Annual Report and Accounts
2004·2005

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Whitehead Mann Group

consultants in leadership

Registered Number: 01725219.

Whitehead Mann Group Plc

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

Highlights

- Strategic review completed
- Successful fundraising of £13.1m (£11.7m net of expenses)
- New incentive arrangements put in place to retain key individuals in order to implement the strategic plan and deliver growth in shareholder value
- Board strengthened with the appointment of two further Executive Directors, Jonathan Baines and Carol Leonard
- Appointment of Abdul Bhanji as a Non-Executive Director

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Chairman's statement

Following a period of considerable change and restructuring, we are making progress with implementing our Strategic Plan to take the business forward. In April we completed a Placing and Open Offer to strengthen the balance sheet and provide the necessary finance and working capital to implement the plan. We have also successfully reorganised the business to safeguard the future of the Group for our shareholders and employees.

Group turnover for the year to 31 March 2005, from continuing operations, was £47.2 million (2004: £55.0 million). Operating profit from continuing operations before exceptionals was £2.0 million (2004: £9.1 million). Exceptional operating costs of £9.1 million resulted in an operating loss after exceptionals for the year of £9.0 million (2004: operating profit £4.8 million).

On 2 February 2005, the Board announced that the trading performance of the Group in January 2005, an important month in our financial year, had weakened significantly.

We announced that we were undertaking a strategic review with the aim of strengthening the Group's financial position, maintaining our market leadership, and better aligning the interests of employees and shareholders.

On 30 March 2005 we announced that we had completed the strategic review and that we intended to raise additional funding for the business by means of a Placing and Open Offer, fully underwritten by Robert W Baird Limited. The Placing successfully raised £13.1 million (£11.7 million net of expenses) to provide the necessary finance to implement the Group's strategy.

We forecast that the Group would make a loss before taxation and exceptional items of not more than £1 million for the year ended 31 March 2005. The final outturn was a loss before taxation and exceptional items of £0.7 million.

The Placing and Open Offer

The Placing and Open Offer, completed after the year end, involved the issue of 32,694,910 New Ordinary Shares at 40 pence per share. The market capitalisation of the Group on completion of the Placing and Open Offer, at the Issue Price, was £24.3 million.

Listing on AIM

The Board took the view that it would be in the best interests of the Company to de-list from the Official List and to apply instead for admission to the Alternative Investment Market of the London Stock Exchange, which is more appropriate for a company of Whitehead Mann's size. This decision was endorsed at the Extraordinary General Meeting held on 22 April 2005, and became effective after the year end on 28 April 2005.

Board changes

On 14 October 2004, Stephen Lawrence stepped down as Chief Executive and left the Board. We appointed Chris Merry (then serving as Finance Director) as Managing Director of the Group and subsequently as Chief Executive. We have also strengthened our Board with the addition of two further Executive Directors experienced in search by appointing Jonathan Baines and Carol Leonard.

Hugh Collum, who has been on the Board since our flotation in 1997, announced his intention to step down from the Board at the Extraordinary General Meeting. I would like to thank Hugh for his support, his contribution to the Board and his Chairmanship of the Audit Committee during a period of significant change for the Group. We were delighted to welcome Abdul Bhanji, a former partner of PricewaterhouseCoopers, to the Board as a Non-Executive Director on 16 March 2005.

- **Group turnover from continuing operations**
  £47.2m (2004 £55.0m)

- **Operating profit from continuing operations before exceptional items**
  £2.0m (2004 £9.1m)

Dividend policy

As advised in the Placing and Open Offer document, the Board is not recommending a final dividend for the year ended 31 March 2005 and does not expect that the Company will pay a dividend during the first full financial year following the implementation of its Strategic Plan (the year to 31 March 2006). The total dividend for the year therefore remains at 1.5 pence per share, as declared and paid at the interim stage.

As the benefits of the Strategic Plan are achieved, the Board intends to consider adopting a progressive dividend policy which is commercially prudent in relation to the Company's ongoing profit and cash generation capabilities.

The future

Although there are considerable challenges ahead in delivering the Strategic Plan, the Board looks forward to a more stable future for the Group. Trading performance has steadied since January. We have reviewed our business, formulated a new strategy to build on our proven strengths, and are improving our operations to secure our position as the firm that leading organisations can rely upon to resolve their leadership challenges.

None of this would have been possible without the commitment of the high calibre people of Whitehead Mann. Over recent months I have seen many of the 290 people employed by the Group. I have been impressed by their energy, purpose and ambition and I extend my thanks to all of them for their contribution during what has been a challenging year.

Sir Colin Southgate
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 leadership consulting group based in the United Kingdom, with offices overseas in Hong Kong, Paris and Frankfurt, and activities in North America through alliances with selected partners.

We aim to add value to our clients' businesses by assisting them in the recruitment, evaluation and development of their key executives. We work with national and multinational organisations to advise on all aspects of leadership and to help them build and support the right teams. 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, and private equity firms and their investments.

Whitehead Mann has three core service lines: Executive Search; Executive Assessment; and Executive Development & Coaching.

Executive Search

Executive Search is the process through which Whitehead Mann attracts senior executives to leadership positions on behalf of clients. Our consultants will identify, interview and screen potential candidates before introducing a shortlist of individuals to the client. A critical skill is being able to persuade potential candidates to put their names forward for consideration for a role. Executive Search is founded upon detailed market intelligence, access to business leaders and a comprehensive research capability.

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

In the UK, Whitehead Mann is one of the leading search firms specialising in main Board and other senior executive appointments.

Executive Assessment

Our Executive Assessment services are designed to help organisations evaluate their existing management teams or to carry out due diligence when making senior appointments or when considering potential investments or acquisitions. The service combines two elements: first, market insights by Whitehead Mann's executive search and specialist referencing team; second, psychometric profiles provided by Whitehead Mann's corporate psychologists. The process enables clients to identify people with high potential, to create succession plans and to manage more effectively major organisational changes such as acquisitions, mergers or corporate restructurings.

Executive Development & Coaching

Whitehead Mann provides coaching to senior executives, customised to individual needs and designed to challenge business leaders to fulfil their potential, both individually and as part of a team. The Whitehead Mann Executive Development & Coaching business operates under The Change Partnership brand. Our coaches have first-hand experience of the pressures faced by Boards of listed companies and an awareness of the demanding regulatory and corporate governance environment within which executives have to operate. Services include coaching for executives with high potential, transition and integration coaching, executive team development and coaching for women leaders.

The Strategic Plan

Under our Strategic Plan, the Board aims to establish Whitehead Mann as 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. The strategy has four core aspects: people, services, clients, and a high performance organisation.

(i) People

It is fundamental to the success of Whitehead Mann that we employ the best people in the human capital industry, and create a culture and reward system within the Group that motivates our people to perform. A key element of our Strategic Plan is to upgrade our existing talent management processes. This includes improvement of our hiring processes, training programmes and appraisal and development systems.

As we announced in the Placing and Open Offer, we have also introduced new incentive arrangements as part of the Strategic Plan. These are designed to increase employee share ownership and align better the interests of employees and shareholders.

(ii) Services

We believe there is an opportunity for Whitehead Mann to exploit further the synergies between the Group's three service lines: Executive Search, Executive Assessment, and Executive Development & Coaching. We intend to grow the non-search elements of the business and deliver a more integrated service proposition.

To help achieve this, we have started to standardise quality processes and systems on a Group-wide basis. This uniform approach will improve the integration of the Group and enhance marketing and selling opportunities. In addition, we are formalising the Group's client feedback processes to focus more clearly on quality of service.

(iii) Clients

A critical factor in our success is the strength and depth of our strategic client relationships. To develop these further, we are formalising the client management process, improving information flows to client teams, increasing training and establishing standard client management methodologies. We also regularly review our target market and prioritise resources to meet our clients' needs.

We intend to reinforce the Whitehead Mann brand by continually demonstrating thought leadership and more actively managing marketing and public relations. For example, during the year we produced the successful major thought piece 'What Makes a Great Board Chair?' based on in-depth interviews with 215 of the UK's top Directors.

