operating profit/(loss) to net cash (outflow)/inflow from operating activities

	2006 £000	2005 £000
Operating loss	(1,293)	(9,025)
Depreciation	603	1,516
Goodwill charges	1,178	5,495
Decrease in debtors	1,604	4,176
Decrease in creditors	(3,442)	(148)
(Decrease)/increase in provisions	(2,460)	624
Cost of share awards charged in the year	558	247
Profit on sale of 49.9% of Whitehead Mann SAS	-	(112)
Loss on disposal of assets	17	71
Net cash (outflow)/inflow from operating activities	(3,235)	2,844

27 Analysis and reconciliation of net (debt)/funds

Company	Cash at bank and in hand £000	Overdraft £000	Subtotal £000	Bank loans less than 1 year £000	Bank loans greater than 1 year £000	Total net debt £000
At 1 April 2005	300	(2,845)	(2,545)	(2,000)	(6,000)	(10,545)
Cash flow	181	2,834	3,015	-	3,000	6,015
	481	(11)	470	(2,000)	(3,000)	(4,530)
Non cash flow movements	-	-	-	252	152	404
At 31 March 2006	481	(11)	470	(1,748)	(2,848)	(4,126)

At 31 March 2006 the cash flow excluded restricted cash of £412,000 (2005: £404,000) which was held in foreign currencies to guarantee rental payments overseas. The movement in this balance is due to foreign exchange movements. At the year end, no amounts in respect of restricted cash were held to guarantee loan note repayments due on an acquisition (2005: £58,000).

Exceptional items gave rise to a cash outflow in the year of £5,257,000 (2005: £3,876,000).

28 Purchase of subsidiary undertakings

	2006 £000	2005 £000
Cash consideration	-	1,416
Deferred cash consideration	446	1,132
Contingent cash consideration	349	-
Acquisition costs on purchase of subsidiaries	-	267
Total	795	2,815

Deferred consideration represents payments made for subsidiaries acquired in prior years. During the year the Group made the following payments in respect of the prior acquisitions: Leonard Hull Holdings Limited £308,000 (2005: nil), Baines Gwinner £83,000 (2005: £865,000), The Change Partnership £55,000 (2005: £37,000), and Summit £nil (2005: £230,000).

Contingent cash consideration of £349,000 was paid for the purchase of Leonard Hull Holdings Limited.

Notes to the financial statements continued**29 Reconciliation of movement in equity shareholders' funds**

2006	Group £000	Company £000
Loss of the financial year	(1,532)	(1,019)
Other recognised gains and losses relating to the year (net)	(10)	–
	(1,542)	(1,019)
New shares issued	11,837	11,837
Other reserves – shares to be issued in respect of share options and warrants	896	896
Shares placed in Employee Benefit Trusts	(158)	(158)
Employee Benefit Trusts credits in respect of profit and loss charge for the year	143	143
Net increase in equity shareholders' funds	11,176	11,699
Opening equity shareholders' funds	(554)	4,953
Closing equity shareholders' funds	10,622	16,652

30 Related party transactions

The Company has taken advantage of the exemption under paragraph 3 of FRS8 (Related party disclosures) not to disclose transactions with other entities within the Whitehead Mann Group.

31 Contingent liabilities

The Group has received a claim by a former employee amounting to approximately £500,000. We consider that there is absolutely no basis to the claim and will be fully defending it. On this basis, no provision has been made in the accounts.

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