

ELLIS FAIRBANK PLC

Report and Financial Statements

27 May 2005

Deloitte & Touche LLP
Leeds



ELLIS FAIRBANK PLC

REPORT AND FINANCIAL STATEMENTS 2005

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ELLIS FAIRBANK PLC

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Jason Martin (Managing Director)
Graham Smith (Chairman)
Harry Cross (Commercial Director)

SECRETARY

Harry Cross

REGISTERED OFFICE

Ellis Fairbank House
2 Manor Road
Leeds
LS18 4DX

BANKERS

Bank of Scotland
116 Wellington Street
Leeds
LS1 4LT

SOLICITORS

Walker Morris
King Court
12 King Street
Leeds
LS1 2HL

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds

ELLIS FAIRBANK PLC

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 27 May 2005.

PRINCIPAL ACTIVITIES

The principal activity of the company is recruitment consultancy and related human resource solutions.

BUSINESS REVIEW AND PROSPECTS

The strong recovery in sales that began in the previous financial year has continued strongly resulting in a significant increase in profitability.

The focus in the current year has been in growing the business and preparing for further growth in coming years. Towards the end of the 2004/5 financial year the London office was relocated to much larger premises and a Manchester office was opened. The new London office has removed any capacity restriction and the Manchester office has provided access to a new talent pool and client base.

The board is of the opinion that the company is now poised to deliver further growth from a significantly broader platform.

RESULTS AND DIVIDENDS

The audited accounts for the year ended 27 May 2005 are set out on pages 5 to 12.

The directors do not recommend payment of a dividend (2004 – nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Jason Martin
Graham Smith
Harry Cross

Mr H. Cross, Mr J. Martin and Mr G. Smith were directors of the ultimate parent undertaking at 27 May 2005 and any interests in the shares of that company are disclosed in that company's accounts.

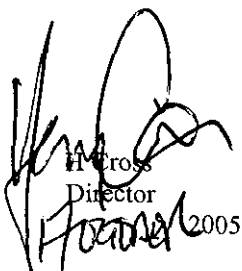
SUPPLIER PAYMENT POLICY

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 27 May 2005 were equivalent to 32 days (2004 – 35 days) purchases, based on the average daily amount invoiced by suppliers during the year.

AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Harry Cross
Director
2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for the system of internal control, 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 ELLIS FAIRBANK PLC

We have audited the financial statements of Ellis Fairbank plc for the year ended 27 May 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of 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. 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 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 of the state of the company's affairs as at 27 May 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds

31 October 2005

ELLIS FAIRBANK PLC

PROFIT AND LOSS ACCOUNT

Year ended 27 May 2005

		2005 £'000	2004 £'000
	Note		
TURNOVER	2	7,192	5,786
Cost of sales		(4,332)	(3,677)
Gross profit		2,860	2,109
Administrative expenses		(2,553)	(1,716)
OPERATING PROFIT		307	393
Profit on sale of tangible fixed assets	5	348	-
Interest payable (net)	6	(59)	(69)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		596	324
Tax on profit on ordinary activities	7	6	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		602	324
Retained profit for the year transferred to reserves	14	602	324

All results are derived from continuing operations and there were no acquisitions during the year.

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The results above comprise the total recognised gains and losses in the current and preceding financial year.

ELLIS FAIRBANK PLC

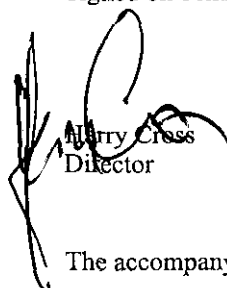
BALANCE SHEET

27 May 2005

	Note	2005 £'000	2004 £'000
FIXED ASSETS			
Tangible assets	8	274	1,311
CURRENT ASSETS			
Debtors	9	4,058	2,451
Cash at bank and in hand		1	4
		4,059	2,455
CREDITORS: amounts falling due within one year	10	(3,067)	(3,083)
NET CURRENT ASSETS/(LIABILITIES)		992	(628)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,266	683
CREDITORS: amounts falling due after one year	11	-	(19)
NET ASSETS		1,266	664
CAPITAL AND RESERVES			
Called up share capital	13	50	50
Profit and loss account	14	1,216	614
Equity shareholders' funds	15	1,266	664

These financial statements were approved by the Board of Directors on 17 October 2005.

Signed on behalf of the Board of Directors


Harry Cross
Director

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 27 May 2005

1. ACCOUNTING POLICIES

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

Basis of preparation

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

Under the provisions of Financial Reporting Standard No. 1 (Revised), the company has not prepared a cash flow statement as its ultimate parent undertaking, Chrome Tiger Limited, has prepared consolidated accounts which include the results of the company and which are publicly available.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	50 years
Motor vehicles	5 years
Fixtures, fittings and equipment	3 to 10 years

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.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date 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 company's taxable profits and its results as stated in the financial statements that arise from the inclusion of 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, 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 measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover is recognised when an individual placed in employment by the company commences that employment, except for retained assignments when the income is recognised at agreed stages through the assignment.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 27 May 2005

2. SEGMENT INFORMATION

All turnover derives from the company's principal activity, which is the provision of recruitment services. All turnover relates to continuing operations.