(iv) High performance organisation

Our success depends on managing and maintaining a high performance organisation. To achieve this, our Strategic Plan involves a number of key actions. First, we have put in place a strong management structure that supports the new leadership team. Second, we are relocating all our London team to operate from one building (Ryder Court) in order to foster a team environment and a single culture. We will complete this relocation by the end of the summer.

Third, to deliver the Strategic Plan, we have reorganised our business into two operating divisions: Financial Services and General Industries. The reorganisation gave us the opportunity to integrate all search, assessment and development and coaching staff within these two divisions. Our objective is to improve client service as a result of closer alignment between the service lines. As we announced in the Placing and Open Offer document, this planned reorganisation and integration will result in a smaller coaching business. We remain committed to the coaching practice as a key part of our integrated service offering to clients.

Finally, we are introducing a new performance management system to measure performance against both the financial and non-financial milestones and goals within the Strategic Plan.

Business performance

Executive Search

Executive Search revenues were down by 24%. Steady performances in financial services, healthcare and consumer/retail were offset by:

- deterioration in USA search revenues
- the November/December offer period causing trading performance to weaken significantly in January 2005
- rebuilding of the Technology and Media practice in the UK.

Executive Assessment

Executive Assessment revenues were down by 5%. Overall performance was largely consistent with the prior year, but with some variations in timing of large assessment projects.

Executive Development & Coaching

Executive Development & Coaching revenues improved by 7% resulting from:

- a strong performance in the UK
- offset by tough trading conditions in the USA.

Interim Management

Interim Management achieved revenues of £1.7 million in its first full year of operation.

Average starting salaries of executives placed by Whitehead Mann

▶ This year we worked for over 500 organisations, handling nearly 750 search assignments, interviewing over 6,000 people and evaluating some 48,000 resumés.

New Incentive Arrangements

As a business, we recognise the need to incentivise and retain key individuals in order to deliver growth in shareholder value. We have amended our existing Employee Share Schemes to introduce New Incentive Arrangements, as set out in detail in the Placing and Open Offer document issued in March 2005, and subsequently approved by Shareholders at the Extraordinary General Meeting on 22 April 2005.

In summary, a significant number of employees have been identified as key to the success of the Group, and they have been awarded options under the Whitehead Mann (No 2) Executive Share Option Scheme and a newly established Whitehead Mann Enterprise Management Incentive Scheme, with an exercise price of 40 pence per share. The options will vest in the event that earnings per share targets are met in the period to 31 March 2008. The options are also subject to continued employment by the Group and to an underlying share price performance measure, such that the share price must have averaged 90 pence or above during any three month period in the period to 31 December 2008. The Board believes that this will help to incentivise participants to grow earnings and align their interests with those of shareholders.

In addition, all UK employees and certain overseas employees have been offered the opportunity to subscribe for New Ordinary Shares at the prevailing market price pursuant to an Employee Offer, aiming to encourage a culture of share ownership within the Company. As an incentive to acquire and retain New Ordinary Shares, employees were offered a matching award by the Company of up to a maximum of £10,000 of their investment, provided they retain their New Ordinary Shares for three years and subject to continued employment.

A fresh start

The refinancing of the business and the implementation of the Strategic Plan represent a fresh start for Whitehead Mann. There are considerable challenges ahead; we will meet them with enthusiasm.

Chris Merry
Chief Executive

Directors' report
Year ended 31 March 2005

Sir Colin Southgate
Non-Executive Chairman

Sir Colin has been Chairman of Whitehead Mann since September 2003 and has been a Non-Executive Director since March 1997. He is Chairman of two privately held technology companies and a director of Singer and Friedlander AIM 2 VCT plc. He is the former Chairman of EMI plc, Powergen plc and the Royal Opera House.

Chris Merry
Chief Executive

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

Jonathan Baines
Director

Jonathan Baines has spent 19 years in the search sector, working principally in investment banking, fund management and, more latterly, private equity. He founded and managed Baines Gwinner which had offices in the UK, USA and Hong Kong and which was acquired by Whitehead Mann in 2001. Prior to working in the executive search sector, he was in the Army and spent 6 years in Brown Shipley managing the UK Treasury operations.

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.

Abdul Bhanji
Non-Executive Director

Abdul Bhanji 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, a Marshall Commissioner and a member of the CBI London Region Council.

Sir Hugh Collum
Non-Executive Director

Sir Hugh Collum has chaired the Audit Committee and has been a Non-Executive Director since March 1997. He stepped down as Chairman of British Nuclear Fuels plc and from the Board of Safeway plc in 2004. He was formerly Executive Vice President and Chief Financial Officer of SmithKline Beecham plc. He will leave the Board at the Annual General Meeting.

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. He was formerly Chairman of Mothercare Plc.

Mark Ground
Company Secretary

Mark Ground is Head of Finance and Company Secretary of Whitehead Mann. He is a chartered accountant, and joined in July 2001 following four years as a management consultant with Arthur Andersen.

Financial statements

The Directors present their report, financial statements and auditors' report for the year ended 31 March 2005.

Principal activities, business review and future developments

The principal activities of the Group as a whole are Executive Search, Executive Assessment, and Executive Development & Coaching. 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 at note 12 to these accounts. The Company itself does not trade.

A full business review, including an indication of future developments, is set out in the Chairman's statement and Chief Executive's review.

Results and dividends

The results for the year are set out in the profit and loss account on page 17.

After dividends totalling £425,000, the retained loss of £20,418,000 is to be transferred to reserves. An interim dividend of 1.5p per share (2004: 3.0p per share) was paid in January 2005. The Directors do not propose to pay a final dividend (2004: 4.0p per share).

Post balance sheet events

Note 27 gives details of post balance sheet events including the share Placing and Open Offer announced on 30 March 2005, new incentive arrangements and new banking faciliites.

Substantial interests

The Directors have been notified of the following substantial interests in the Company's ordinary share capital as at 1 June 2005.

	Number of ordinary shares	Percentage %
Jupiter Asset Management	11,512,149	19.0
Deutsche Bank AG	6,426,140	10.6
Aviva	4,450,086	7.3
Aegon	3,815,439	6.3
Invesco	3,647,832	6.0
Baillie	2,334,023	3.8
Canada Life	2,274,999	3.7
Jeremy Hosking	2,129,333	3.5

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, was renewed at the Extraordinary General Meeting held on 22 April 2005. An ordinary resolution and a special resolution to renew this authority until the close of the Annual General Meeting in 2006 will be proposed at the Annual General Meeting to be held on 8 July 2005.

Donations

During the year the Group made charitable donations of £17,800 (2004: £49,000) to the Tsunami appeal 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 2005 (2004: nil).

Directors and their interests

The Directors of the Company who held office during the year and since the year end, are as follows:

Current Directors
Sir Colin Southgate, Non-Executive Chairman
Chris Merry, Chief Executive
Jonathan Baines, Director (appointed 14 October 2004)
Carol Leonard, Director (appointed 14 October 2004)
Mark Ground, Finance Director (appointed 8 June 2005)
Sir Hugh Collum, Non-Executive Director
Alan Smith, Non-Executive Director
Abdul Bhanji, Non-Executive Director (appointed 16 March 2005)

Former Directors
Stephen Lawrence, Chief Executive (resigned 14 October 2004)
Clive Mann, Non-Executive Director (resigned 19 July 2004)

Jonathan Baines, Carol Leonard and Abdul Bhanji having been appointed during the year, and Mark Ground having been appointed since the year end, retire from office and, being eligible, offer themselves for re-election at the Annual General Meeting.

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, together with holdings at the date of listing on the Alternative Investment Market.

Directors' shareholdings

	5p ordinary shares as at 28 April 2005[3]	**5p ordinary shares as at 31 March 2005**	5p ordinary shares as at 31 March 2004
Current Directors			
Sir Colin Southgate	300,001	138,462	38,462
Chris Merry	375,000	20,000	10,000
Jonathan Baines	375,000	100,000	–[1]
Carol Leonard	250,000	–	–[1]
Sir Hugh Collum	65,000	30,000	30,000
Alan Smith	135,000	30,000	20,000
Abdul Bhanji	250,000	–	–[1]
Former Directors			
Stephen Lawrence	–	50,000[2]	50,000
Clive Mann	–	–[2]	1,328,900

1 at date of appointment
2 at resignation
3 date of listing on the Alternative Investment Market

Auditors

A resolution proposing that Deloitte & Touche LLP be reappointed as auditors of the Company will be considered at the Annual General Meeting.

