

MTS Group Holdings Limited

Annual report and accounts
for the year ended 31 December 2005

Registered number: 1359829



Directors and Officers

Directors

D M C Doyle

J Rowley

R J Watson

Registered office

800 The Boulevard

Capability Green

Luton

LU1 3BA

Auditors

Ernst & Young LLP

400 Capability Green

Luton

LU1 3LU

Directors' report

For the year ended 31 December 2005

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 2005.

Principal activities and business review

The principal activity of the company during the year was that of a holding company.

The subsidiary undertakings of the company are listed in note 5 to the accounts. Consolidated accounts are not presented as the company takes advantage of the exemption afforded by Section 228 of the Companies Act 1985.

Results and dividends

The audited accounts for the year ended 31 December 2004 are set out on pages 5 to 11. The company's profit for the year after taxation was £68,677 (2004: £633,066).

The directors do not recommend payment of a dividend for the year (2004: £ Nil).

Directors

The directors who served during the year were:

D M C Doyle

J Rowley (appointed 20 May 2005)

R J Watson

Directors' interests in shares

None of the directors had any interest in the share capital of the company at any time.

D M C Doyle and J Rowley were directors of the ultimate parent company at 31 December 2005 and their interests in the share capital of that company are as shown in the accounts of that company.

The interests in the share capital of the ultimate parent company of the other director holding office at 31 December 2005 were as follows:

	Share options 2005 Number	Share options 2004 Number	Ordinary shares of 1p each 2005 Number	Ordinary shares of 1p each 2004 Number
R J Watson	3,750,000	2,657,960	-	-

No share options were exercised during the year. Options were granted and surrendered as follows:

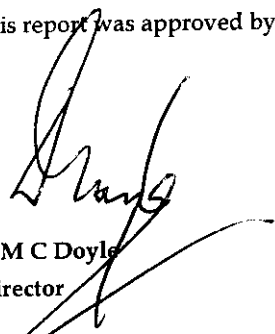
	Granted Number	Surrendered Number
R J Watson	3,000,000	(1,907,960)

Directors' report (continued)

Auditors

The company has elected under the elective regime (Section 386 of the Companies Act 1985) to dispense with the obligation to appoint auditors annually and Ernst & Young LLP are deemed to be reappointed.

This report was approved by the board on 1 August 2006.



D M C Doyle
Director

800 The Boulevard
Capability Green
Luton
LU1 3BA

Directors' responsibilities

Accounts, including adoption of going concern basis

The directors are responsible for preparing the annual report and accounts in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. After making enquiries, and as explained more fully in note 1, 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 accounts.

In preparing the accounts, 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, subject to any material departures disclosed and explained in the financial statements.

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

Independent auditors' report

To the members of MTS Group Holdings Limited

We have audited the company's accounts for the year ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 13. These accounts have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the accounts give a true and fair view and are 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 accounts, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditors

Luton

1 August 2006.

Profit and loss account

For the year ended 31 December 2005

	Notes	2005 £	2004 £
Loss on disposal of fixed asset investments		-	(102)
Loss on ordinary activities before investment income and taxation		-	(102)
Income from subsidiary undertakings	3	-	5,408,367
Amounts written off investments	5	(246,323)	(4,775,199)
(Loss)/profit on ordinary activities before taxation		(246,323)	633,066
Tax on loss on ordinary activities	4	315,000	-
Profit for the year after taxation	10	68,677	633,066

There are no recognised gains or losses other than the profit for the financial year on continuing operations as shown in the profit and loss account.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Investments	5	<u>3,809,382</u>	<u>4,055,705</u>
Current assets			
Debtors	6	11,215,921	10,900,921
Creditors: amounts falling due within one year	7	<u>(1,400,898)</u>	<u>(1,400,898)</u>
Net current assets		<u>9,815,023</u>	<u>9,500,023</u>
Total assets less current liabilities		13,624,405	13,555,728
Creditors: amounts falling due after more than one year	8	<u>(19,993,627)</u>	<u>(19,993,627)</u>
Net liabilities		<u>(6,369,222)</u>	<u>(6,437,899)</u>
Capital and reserves			
Called up share capital	9	5,500,100	5,500,100
Share premium account	10	845	845
Profit and loss account	10	<u>(11,870,167)</u>	<u>(11,938,844)</u>
Equity shareholders' deficit	11	<u>(6,369,222)</u>	<u>(6,437,899)</u>

The accompanying notes are an integral part of this balance sheet.

The accounts on pages 5 to 11 were approved by the board on 1 August 2006.


D M C Doyle
Director

Notes to the accounts

31 December 2005

1. Accounting policies

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

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

At 31 December 2005, the company had net liabilities amounting to £6,369,222. The company is dependent, in the absence of other funding, on the continued support of the ultimate parent company, The Corporate Services Group PLC. The ultimate parent company has confirmed that it will continue to support the company for a period of at least twelve months from the date the accounts are signed. On this basis, the directors consider it appropriate to prepare the accounts on the going concern basis. The accounts do not include any adjustments that might be necessary if The Corporate Services Group PLC were not to provide further support.

b) Investments

Fixed asset investments are stated at cost. Provision is made against the carrying value of investments where there is an impairment in value.

c) Taxation

Current tax is recognised at the amounts estimated to be payable or recoverable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are recognised, subject to certain exceptions, in respect of all material timing differences between the recognition of gains and losses in the accounts and for tax purposes. Those timing differences recognised may include accelerated capital allowances, unrelieved tax losses and short term timing differences. Timing differences not recognised include those relating to the revaluation of fixed assets in the absence of a commitment to sell the revalued assets and the gain on sale of assets rolled over into replacement assets in the absence of a commitment to sell the replacement assets.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

d) Cashflow statement

The company has not prepared a cashflow statement as it is exempt under the provisions of Financial Reporting Standard No. 1 (revised).