Geographical segments:

	2005 £'000	2004 £'000
Turnover by destination		
United Kingdom	6,723	5,424
Europe	327	279
Rest of world	142	83
Total	7,192	5,786

All turnover originates in the United Kingdom.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

All the directors were paid by the ultimate parent company, Chrome Tiger Limited, and their remuneration is disclosed in the accounts of that company for the current and preceding financial year.

The average monthly number of employees (including executive directors) was:

	2005 No.	2004 No.
Sales	82	73
Administration	36	37
	118	110

Their aggregate remuneration comprised:

	2005 £'000	2004 £'000
Wages and salaries	4,389	3,893
Social security costs	463	416
Other pension costs	28	30
	4,880	4,339

4. OPERATING PROFIT

Operating profit is stated after charging:

	2005 £'000	2004 £'000
Depreciation and amounts written off owned tangible fixed assets	110	127
Operating lease rentals – land and buildings	185	74
Group management charges	638	-

Auditors' remuneration was paid by another group company in the current and prior year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 27 May 2005

5. PROFIT ON SALE OF TANGIBLE FIXED ASSETS

In August 2004 the company entered into a sale and leaseback transaction on the freehold property which gave rise to a net profit of £348,000. There was no corporation tax charge on this profit due to the availability of losses brought forward.

6. INTEREST PAYABLE (NET)

	2005 £'000	2004 £'000
<i>Interest income</i>		
Bank interest receivable and similar income	-	1
	<u>-</u>	<u>1</u>
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	59	45
Other interest	-	25
	<u>59</u>	<u>70</u>
	<u>59</u>	<u>70</u>
<i>Finance charges (net)</i>		
Interest income	-	1
Interest payable and similar charges	(59)	(70)
	<u>(59)</u>	<u>(69)</u>
	<u>(59)</u>	<u>(69)</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2005 £'000	2004 £'000
Current tax		
UK corporation tax	-	-
Adjustment in respect of prior years	6	-
	<u>6</u>	<u>-</u>
Deferred tax		
Adjustments in respect of prior years	-	-
	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>6</u>	<u>-</u>
	<u>6</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 27 May 2005

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	596	324
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	179	97
Effects of:		
Expenses not deductible	13	10
Depreciation in excess of capital allowances	13	15
Movement in short term timing differences	(18)	(4)
Group relief	(51)	(118)
Capital gain sheltered by losses	(136)	-
Adjustment in respect of the prior year	(6)	-
Current tax credit for year	(6)	-

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 29 May 2004	1,163	89	804	2,056
Additions	-	-	164	164
Disposals	(1,163)	(62)	-	(1,225)
At 27 May 2005	-	27	968	995
Depreciation				
At 29 May 2004	93	32	620	745
Charge for the year	4	13	93	110
Disposals	(97)	(37)	-	(134)
At 27 May 2005	-	8	713	721
Net book value				
At 27 May 2005	-	19	255	274
At 28 May 2004	1,070	57	184	1,311

Freehold land, with an historical cost of £nil (2004: £315,000) has not been depreciated.

Cumulative interest capitalised, included in the cost of tangible fixed assets amounts to £nil (2004: £nil).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 27 May 2005

9. DEBTORS

	2005	2004
	£'000	£'000
Trade debtors	1,125	553
Amount owed by group undertakings	2,723	1,784
Other debtors	8	13
Prepayments and accrued income	202	101
	<u>4,058</u>	<u>2,451</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£'000	£'000
Bank overdraft	1,206	1,108
Trade creditors	440	223
Amounts owed to group undertakings	647	647
Other taxation and social security	556	707
Accruals and deferred income	202	394
Obligations under the hire purchase contracts	16	4
	<u>3,067</u>	<u>3,083</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2005	2004
	£'000	£'000
Obligations under the hire purchase contracts	-	19
	<u>-</u>	<u>19</u>

12. DEFERRED TAXATION

There is no deferred tax in the current or prior financial year.

The company has an unrecognised deferred tax asset of £107,963 in relation to accelerated capital allowances and other short term timing differences. The directors do not believe it is appropriate to recognise a deferred tax asset under the guidance contained in FRS 19.

13. CALLED UP SHARE CAPITAL

	2005	2004
	£'000	£'000
Authorised		
100,000 ordinary shares £1 of each	100	100
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	50	50
	<u>50</u>	<u>50</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 27 May 2005

14. PROFIT AND LOSS ACCOUNT

	2005 £'000	2004 £'000
Opening balance	614	290
Profit for the year	602	324
Closing balance	<u>1,216</u>	<u>614</u>

15. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS / (DEFICIT)

	2005 £'000	2004 £'000
Profit for the financial year	602	324
Opening equity shareholders' funds	664	340
Closing equity shareholders' funds	<u>1,266</u>	<u>664</u>

16. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	2005 £'000	2004 £'000
Expiry date:		
- between two and five years	<u>316</u>	<u>68</u>

17. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Chrome Tiger Limited.

18. ULTIMATE CONTROLLING PARTY

The directors regard Chrome Tiger Limited, a company incorporated in England and Wales, as the ultimate parent undertaking and the ultimate controlling party.

Chrome Tiger Limited is the parent undertaking of the smallest and largest group of which the company is a member and for which group accounts are drawn up. Copies of the accounts are available from Ellis Fairbank House, 2 Manor Road, Leeds, LS18 4DX.