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 keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is mainly achieved through formal and informal meetings, the Group's intranet and short update emails. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

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.

International Financial Reporting Standards

Following the Group's transfer to the Alternative Investment Market, the Group is not required to show its results under International Financial Reporting Standards until periods beginning after 1 January 2007. The Directors are currently assessing the effects of the adoption of the standards on the Group's results.

Corporate governance report

Although not required to do so by the AIM Rules, in the current year, the Directors have decided voluntarily to apply the Combined Code and to provide corporate governance disclosures comparable with those required of a listed company.

The Company is committed to the principles of good corporate governance contained in the Combined Code on Corporate Governance published by the Financial Reporting Council in July 2003 (the 'Code'), which replaced the previous code for the current financial year ending 31 March 2005.

Statement of compliance with the Code's provisions

The Company has complied throughout the year ended 31 March 2005 with the provisions of the Code, except that: Non-Executive Directors, although subject to re-election at least once every 3 years, did not have fixed term contracts until 9 June 2004 (provision A.7.2); the Board has decided, due to the size of the Group, not to appoint a Senior Independent Non-Executive Director (provision A.3.3); and the Board has yet to replace its informal process for evaluating its own performance with a formal procedure (provision A.6.1).

Board of Directors

Board meetings are held at least five times per year and more frequently as circumstances dictate. The Board presently comprises the Non-Executive Chairman, the Chief Executive, two Executive Directors and three Non-Executive Directors.

There are written terms of reference which reserve to the Board key matters, including decisions regarding acquisitions, capital expenditure, approval of budgets, financial results, Board appointments and dividend recommendations. Policies and procedures are in place to ensure the Board receives adequate information in a timely fashion.

Non-Executive Directors

The Non-Executive Directors have letters of appointment for fixed terms. Details of their remuneration are set out in the Remuneration Committee report.

The Group considers all of its Non-Executive Directors with the exception of Sir Colin Southgate (from the date of his appointment as Chairman) to be independent non-executives by reference to the Code.

The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

Executive Directors

The Executive Directors have service contracts, which are subject to termination by either party upon the giving of not less than one year's notice at any time. The remuneration of the Executive Directors is subject to the recommendations of the Remuneration Committee, as described in the Remuneration Committee report. Details of Directors' remuneration are set out in the Remuneration Committee report and shareholders will be invited to vote on that report at the forthcoming Annual General Meeting.

	Notes	Board Meetings	Audit Committee	Remuneration and Nominations Committee
Number of meetings held	1	20	3	6
Sir Colin Southgate		19	2	6
Chris Merry		20		
Jonathan Baines	2	12		
Carol Leonard	2	11		
Sir Hugh Collum		13	3	6
Alan Smith		17	3	5
Abdul Bhanji	3	2		
Clive Mann	4	–		
Stephen Lawrence	5	7		

Notes

1 Discloses attendance by Committee members only.

2 Jonathan Baines and Carol Leonard were appointed to the Board on 14 October 2004. A possible total of 13 meetings could have been attended.

3 Abdul Bhanji was appointed as a Non-Executive Director on 16 March 2005. A possible total of 3 meetings could have been attended.

4 Clive Mann resigned as a Non-Executive Director on 19 July 2004. A possible total of 4 meetings could have been attended.

5 Stephen Lawrence resigned from the Board on 14 October 2004. A possible total of 7 meetings could have been attended.

Audit Committee

The Audit Committee is chaired by Sir Hugh Collum and included Sir Colin Southgate and Alan Smith. Sir Hugh Collum will step down as Chairman of the Audit Committee on 8 July 2005. Abdul Bhanji was appointed to the Committee on 1 June 2005. It is intended that Abdul Bhanji will be appointed Chairman of the Committee on 8 July 2005. The Committee has written terms of reference which deal clearly with its membership, duties, reporting responsibilities and authorities. These terms of reference are available on the Group's website. The Committee meets at least three times a year, with the auditors in attendance at most meetings. It is usual that the Finance Director and the Chief Executive attend meetings by invitation but that at least once a year the Committee meets the auditors privately.

The Committee monitors the integrity of the Group's financial statements, including its annual and interim reports and preliminary announcements, by reviewing them before they are issued and discussing them with the Executive Directors, with a particular focus on any significant financial reporting issues or judgements which they contain. The Board has delegated responsibility for the review of internal controls to the Audit Committee. The Chief Executive and the Finance Director are responsible for outlining the system in operation, how that system of internal controls is monitored and reviewed, and how changes to the system of internal control are proposed and introduced.

The Committee oversees the relationship with the external auditors and assesses annually their independence and objectivity. The Group's policy on the provision of non-audit services by the auditors is that the auditors may provide other services where they are best qualified, where it is most efficient to do so, and where provision of the service does not impact auditor independence. The Audit Committee has considered the need to have an internal audit department in the current year and currently does not believe the size of the Group merits it.

Nominations Committee

Alan Smith has been Chairman of the Committee, and Sir Hugh Collum a member of the Committee, throughout the year. The Committee has written terms of reference which deal clearly with its membership, duties, reporting responsibilities and authorities. These terms of reference are available on the Group's website.

During the year, the Committee was responsible for recommending to the Board candidates to fill a new Non-Executive Director position. Due to the nature of our business, the search process was carried out internally led by the Chairman. Prior to the confirmation of his appointment, the successful candidate Abdul Bhanji met all of the Non-Executive and Executive Directors.

Remuneration Committee

Alan Smith has been Chairman of the Committee throughout the year. Sir Hugh Collum became a member of the Committee on 21 April 2004. The Committee has written terms of reference which deal clearly with its membership, duties, reporting responsibilities and authorities. These terms of reference are available on the Group's website. The Remuneration Committee report is set out on page 13.

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The Committee oversees the relationship with the external auditors and assesses annually their independence and objectivity. The Group's policy on the provision of non-audit services by the auditors is that the auditors may provide other services where they are best qualified, where it is most efficient to do so, and where provision of the service does not impact auditor independence. The Audit Committee has considered the need to have an internal audit department in the current year and currently does not believe the size of the Group merits it.

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Internal controls

The Group has applied the guidance issued by the Turnbull Committee in undertaking reviews of internal controls. Thus when the Directors explain how they have maintained sound systems of internal controls and reviewed their effectiveness, they are covering the whole range of risks that are critical to the success of the business and not just those risks relating to financial reporting, compliance matters and the safeguarding of assets.

The Board has overall responsibility for establishing and maintaining the Group's system of internal controls and has delegated responsibility for the review of internal controls to the Audit Committee. Any system of internal controls can, however, only provide reasonable and not absolute assurance against material misstatement and loss.

The Group is organised into two divisions: Financial Services and General Industries. The head of each division has full profit and loss responsibility for that division. Each division head is a member of the Management Team, chaired by the Chief Executive, which regularly reviews the financial performance of the business. Each division is organised into industry teams and offices, each of which has a partner responsible for managing the team and/or office. Key decisions such as committing expenditure or hiring new staff are subject to written approval procedures and levels of authority.

The divisions are supported centrally with respect to finance and administration, human resources, and IT and systems.

On acquisition, Leonard Hull was fully integrated into this system of operation.

Other key elements of internal control are:

- Financial reporting to the Board, based on an annual budget, with monthly reporting of actual results and monitoring of key performance indicators.
- The employment of experienced and suitably qualified staff.
- Appraisal procedures to monitor standards of performance, identify training needs and monitor the development of all staff.

The Directors have reviewed the effectiveness of the system of internal controls for the year ended 31 March 2005.

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.

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. In addition, where appropriate and required, for example at the time of the Board changes in October 2004, the Chairman takes a more active role in the dialogue with shareholders. The Board, as a body, uses the Annual General Meeting 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 Annual General Meeting 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 8 June 2005.

Chris Merry
Chief Executive

Remuneration Committee report
Year ended 31 March 2005

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles of Good Governance relating to Directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The Regulations require the auditors to report to the Company's members on the 'auditable part' of the Directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations).

