

# MTS Group Holdings Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2007

FRIDAY



\*AGX2XZK5\*

A06

09/05/2008

221

COMPANIES HOUSE

**MTS Group Holdings Limited**

**Contents Page**

Officers and advisers .....	1
Directors' report .....	2 to 3
Independent auditors' report .....	4
Balance sheet .....	5
Notes to the financial statements .....	6 to 10

**MTS Group Holdings Limited**  
**Officers and Advisers**

<b>Directors</b>	A Burchall (appointed 1 October 2007) D M C Doyle J Rowley R J Watson
<b>Secretary</b>	R J Watson
<b>Registered office</b>	800 The Boulevard Capability Green Luton LU1 3BA
<b>Auditors</b>	Ernst & Young LLP 400 Capability Green Luton LU1 3LU

**MTS Group Holdings Limited**  
**Directors' Report for the Year Ended 31 December 2007**

The directors present their report and the audited financial statements for the year ended 31 December 2007

**Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

**Principal activity and business review**

The principal activity of the company is that of a holding company and this is expected to continue into the future.

The Directors' report has been prepared in accordance with the special provisions of part VII of the Companies Act 1985 relating to small entities.

**Post balance sheet events**

On 14 March 2008 the company's ultimate parent company, The Corporate Services Group plc, announced that agreement had been reached regarding a proposed merger of the company with Carlisle Group Limited. It is proposed that a new company, Impellam Group plc, will acquire the entire issued and to be issued ordinary share capital of The Corporate Services Group plc. It is anticipated that this merger will be completed on 7 May 2008.

**Results and dividend**

The results for the company are set out in the financial statements.

The directors do not recommend the payment of a dividend.

**Fixed assets**

In the opinion of the directors no fixed assets have a significant difference in value between the book value reported and the market value.

**MTS Group Holdings Limited**  
**Directors' Report for the Year Ended 31 December 2007**

*continued*

**Directors**

The directors who held office during the year were as follows

- A Burchall (appointed 1 October 2007)
- D M C Doyle
- J Rowley
- R J Watson

**Retirement of directors**

In accordance with the Articles of Association, directors are not required to retire from the board on a rotational basis

**Directors' indemnity provision**

During the year and to the date of these accounts, the group had in force an indemnity provision in favour of one or more Directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985

**Auditors**

The auditors, Ernst & Young LLP, are deemed to be re-appointed in accordance with section 386 of the Companies Act 1985

**Election to dispense laying accounts**

In accordance with s 252, Companies Act 1985, the company has elected to dispense with laying accounts before the members in general meeting. Members, however, may by notice in writing to the company at its registered office require that accounts are laid before the members in general meeting

Approved by the Board and signed on its behalf by



A Burchall  
Director

Date **28 APR 2008**

## **Independent Auditors' Report to the Members of**

### **MTS Group Holdings Limited**

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 13. These financial statements 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 financial statements 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 financial statements 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 financial statements 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 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 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**

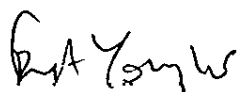
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



Ernst & Young LLP  
Registered Auditors

Luton

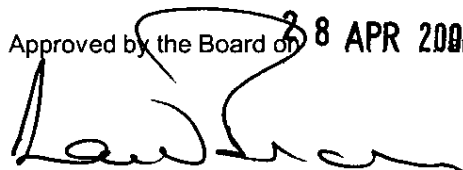
Date

28 April 2008

**MTS Group Holdings Limited**  
**Balance Sheet as at 31 December 2007**

		2007		2006	
	Note	£	£	£	£
<b>Fixed assets</b>					
Investments	5		3,809,382		3,809,382
<b>Current assets</b>					
Debtors	6	6,505,210		11,215,921	
<b>Creditors: Amounts falling due within one year</b>	7	<u>(6,183,814)</u>		<u>(1,400,898)</u>	
<b>Net current assets</b>			<u>321,396</u>		<u>9,815,023</u>
<b>Total assets less current liabilities</b>			4,130,778		13,624,405
<b>Creditors: Amounts falling due after more than one year</b>	8		<u>(10,500,000)</u>		<u>(19,993,627)</u>
<b>Net liabilities</b>			<u>(6,369,222)</u>		<u>(6,369,222)</u>
<b>Capital and reserves</b>					
Called up share capital	9		5,500,100		5,500,100
Share premium reserve	10		845		845
Profit and loss reserve	10		<u>(11,870,167)</u>		<u>(11,870,167)</u>
<b>Equity shareholders' deficit</b>	11		<u>(6,369,222)</u>		<u>(6,369,222)</u>

Approved by the Board on **28 APR 2008** and signed on its behalf by



A Burchall  
Director

The notes on pages 6 to 10 form an integral part of these financial statements

## **MTS Group Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2007**

#### **1 Accounting policies**

##### **Basis of preparation**

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

##### **Going concern basis**

At 31 December 2007, 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.