Notes to the accounts (continued)

1. Accounting policies (continued)

e) Consolidation

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare group accounts because it is a wholly owned subsidiary of The Corporate Services Group PLC which prepares consolidated accounts which are publicly available. Accordingly, these accounts are those of the company and not of its group.

2. Employees

Other than the directors, the company had no employees throughout the year.

Directors' remuneration

No remuneration was paid to the directors for their services as directors of the company during the year (2004: £ Nil).

3. Income from subsidiary undertakings

	2005 £	2004 £
Dividends received in the year	-	5,408,367

4. Taxation

a) Analysis of tax on loss on ordinary activities

	2005 £	2004 £
Current tax		
Receivable for group relief surrendered	315,000	-

b) Factors affecting current and future tax charges

The effective current tax rate on the loss on ordinary activities before tax can be reconciled to the standard UK corporation tax rate of 30% as follows:

	2005 %	2004 %
Standard rate of tax	30.0	30.0
Transfer pricing adjustments (see below)	123.6	(45.7)
Non-taxable dividends received	0.0	(256.3)
Amounts written off investments	(30.0)	226.3
Receipts for group relief not at the standard rate of tax	4.3	45.7
Effective rate of tax	127.9	0.0

UK legislation requiring, in broad terms, that cross-border transactions between most connected parties be at an arm's length price for tax purposes (commonly known as 'transfer pricing') has been extended from 1 April 2004 to transactions between UK companies. As a result, this company has become entitled to a tax deduction for deemed net interest payable that has not been charged in the accounts.

Notes to the accounts (continued)

5. Fixed asset investments

Investment in subsidiary undertakings	£
Cost	
1 January 2005	21,563,484
Written off on dissolution	(5,485,071)
31 December 2005	<u>16,078,413</u>
Amounts provided	
1 January 2005	17,507,779
Provided in the year	246,323
Released on dissolution	(5,485,071)
31 December 2005	<u>12,269,031</u>
Net book value	
31 December 2005	<u>3,809,382</u>
31 December 2004	<u>4,055,705</u>

As a result of an impairment review carried out at December 2005 the carrying value of the company's investment has been reduced. This review was based on the higher of; value in use, where an assessment of the probable future discounted cash flows from the subsidiary undertaking and using an assumed cost of capital of 10% for the income generating unit; and realisable value of the net assets of the subsidiary undertaking.

In the opinion of the directors the aggregate market value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

The company has investments in the following subsidiary undertakings:

Name of subsidiary undertaking	Principal activities	Class of shares held	Holding
Blue Arrow Services Limited	Employment agency	Ordinary	100%

Able Recruit Limited, in which the company held 100% of the issued share capital, was dissolved on 11 January 2005.

Pipco (Projects) Ltd, in which the company held 100% of the issued share capital, was dissolved on 11 January 2005.

Pipco Limited, in which the company held 100% of the issued share capital, was dissolved on 11 January 2005.

Project Resourcing Limited, in which the company held 100% of the issued share capital, was dissolved on 11 January 2005.

Notes to the accounts (continued)

6. Debtors

	2005	2004
	£	£
Amounts owed by other group undertakings	<u>11,215,921</u>	<u>10,900,921</u>

7. Creditors: amounts falling due within one year

	2005	2004
	£	£
Amounts owed to other group undertakings	<u>1,400,898</u>	<u>1,400,898</u>

8. Creditors: amounts falling due after more than one year

	2005	2004
	£	£
Amounts owed to other group undertakings	<u>19,993,627</u>	<u>19,993,627</u>

9. Called up share capital

	2005	2004
	£	£
Authorised		
5,550,000 ordinary shares of £1 each	<u>5,550,000</u>	<u>5,550,000</u>
Allotted, called up and fully paid		
5,500,100 ordinary shares of £1 each	<u>5,500,100</u>	<u>5,500,100</u>

10. Reserves

	Share premium account	Profit and loss account deficit
	£	£
1 January 2005	845	(11,938,844)
Profit for the year	-	68,677
31 December 2005	<u>845</u>	<u>(11,870,167)</u>

Notes to the accounts (continued)

11. Reconciliation of movement in shareholders' deficit

	2005	2004
	£	£
Profit for the year	68,677	633,066
Net addition to shareholders' funds	68,677	633,066
Opening shareholders' deficit	(6,437,899)	(7,070,965)
Closing shareholders' deficit	(6,369,222)	(6,437,899)

12. Related party transactions

The company has taken advantage of the exemption granted to 90% subsidiaries not to disclose transactions with group undertakings under the provisions of Financial Reporting Standard No. 8 "Related Party Disclosures".

13. Parent undertakings and controlling party

The company's immediate parent undertaking is Austin Benn Limited, a company incorporated in Great Britain. The directors regard The Corporate Services Group PLC, a company incorporated in Great Britain, as the ultimate parent undertaking and the ultimate controlling party.

The parent undertaking of the largest and smallest group which includes the company and for which group accounts are prepared is The Corporate Services Group PLC. Copies of the group accounts of The Corporate Services Group PLC have been delivered to, and are available from, the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff, CF14 3UZ.