Unaudited information

Committee composition, advisers and meetings

The Remuneration Committee comprises two independent Non-Executive Directors – Alan Smith (Chairman) and Sir Hugh Collum. Sir Hugh Collum will step down as a member of the Committee on 8th July 2005, and his place will be taken by Abdul Bhanji.

The Chairman, Chief Executive and Finance Director usually attend Remuneration Committee meetings, but have not been present when the Committee has been discussing their individual remuneration.

The Committee has received advice from external advisers on compensation matters and on comparator companies.

Policy on Executive Directors' remuneration

It is the Board's policy to set levels of remuneration with the aim of attracting, retaining and motivating executives by ensuring their overall packages are comparable with similarly experienced executives of similar companies, public and private, and also to reflect the recent history and development of the Group, its corporate strategy, the performance and experience of the individual and the performance of the Group as a whole.

The Board has reviewed the compensation levels of executives and has received appropriate advice from external advisers.

Components of the remuneration package

The remuneration packages provided to the Group's Executive Directors and other senior executives comprise base salary, pension contribution, annual performance related bonus and longer term incentives in the form of share options and share grants.

Non-Executive Directors' remuneration and terms of appointment

Each of the Non-Executive Directors serves under a letter of appointment. Appointment is for a three year term with a notice period of one month.

Non-Executive Directors other than the Chairman are paid £30,000 per annum with an additional £5,000 paid per annum to the Chairman of each of the Board's standing committees – the Remuneration Committee and the Audit Committee.

The Chairman's remuneration was set on his appointment as Chairman in September 2003 to reflect the significant amount of time he is expected to spend on Group business compared to the other Non-Executive Directors.

Service contracts of Executive Directors

The Board considers that it is in the interests of both the individual executive and the Group that executives work with a reasonable degree of security of employment. Accordingly all Executive Directors, and other senior employees of the Group, have service agreements that require the giving of one year's notice by either party. Each contract contains non-competition and non-solicitation clauses which are binding for up to 12 months after departure and contains a provision allowing the contract to be terminated immediately at the Group's behest, on payment of a sum equal to 125% of annual base salary.

Base salary and benefits

An Executive Director's base salary is determined by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the performance of the Group as a whole and objective research on competitor companies. From 1 April 2005, as set out in the Prospectus, Executive Directors' salaries were reset at £200,000 per annum as part of the overall new incentive arrangements.

In addition to base salary, the Executive Directors receive benefits-in-kind, principally medical cover and life assurance. UK Executive Directors are entitled to a pension contribution equal to 10% of base salary, payable into a personal pension scheme. Stephen Lawrence received a cash allowance, included as part of his salary, in lieu of benefits and pension.

	Date of contract	Notice period
Executive Directors		
Chris Merry	4 November 2003	12 months
Jonathan Baines	8 November 2001	12 months
Carol Leonard	6 April 2004	12 months
Non-Executive Directors		
Sir Colin Southgate	9 June 2004	1 month
Sir Hugh Collum	9 June 2004	1 month
Alan Smith	9 June 2004	1 month
Abdul Bhanji	16 March 2005	1 month

Annual performance related bonus

Executive Directors are eligible for an annual performance related bonus scheme of 50% of base salary for achieving agreed performance targets with the potential for further bonuses for out performance of these targets. In normal circumstances the bonus for these individuals will not exceed 100% of base salary, although for exceptional out performance, a bonus of up to a further 50% of base salary will be available.

Share incentives

At the time of the Placing and Open Offer, the Group adopted a number of New Incentive Arrangements. The intention of the arrangements is to reward performance, to align the interests of employees more closely with the interests of shareholders, to assist in retention and motivation, and to promote wider share ownership. The Group has several share option schemes and an Employee Benefit Trust which allows the Group to make awards to employees and executives on a regular basis. The share option schemes and the restricted share schemes have vesting criteria such as continued employment, share price targets and earnings per share targets. Awards typically vest over a period of three years.

Audited information

Directors' remuneration

	Salary/fees £ 000	Benefits in kind £ 000	Bonus £ 000	Money purchase pension contributions £ 000	**2005 Total** £ 000	2004 Total £ 000
Executive Directors						
Chris Merry	198	2	–	20	220	64
Jonathan Baines	109	1	–	11	121	–
Carol Leonard	91	2	–	9	102	–
Non-Executive Directors						
Sir Colin Southgate	75	–	–	–	75	55
Sir Hugh Collum	35	–	–	–	35	35
Alan Smith	35	–	–	–	35	33
Abdul Bhanji	3	–	–	–	3	–
Total	**546**	**5**	**–**	**40**	**591**	**187**

Stephen Lawrence stepped down from the post of Chief Executive and was paid salary and benefits of £186,000 until 14 October 2004 (2004: £455,000). An amount of up to £342,000 may become payable as a result of the termination of his employment. At 31 March 2005, £171,000 of this had been paid. Clive Mann was paid £8,000 in the year (2004: £30,000).

Directors' share options

	Notes	No. of options at the start of the period	Awarded during the period	Exercised during the period	Expired during the period	Cancelled during the period	No. of options at the end of the period (note 3)
Chris Merry	1	125,450	–	–	–	(125,450)	–
	2	–	352,941	–	–	(352,941)	–
		125,450	352,941	–	–	(478,391)	–

Notes

1 Cancelled on 31 March 2005.

2 Granted on promotion to Managing Director. Exercise price 127.5p. Cancelled on 31 March 2005.

3 On 31 March 2005 Chris Merry, Jonathan Baines and Carol Leonard were each granted 250,000 share options under the Enterprise Management Incentive Scheme at an exercise price of 40p. The options were subject to a resolution being carried at the Extraordinary General Meeting on 22 April 2005. The resolution was passed. The options are exercisable between 31 March 2008 and 31 December 2008.

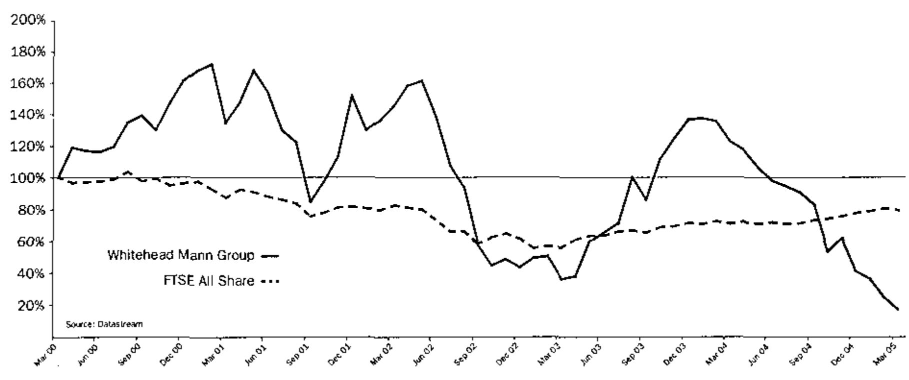
Stephen Lawrence, former Chief Executive, had 716,129 options outstanding at 1 April 2004, 525,654 were cancelled during the year, with 190,475 remaining at 31 March 2005. The remaining options are exercisable at 105p between November 2005 and November 2009.

Unaudited information

Share price

The share price at 31 March 2005 was 42.5p with a high of 315p and a low of 42.5p during the year.

Total shareholder return comparative graph



The graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE All Share Index, also measured by total shareholder return. The All Share Index is the most appropriate index for comparison purposes.

This report was approved by the Board on 8 June 2005.

On behalf of the Board of Directors,

Alan Smith
Chairman, Remuneration Committee

Directors' responsibilities

Financial statements, including adoption of going concern basis

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

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In preparing the 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; and state whether applicable accounting standards have been followed.

Other matters

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.

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

We have audited the financial statements of Whitehead Mann Group Plc for the year ended 31 March 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheets, the cash flow statement, and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' remuneration report that is described as having been audited.