##### **Investments**

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

##### **Capital instruments**

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

##### **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.

##### **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.





**MTS Group Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2007**

*continued*

**Cashflow statement**

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

**2 Particulars of employees**

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

**3 Directors' emoluments**

No emoluments were paid to the directors during the year (2006 - £nil)

**4 Taxation**

**Analysis of current period tax credit**

	2007 £	2006 £
<b>Total tax on profit on ordinary activities</b>	-	-

**Factors affecting current and future tax charges**

The current tax charge on the ordinary activities can be reconciled to the current tax charge that would result from applying the standard rate of corporation tax in the UK as follows

	2007 £	2006 £
Profit on ordinary activities before taxation	-	-
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 30 0% (2006 - 30 0%)	-	-
Transfer pricing adjustments (see below)	(244,000)	(274,000)
Group relief surrendered at less than the standard rate	244,000	274,000
<b>Total current tax for the year</b>	-	-

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

**MTS Group Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2007**

*continued*

**5 Investments held as fixed assets**

	<b>Group shares £</b>
<b>Cost</b>	
As at 1 January 2007 and 31 December 2007	<u>16,078,413</u>
<b>Provision</b>	
As at 1 January 2007 and 31 December 2007	<u>12,269,031</u>
<b>Net book value</b>	
As at 31 December 2007	<u>3,809,382</u>
As at 31 December 2006	<u>3,809,382</u>

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 holds more than 20% of the share capital of the following company

	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Class</b>	<b>%</b>	<b>Year end</b>
<b>Subsidiary undertakings</b>					
Blue Arrow Services Limited	England & Wales	Employment agency	Ordinary	100	31 December 2007

**6 Debtors**

	<b>2007 £</b>	<b>2006 £</b>
Amounts owed by group undertakings	<u>6,505,210</u>	<u>11,215,921</u>

**7 Creditors Amounts falling due within one year**

	<b>2007 £</b>	<b>2006 £</b>
Amounts owed to group undertakings	<u>6,183,814</u>	<u>1,400,898</u>

**8 Creditors Amounts falling due after more than one year**

	<b>2007 £</b>	<b>2006 £</b>
Amounts owed to group undertakings	<u>10,500,000</u>	<u>19,993,627</u>

**MTS Group Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2007**

*continued*

**9 Share capital**

	2007 £	2006 £
<b>Authorised</b>		
<b>Equity</b>		
5,550,000 Ordinary shares of £1 each	<u>5,550,000</u>	<u>5,550,000</u>
<b>Allotted, called up and fully paid</b>		
<b>Equity</b>		
5,500,100 Ordinary shares of £1 each	<u>5,500,100</u>	<u>5,500,100</u>

**10 Reserves**

	Share premium reserve £	Profit and loss reserve £	Total £
Balance at 1 January 2007	845	(11,870,167)	(11,869,322)
Transfer from profit and loss account for the year	-	-	-
Balance at 31 December 2007	<u>845</u>	<u>(11,870,167)</u>	<u>(11,869,322)</u>

**11 Reconciliation of movements in shareholders' funds**

	2007 £	2006 £
Profit attributable to members of the company	-	-
Opening equity shareholders' deficit	<u>(6,369,222)</u>	<u>(6,369,222)</u>
Closing equity shareholders' deficit	<u>(6,369,222)</u>	<u>(6,369,222)</u>

**12 Contingent liabilities**

The company has given cross guarantees as follows

- a) As part of the invoice discounting facility of the group of which the company is a member, the net aggregate amount outstanding against this facility at 31 December 2007 was £25,767,466 (2006 £nil)
- b) In respect of the £45 million 10 per cent Guaranteed secured notes due 2011, the net aggregate amount outstanding at 31 December 2007 was £20,000,000 (2006 £nil)
- c) As part of a group restructuring exercise on 27 April 2007 a new loan due 2010 was taken out with a cross guarantee across all the group companies. The net aggregate amount outstanding at 31 December 2007 was £10,000,000 (2006 £nil)

**MTS Group Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2007**

*continued*

**13 Related parties**

**Controlling entity**

The company's immediate parent undertaking is Austin Benn Limited, a company incorporated in Great Britain

As at the balance sheet date the directors regarded The Corporate Services Group plc, a company incorporated in Great Britain, as the ultimate parent undertaking and the ultimate controlling party. This is also the parent undertaking of the largest and smallest group which includes the company and for which group accounts are prepared. Copies of the group accounts of The Corporate Services Group plc will be delivered to, and be available from, the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff, CF14 3UZ.

As disclosed in the directors' report it is anticipated that on 7 May 2008 the ultimate parent company will become Impellam Group plc following the completion of the proposed merger with Carlisle Group Limited. Impellam Group plc is a company formed for the purposes of merging The Corporate Services Group plc and Carlisle Group Limited. As a result of this, from this date, Impellam Group plc will become the ultimate parent company, the ultimate controlling party and parent undertaking of the largest and smallest group which includes the company and for which group accounts are prepared.

**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".