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

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Directors' remuneration report. Our responsibility is to audit the financial statements and the part of the Directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

The Directors have voluntarily chosen to make a corporate governance statement and are therefore responsible for ensuring that the Company complies with Listing Rules 12.34A 'Corporate Governance and Directors' Remuneration' and 12.34(V) 'Going Concern' as if the Company were admitted to the Official List.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if 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 transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the July 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority as if the Company were admitted to the Official List and we report if it does not. We are not required to consider whether the Board's statement of internal control covers all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' remuneration report 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 United Kingdom auditing standards 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 and the part of the Directors' remuneration report described as having been audited. 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 and the part of the Directors' remuneration report described as having been audited 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 and the part of the Directors' remuneration report described as having been audited.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2005 and of the loss of the Group for the year then ended and the financial statements and part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
8 June 2005

Consolidated profit and loss account for the year ended 31 March 2005

	Notes	2005 Before exceptional items £000	2005 Exceptional items (note 8) £000	**2005 Total £000**	2004 Total £000
Turnover					
Continuing operations	3	47,158	–	47,158	54,952
Discontinued operations		3,976	–	3,976	6,278
	2	51,134	–	51,134	61,230
Staff costs	4	(28,385)	(1,812)	(30,197)	(31,195)
Operating charges		*(19,975)*	*(2,976)*	*(22,951)*	*(22,383)*
Depreciation	11	(893)	(623)	(1,516)	(1,400)
Goodwill charges	10	(1,779)	(3,716)	(5,495)	(1,435)
Operating (loss)/profit	3,6	102	(9,127)	(9,025)	4,817
Continuing operations		1,958	(9,127)	(7,169)	6,076
Discontinued operations		(1,856)	–	(1,856)	(1,259)
Loss on termination of operations		–	(9,801)	(9,801)	–
Net interest payable	7	(821)	–	(821)	(988)
(Loss)/profit on ordinary activities before taxation		(719)	(18,928)	(19,647)	3,829
Tax (charge)/credit on (loss)/profit on ordinary activities	9	(1,358)	1,012	(346)	(1,833)
(Loss)/profit on ordinary activities after taxation and (loss)/profit for the year		(2,077)	(17,916)	(19,993)	1,996
Dividends paid and proposed	20			(425)	(1,923)
Retained (loss)/profit for the year	21			(20,418)	73

	Notes	2005	2004
Basic (loss)/earnings per share	22	(71.96p)	7.57p
(Loss)/earnings per share before goodwill amortisation and exceptional items	22	(1.07p)	24.12p
Diluted (loss)/earnings per share	22	(71.96p)	7.23p

Statement of total recognised gains and losses		**2005 £000**	2004 £000
(Loss)/profit for the financial year		(19,993)	1,996
Currency translation differences on foreign currency investments	21	133	(353)
		(19,860)	1,643

Consolidated and Company balance sheets as at 31 March 2005

	Notes	**Consolidated 2005 £000**	Consolidated 2004 Restated £000	**Company 2005 £000**	Company 2004 Restated £000
Fixed assets					
Intangible assets	10	15,942	24,042	–	–
Tangible assets	11	1,942	4,639	–	–
Investments	12	–	–	16,901	24,384
		17,884	28,681	16,901	24,384
Current assets					
Debtors	13	11,204	15,544	994	994
Cash at bank and in hand		762	2,615	–	–
		11,966	18,159	994	994
Creditors: amounts falling due within one year	14	(18,672)	(19,400)	(980)	(2,315)
Net current (liabilities)/assets		(6,706)	(1,241)	14	(1,321)
Total assets less current liabilities		11,178	27,440	16,915	23,063
Creditors: amounts falling due after more than one year	15	(6,309)	(4,267)	(9,473)	(4,208)
Provisions for liabilities and charges	16	(5,423)	(3,728)	(2,489)	(250)
Net (liabilities)/assets	26	(554)	19,445	4,953	18,605
Capital and reserves					
Called up share capital	19,21	1,401	1,400	1,401	1,400
Shares to be issued	21	–	184	–	184
Share premium account	21	7,860	7,822	7,860	7,822
Employee Benefit Trust reserve	21	(429)	(821)	(429)	(821)
Merger reserve	21	3,488	7,054	–	–
Profit and loss account	21	(12,874)	3,806	(3,879)	10,020
Equity shareholders' (deficit)/funds		(554)	19,445	4,953	18,605

The financial statements were approved by the Board on 8 June 2005 and signed on its behalf by

Sir Colin Southgate
Chairman

Chris Merry
Chief Executive

Consolidated cash flow statement for the year ended 31 March 2005

	Notes	**2005 £000**	**2005 £000**	2004 £000	2004 £000
Net cash inflow from operating activities	24		2,844		7,723
Returns on investments and servicing of finance					
Interest received		10		7	
Interest paid		(599)		(891)	
Net cash outflow from returns on investments and servicing of finance			(589)		(884)
Taxation			(2,119)		(3,685)
Capital expenditure					
Purchase of tangible fixed assets		(277)		(147)	
Sale of tangible fixed assets		3		116	
Net cash outflow from capital expenditure			(274)		(31)
Acquisitions and disposals					
Purchase of subsidiary undertakings		(2,815)		(1,297)	
Cash acquired with subsidiary undertakings		104		–	
Sale of 49.9% share of subsidiary		102		–	
Closure of US business		*(192)*		–	
Cash disposed with US business		(63)		–	
Net cash outflow from acquisitions and disposals			(2,864)		(1,297)
Equity dividends paid			(1,528)		(1,461)
Cash (outflow)/inflow before financing			(4,530)		365
Financing					
Issue of ordinary share capital			39		3,910
Expenses on the issue of shares			–		(98)
New bank loan			3,050		–
Repayment of bank loan			(900)		(1,763)
(Decrease)/increase in cash in the period	25		(2,341)		2,414

Notes to the financial statements for the year ended 31 March 2005

1 Accounting policies

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

In the current year the Group has adopted the treatment required by UITF38 and reclassified the shares owned by the Employee Benefit Trust to reserves. The balance sheet for the comparative period has been restated. The effect on the profit and loss account is immaterial and therefore the comparative profit and loss account has not been restated.

a Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom 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 2005.

Entities acquired or sold have been consolidated using the acquisition method of accounting from or to 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 £13,513,000 (2004: £1,306,000) from the total consolidated loss for the financial year attributable to shareholders of Whitehead Mann Group Plc, has been dealt with in the financial statements of the Company.

c Turnover

Turnover represents the invoiced amount of services provided in the year net of value added tax. Income derived from Executive Coaching assignments is deferred and released to turnover in instalments over the life of the project as the service is provided. All other income is recognised when invoiced during the course of an assignment.

d Tangible fixed assets and depreciation

Fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is provided 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 properties and improvements	– over the lease term
Fixtures and fittings	– 15–25% p.a.
Motor vehicles	– 20% p.a.
Office equipment	– 25% p.a.

The Group'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 Pension costs

The Group makes contributions to various defined contribution pension schemes on behalf of 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.

f 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.

g 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. Payment for tax losses is settled through intercompany accounts.

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 are differences between the Group's taxable profits and its results as stated in the financial statements that arise from gains and 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 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 substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes to the financial statements continued

h 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 net assets and the results of 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 total recognised gains and losses. All other exchange differences are included in the profit and loss account.

i Employee Benefit Trust

The results and net assets of the Employee Benefit Trust have been included in the accounts. Shares owned by the Employee Benefit Trust are included in reserves at cost less provisions for impairment in value. The intrinsic cost of grants made by the Employee Benefit Trust are charged to the profit and loss account over the period from the date of grant until the shares vest.

j 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 identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is between five and twenty years. Provision is made for any impairment.

k Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment. The Company has taken advantage of S.133 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 on shares issued is recognised as part of the fair value of the consideration given and has been credited to the merger reserve.

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 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	**2005 £000**	Continuing £000	Discontinued £000	**2004 £000**
United Kingdom	42,050	1,694	43,744	49,755	6	49,761
North America	–	2,282	2,282	–	6,272	6,272
Rest of World	5,108	–	5,108	5,197	–	5,197
Total	47,158	3,976	51,134	54,952	6,278	61,230

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	**2005 £000**	Continuing £000	Discontinued £000	**2004 £000**
Executive Search	36,434	1,411	37,845	45,207	4,818	50,025
Executive Assessment	3,263	–	3,263	3,428	–	3,428
Executive Development & Coaching	7,461	871	8,332	6,317	1,454	7,771
Interim Management	–	1,694	1,694	–	6	6
Total	47,158	3,976	51,134	54,952	6,278	61,230

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

3 Continuing and discontinued operations

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

	Continuing		Discontinued		**2004**
	Before exceptional items £000	Exceptional items £000	Before exceptional items £000	Exceptional items £000	**Total** £000
Staff costs	25,979	1,797	3,369	50	31,195
Operating charges	17,700	1,239	2,678	766	22,383
Depreciation	1,039	–	361	–	1,400
Goodwill charges	1,122	–	313	–	1,435
	45,840	3,036	6,721	816	56,413

An analysis of turnover and operating profit split between continuing activities and acquisitions has not been given as the acquired and existing entities were merged on completion of the acquisition and are therefore no longer separately identifiable.

Notes to the financial statements continued

4 Employees

Number of employees	**2005** *Number*	2004 *Number*
The average monthly number of employees, including Executive Directors, split by function during the year was:		
Client facing staff	240	236
Support staff	59	61
Total	299	297

At 31 March 2005 the Group employed 239 client facing staff (2004: 233) and 54 support staff (2004: 62).

Employment costs	£000	£000
Wages and salaries	24,836	25,388
Social security costs	2,397	2,681
Other pension costs	1,152	1,279
Sub total	28,385	29,348
Redundancy and related people costs (note 8)	1,812	1,847
Total	30,197	31,195

At the year end the Group had accrued pension contributions of £79,000 (2004: £83,000). Information regarding Directors is provided in the Remuneration Committee report.

5 Share options

Details of Directors' share options are given in the Remuneration Committee report. The table set out below details all outstanding options. The closing share price on 31 March 2005 was 42.5p with a high of 315p and a low of 42.5p during the year.

Date of grant	Exercise price	Date of first 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 2005
1997	136p	March 2000	March 2007	–	–	–	35,000
2000	298p – 360p	June 2003	Nov 2010	–	–	–	176,475
2001	423p – 458p	Jan 2004	March 2011	–	–	33,000	196,250
2002	105p – 392p	June 2005	Nov 2012	–	–	10,000	274,475
2003	122p – 290p	Jan 2006	Jan 2013	25,000	–	1,048,654	934,864
2004	127.5p – 345p	Jan 2007	October 2014	–	1,152,941	787,941	365,000
2005	86.5p	Jan 2008	Jan 2012	–	50,000	40,000	10,000
Total				25,000	1,202,941	1,919,595	1,992,064

On 31 March 2005 options were granted to key employees under the Enterprise Management Investment Scheme at an exercise price of 40p. The total number of options granted was 7,000,000. The options were subject to a resolution being carried at the Extraordinary General Meeting on 22 April 2005. The resolution was passed. The options are exercisable between 31 March 2008 and 31 December 2008.

Notes to the financial statements continued

6 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2005 £000	2004 £000
Auditors' remuneration for – audit services	70	78
Auditors' remuneration for – other services	364	113
Property lease rentals	4,558	4,873
Loss on disposal of tangible fixed assets – ordinary items	71	3
Impairment of tangible fixed assets – exceptional items	2,001	–
Net foreign exchange losses	38	314

Auditors' remuneration for other services included £285,000 for professional services relating to the restructuring and strategic review and £79,000 (2004: £113,000) primarily for tax services. The auditors' remuneration for the Company is paid by a Group subsidiary.

7 Interest

	2005 £000	2004 £000
Interest receivable	10	7
Interest payable and similar charges	(745)	(995)
Unwinding of discount on provisions	(86)	–
Total	(821)	(988)

8 Exceptional items

	2005 £000	2004 £000
Loss on termination of operations	9,801	–
Impairment in carrying value of goodwill	3,716	–
Provisions for vacant UK property and related asset write down	3,014	2,005
Redundancy and related people costs	1,812	1,847
Other costs	697	–
Profit on sale of 49.9% interest in Whitehead Mann SAS	(112)	–
Total exceptional items	18,928	3,852

Loss on termination of operations mainly relates to the closure of the US operations and also includes the closure costs of Interim Management. On 31 March 2005 the Board of Whitehead Mann Inc. applied to the court in New York for protection under Chapter 11 of the US Bankruptcy Code as the first stage in the liquidation of that business. Taken together with the exceptional item charge of £9,354,000 made at 30 September 2004, the charge relating to the US comprises closure costs, provision for any residual property liabilities, elimination of all relevant inter-company balances, writing off residual goodwill of £5,953,000, and reflects the impact of deconsolidating current and prior period losses.

As a result of a number of coaches leaving the coaching business there is a charge of £3,716,000 to reflect the impairment in the goodwill value of The Change Partnership Limited.

The charge of £3,014,000 relates to the decision to co-locate all London offices and close the small Cirencester office. This charge includes £623,000 in respect of an impairment charge to the fixed assets in these offices. Where applicable provision has been made in full for vacated property costs less any anticipated revenue from tenants.

Other costs of £697,000 refer to professional fees incurred as part of the strategic review process and third party costs incurred during the discussions with interested parties in November and December 2004 after which no offers were forthcoming.

Notes to the financial statements continued

9 Tax on (loss)/profit on ordinary and exceptional activities

(a) The tax charge comprises:

	2005 £000	2004 £000
Current tax		
UK corporation tax on (losses)/profits for the year	(143)	2,300
Adjustments in respect of previous years	62	67
Total current tax (credit)/charge	(81)	2,367
Deferred tax		
Origination and reversal of timing differences:		
Current year	493	(79)
Adjustment for previous years	(66)	(455)
Total deferred tax charge/(credit)	427	(534)
Tax charge on (loss)/profit on ordinary activities	346	1,833
Tax relief on exceptional items	1,012	919
Tax on ordinary activities before exceptional items	1,358	2,752

(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.

	2005 £000	2004 £000
(Loss)/profit on ordinary activities before tax	(19,647)	3,829
Corporation tax standard rate	30.0%	30.0%
(Loss)/profit on ordinary activities taxed at the standard rate of corporation tax in the UK	(5,894)	1,149
Effects of:		
Goodwill amortisation and impairment not deductible for tax purposes	3,440	431
Other expenditure not deductible for tax purposes	2,135	230
Depreciation (lower than)/higher than capital allowances	(13)	39
Other timing differences	(461)	80
Unrealised overseas tax losses	650	371
Adjustments in prior periods	62	67
Current tax (credit)/charge for the year	(81)	2,367

Notes to the financial statements continued

10 Intangible fixed assets

Group	2005 £000	2004 £000
Goodwill		
1 April	44,076	44,054
Foreign exchange movements	12	22
Additions	3,356	–
Disposals	(212)	–
31 March	47,232	44,076
Amortisation		
1 April	20,034	18,599
Impairment	9,669	–
Charge for the year	1,779	1,435
Disposals	(192)	–
31 March	31,290	20,034
Net book value		
31 March	15,942	24,042

11 Tangible fixed assets

Group	Leasehold property and improvements £000	Fixtures and fittings £000	Office equipment £000	Motor vehicles £000	Total £000
Cost					
1 April 2004	4,364	1,776	2,735	28	8,903
Change in value due to currency translations	(12)	(2)	(2)	–	(16)
Additions	22	30	225	–	277
Disposals	(1,888)	(817)	(1,158)	(28)	(3,891)
31 March 2005	2,486	987	1,800	–	5,273
Depreciation					
1 April 2004	1,216	840	2,189	19	4,264
Change in value due to currency translations	(2)	(3)	(5)	–	(10)
Charge for the year	267	256	370	–	893
Impairment	1,750	251	–	–	2,001
Disposals	(1,881)	(789)	(1,128)	(19)	(3,817)
31 March 2005	1,350	555	1,426	–	3,331
Net book value					
31 March 2005	1,136	432	374	–	1,942
31 March 2004	3,148	936	546	9	4,639

The Group had unprovided capital commitments of £nil (2004: £nil) at the year end.

Notes to the financial statements continued

12 Investments

Company	Investment in subsidiaries £000
Cost	
Opening balance at 1 April 2004	24,461
Additions (see note 29)	3,772
Disposals	(40)
Closing balance at 31 March 2005	28,193
Impairment	
Opening balance at 1 April 2004	77
Charge	11,215
Closing balance at 31 March 2005	11,292
Net book value at 31 March 2005	16,901
Net book value at 31 March 2004	24,384

The principal trading subsidiaries are Whitehead Mann Limited (100% owned) and Whitehead Mann SAS (50.1% owned). Whitehead Mann Limited is registered in England and Wales. Its principal activities are Executive Search, Executive Assessment and Executive Development & Coaching. Whitehead Mann SAS is registered in France. Its principal activities are the same as Whitehead Mann Limited.

The disposal in the year relates to the sale of 49.9% of the shares in Whitehead Mann SAS to three of its senior partners. The Company benefits from a pre-emption right in the event one of the senior partners transfers all or part of his shares, exercisable at a price depending on the revenue of Whitehead Mann SAS.

13 Debtors

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Trade debtors	9,265	12,582	–	–
Amounts owed by subsidiary undertakings	–	–	994	994
Other debtors	395	469	–	–
Prepayments and accrued income	1,212	1,734	–	–
Deferred tax (note 17)	332	759	–	–
Total	11,204	15,544	994	994

Included within other debtors is £64,000 (2004: £64,000) due in more than one year.

Notes to the financial statements continued

14 Creditors: amounts falling due within one year

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Bank loan and overdraft	4,845	2,679	–	–
Trade creditors	1,507	1,072	–	–
Corporation tax	493	2,704	–	–
Other taxation and social security	2,006	2,497	–	–
Other creditors	6,338	5,997	–	–
Accruals and deferred income	3,012	2,283	509	147
Deferred consideration	471	1,065	471	1,065
Proposed dividend	–	1,103	–	1,103
Total	18,672	19,400	980	2,315

15 Creditors: amounts falling due after more than one year

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Bank loan	6,000	4,050	–	–
Other creditors	6	217	–	–
Amounts due to subsidiary undertakings	–	–	9,170	4,208
Deferred consideration	303	–	303	–
Total	6,309	4,267	9,473	4,208

Deferred consideration in notes 14 and 15 relates to further amounts payable in respect of acquisitions and has been provided in full. £58,000 (2004: £95,000) of these amounts is guaranteed by cash deposits held in separate bank accounts not immediately accessible by the rest of the Group.

After the year end, the Group successfully renegotiated its banking facilities and the new facilities are described in note 27.

Notes to the financial statements continued

16 Provisions for liabilities and charges

Group	2005 Property provisions £000	2005 Contingent consideration £000	**2005 Total £000**	2004 Total £000
As at 1 April	3,478	250	3,728	3,905
Foreign exchange movements	20	–	20	(148)
Profit and loss account charge	6,777	–	6,777	1,961
Utilisation of provision/payment	(1,763)	(250)	(2,013)	(1,990)
Release of provisions on closure of USA operation	(4,654)	–	(4,654)	–
Unwinding of discount on provisions	86	–	86	–
Acquisition of business	–	1,479	1,479	–
As at 31 March	3,944	1,479	5,423	3,728
Company				
As at 1 April	–	250	250	317
Profit and loss account charge	1,010	–	1,010	–
Utilisation of provision/payment	–	(250)	(250)	(317)
Acquisition of business	–	1,479	1,479	250
As at 31 March	1,010	1,479	2,489	250

Provision has been made for rental commitments relating to surplus properties. These are expected to be utilised within 5 years. The contingent consideration is in respect of the acquisition of Leonard Hull Holdings Limited.

17 Deferred taxation asset

Group	**2005 £000**	2004 £000
Depreciation in excess of capital allowances	200	258
Other timing differences	132	501
Total	332	759

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 £500,000 (2004: £6,800,000).

The movement in the deferred tax balance arises from a current year charge of £493,000, and an adjustment in respect of previous years of £66,000.

Notes to the financial statements continued

18 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 short-term debtors and creditors have been excluded from the disclosures. The fair value of the Group's financial assets and liabilities is not materially different to the book value.

The Group holds foreign currency bank deposits in the following currencies: euros £404,000, US dollars £46,000. All other financial assets and liabilities are held in local currency by each subsidiary.

£46,000 (2004: £1,625,000) of the Group's cash balance is denominated in US dollars and held on account at a rate of 1%. Cash balances in euros of £404,000 receive interest at 0.2%, and the Group's euro balances held in subsidiary undertakings of £208,000 earn no interest. The balance of cash is held in sterling current accounts, at a rate of 2.0%.

The Group's committed overdraft facility was £3 million at 31 March 2005 (2004: £6 million).

The bank loan which is denominated in sterling is at libor plus 1.75%. The Group has hedged its interest liability with an interest rate swap, matched until the end of the loan period, at a fixed rate of 5.53%. Changes to loans after the balance sheet date are described below.

On 29 April 2005, the Company repaid both the £8 million bank loan and existing overdraft in full and drew down £5 million of new loans. All facilities and loans with The Royal Bank of Scotland plc are secured by way of fixed and floating charges. The £5 million bank loan is repayable over 10 equal quarterly instalments commencing 31 May 2006.

19 Share capital

	2005 £000	2004 £000
Authorised		
34,200,000 5p ordinary shares	1,710	1,710
Allotted called up and fully paid		
27,999,209 5p ordinary shares	–	1,400
28,024,209 5p ordinary shares	1,401	–

During the year, 25,000 shares (2004: 76,500) shares were allotted to meet exercised share options. Additionally in 2004, 333,333 ordinary shares were allotted during the year in connection with acquisitions.

20 Dividends

	2005 £000	2004 £000
Interim dividend – 1.5p per share (2004: 3.0p per share)	425	820
Final dividend for 2004: 4.0p per share	–	1,103
	425	1,923

The shares held by the Whitehead Mann Group Plc Employee Benefit Trust do not receive dividends as the Trust has waived its right to these dividends.

Notes to the financial statements continued

21 Reserves

Group

	Share capital £000	Shares to be issued £000	Share premium account £000	Employee Benefit Trust £000	Merger reserve £000	Profit and loss reserve £000	Total £000
Balance at 1 April 2004 (as previously stated)	1,400	184	7,822	–	7,054	3,806	20,266
Prior year adjustment (note 30)	–	–	–	(821)	–	–	(821)
Balance at 1 April 2004 (restated)	1,400	184	7,822	(821)	7,054	3,806	19,445
Change due to currency fluctuations	–	–	–	–	–	133	133
Transfer between reserves	–	–	–	–	(3,566)	3,566	–
Retained loss for the year	–	–	–	–	–	(20,418)	(20,418)
Employee Benefit Trust credit in respect of profit and loss account charge for the year	–	–	–	–	–	431	431
Amortisation of costs of own shares	–	–	–	392	–	(392)	–
Shares issued	1	–	38	–	–	–	39
Shares to be issued	–	(184)	–	–	–	–	(184)
Balance at 31 March 2005	1,401	–	7,860	(429)	3,488	(12,874)	(554)

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 £000	Shares to be issued £000	Share premium account £000	Employee Benefit Trust £000	Profit and loss reserve £000	Total £000
Balance at 1 April 2004 (as previously stated)	1,400	184	7,822	–	10,020	19,426
Prior year adjustment (note 30)	–	–	–	(821)	–	(821)
Balance at 1 April 2004 (restated)	1,400	184	7,822	(821)	10,020	18,605
Retained loss for the year	–	–	–	–	(13,938)	(13,938)
Employee Benefit Trust credit in respect of profit and loss account charge for the year	–	–	–	–	431	431
Amortisation of costs of own shares	–	–	–	392	(392)	–
Shares issued	1	–	38	–	–	39
Shares to be issued	–	(184)	–	–	–	(184)
Balance at 31 March 2005	1,401	–	7,860	(429)	(3,879)	4,953

At 31 March 2005 the Employee Benefit Trust held 234,434 (2004: 422,134) ordinary shares in Whitehead Mann Group Plc to meet options granted to employees, and shares allocated for award to employees under the Whitehead Mann Group Plc Equity Participation Plan. This is a long-term incentive plan which awards shares to employees based on performance. The shares vest in general one to three years after the award is made. Shares are purchased by the Employee Benefit Trust when an award is made and transferred to employees when the shares vest. The market value of the shares owned by the Employee Benefit Trust at the mid-market price on 31 March 2005 was £99,634 (2004: £1,314,947). The nominal value of these shares was £11,722 (2004: £21,107). As at 1 June 2005 the market value of shares was £85,568.

The Company has an obligation to make regular contributions to the Trust to enable it to meet its costs. In the current year £28,000 (2004: £25,041) has been charged to the profit and loss account. Rights to dividends on shares held by the Trust have been waived by the trustees.

The net assets of the Employee Benefit Trust which are included in the accounts are:	**2005 £000**	2004 £000
Whitehead Mann Group Plc shares at cost	429	821
Bank and intercompany loans	(429)	(821)
Net assets	–	–

Notes to the financial statements continued

22 Earnings per share

	2005	2004
Basic (loss)/earnings per share	(71.96p)	7.57p
Adjusted (loss)/earnings per share before goodwill amortisation and exceptional items	(1.07p)	24.12p
Diluted (loss)/earnings per share	(71.96p)	7.23p

The calculation of basic earnings per share and adjusted earnings per share is based on 27,782,597 shares (2004: 26,382,113) being the weighted average number of shares in issue during the year (excluding the shares held by the Whitehead Mann Group Plc Employee Benefit Trust).

Diluted earnings per share for the year is based on a loss for the year of £19,993,000 (2004 profit: £1,996,000) and on 27,782,597 shares (2004: 27,599,331). In the prior year these figures are after taking into account the dilutive effect of share options of 1,217,218.

	2005		2004	
	(Loss)/ Earnings per share	(Loss)/ Earnings £000	Earnings per share	Earnings £000
Basic (loss)/earnings per share	(71.96p)	(19,993)	7.57p	1,996
Adjusted for:				
Goodwill amortisation	6.40p	1,779	5.43p	1,435
Exceptional items, net of tax	64.49p	17,916	11.12p	2,933
Adjusted (loss)/earnings per share before goodwill amortisation and exceptional items	(1.07p)	(298)	24.12p	6,364

23 Financial commitments

	2005 £000	2004 £000
The Group is committed to paying the following annual amounts under operating leases on properties expiring:		
In less than one year	360	694
In two to five years	1,776	2,625
In more than five years	2,842	3,654
Total	4,978	6,973

Notes to the financial statements continued

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

	2005 £000	2004 £000
Operating (loss)/profit	(9,025)	4,817
Depreciation	1,516	1,400
Goodwill charges	5,495	1,435
Decrease/(increase) in debtors	4,176	(1,794)
(Decrease)/increase in creditors	(148)	1,639
Increase in provisions	624	38
Share option costs charged in the year	247	185
Profit on sale of 49.9% of Whitehead Mann SAS	(112)	–
Loss on disposal of assets	71	3
Net cash inflow from operating activities	2,844	7,723

25 Analysis and reconciliation of net (debt)/funds

2005	Cash at bank and in hand £000	Overdraft £000	Sub total £000	Bank loan £000	Total net debt £000
At 1 April 2004	664	(879)	(215)	(5,850)	(6,065)
Cash flow	(375)	(1,966)	(2,341)	(2,150)	(4,491)
Exchange movement	11	–	11	–	11
At 31 March 2005	300	(2,845)	(2,545)	(8,000)	(10,545)

The cash flow excludes amounts in respect of restricted cash of £58,000 which is held to guarantee loan note repayments due on an acquisition (2004: £95,000). The decrease in this balance in the year was due to repayments of these loan notes. The remaining balance of restricted cash at 31 March 2005 was £404,000 (2004: £1,856,000) and is held in foreign currencies to guarantee rental payments overseas. The movement on this balance is due to a provision against this balance and to foreign exchange movements.

Exceptional items gave rise to a cash outflow in the year of £3,876,000 (2004: £1,261,000).

Notes to the financial statements continued

26 Reconciliation of movement in equity shareholders' funds

2005	Group £000	Company £000
Loss for the financial year	(19,993)	(13,513)
Other recognised gains and losses relating to the year (net)	133	–
	(19,860)	(13,513)
Dividends paid and proposed	(425)	(425)
New shares issued	39	39
Shares to be issued	(184)	(184)
Employee Benefit Trust credit in respect of profit and loss charge for the year	431	431
Net increase in equity shareholders' funds	(19,999)	(13,652)
Opening equity shareholders' funds (as previously stated)	20,266	19,426
Prior year adjustment (note 30)	(821)	(821)
Opening equity shareholders' funds (restated)	19,445	18,605
Closing equity shareholders' (deficit)/funds	(554)	4,953

27 Post balance sheet events

The Placing and Open Offer announced on 30 March 2005 was approved by shareholders at an Extraordinary General Meeting on 22 April 2005. 32,694,910 New Ordinary Shares were issued at 40p per share for total net proceeds of £11.7 million with the cash received in early May 2005.

At the Extraordinary General Meeting on 22 April 2005, shareholders also approved New Incentive Arrangements, as set out in detail in the Placing and Open Offer document issued in March 2005. A summary of these arrangements is set out in the Chief Executive's Review.

On 28 April 2005 the company de-listed from the Official List and was admitted to trade on the Alternative Investment Market of the London Stock Exchange.

In conjunction with the Placing and Open Offer, the Group agreed to refinance its term loan facility of £8 million and overdraft facility of up to £3 million with The Royal Bank of Scotland (RBS) with a new term loan of up to £5 million and a new invoice discounting facility of up to £4 million. The existing facilities were repaid in full on completion of the Placing and Open Offer. 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.

28 Related party transactions

During the year ended 31 March 2005 MWM Boardroom Consulting Limited earned £94,000 from the Group (2004: £1,956,000), and the amount due at the balance sheet date was £7,000 (2004: £468,000). The Group earned £404,000 (2004: £42,000) from MWM Boardroom Consulting Limited and no amounts were outstanding at the year end (2004: £nil). Clive Mann is a director of MWM Boardroom Consulting Limited.

Notes to the financial statements continued

29 Acquisition of Leonard Hull

On 6 April 2004 the Group acquired the whole of the issued share capital of Leonard Hull Holdings Limited. The following table sets out the identifiable assets and liabilities acquired and their fair value to the Group.

	Book value	Fair value adjustment	Fair value to Group
Debtors	636	–	636
Creditors	(324)	–	(324)
Cash	104	–	104
Net assets	416	–	416
Goodwill	3,356	–	3,356
Total	3,772	–	3,772

Satisfied by

Cash consideration	1,416
Deferred cash consideration	610
Contingent consideration	1,479
Acquisition costs	267
Total	3,772

On acquisition, the activities were merged with those of Whitehead Mann Limited such that it is not possible to disclose the contribution of Leonard Hull to these results. In the 11 month period to 5 April 2004, Leonard Hull Holdings Limited recorded turnover of £1,513,000 and a retained loss of £242,000.

30 Prior year adjustment

The investment in the Company's own shares has been reclassified from Investments in the consolidated balance sheet, to Reserves in accordance with the requirements of UITF38 (see note 1).

	Group 2004 £000	Company 2004 £000
Equity Shareholders' funds as previously stated	20,266	19,426
Transfer of Employee Benefit Trust to reserves	(821)	(821)
Equity Shareholders' funds restated	19,445	18,605

Five year record

	2001 £000	2002 £000	2003 £000	2004 £000	2005 £000
Results and assets employed					
Turnover	58,078	64,569	65,003	61,230	51,134
Operating profit/(loss)	7,218	6,353	(19,472)	4,817	(9,025)
Profit/(loss) on ordinary activities before tax	7,337	6,254	(20,430)	3,829	(19,647)
Profit/(loss) for the financial year	4,437	3,710	(22,063)	1,996	(19,993)
Net assets/(liabilities) (restated)	31,234	38,475	15,358	19,445	(554)

	2001	2002	2003	2004	2005
Key statistics					
Basic earnings/(loss) per share	22.73p	16.08p	(87.15p)	7.57p	(71.96p)
Earnings/(loss) per share before goodwill charges and exceptional items	29.37p	34.34p	14.69p	24.12p	(1.07p)
Dividend per share	12.8p	13.6p	7.0p	7.0p	1.5p

Net assets have been restated to reclassify the assets of the Employee Benefit Trust from Investments to Reserves, in accordance with UITF38 (see note 1).

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Designed and produced by The Blake Project
www.blakeproject.com
Photography by Liam Bailey
Printed in England by Hartgraph

Whitehead Mann Group Plc Annual Report and Accounts 2004-2005

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