

ELLIS FAIRBANK PLC

Report and Financial Statements

28 May 2004

Deloitte & Touche LLP
Leeds



REPORT AND FINANCIAL STATEMENTS 2004

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ELLIS FAIRBANK PLC

REPORT AND FINANCIAL STATEMENTS 2004

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 28 May 2004.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

Sales have been adversely affected by low levels of activity in the recruitment markets, although a significant improvement has been evident towards the end of the financial year.

RESULTS AND DIVIDENDS

The audited accounts for the year ended 28 May 2004 are set out on pages 5 to 12.

The directors do not recommend payment of a dividend (2003 – nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Paul Higgins (resigned 8 September 2004)
Jason Martin
Graham Smith
Harry Cross (appointed 4 August 2004)

Mr H. Cross, Mr J. Martin and Mr G. Smith were directors of the ultimate parent undertaking at 28 May 2004 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 28 May 2004 were equivalent to 35 days (2003 – 30 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



H Cross
Director

2004

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 28 May 2004 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 28 May 2004 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

22 December 2004

PROFIT AND LOSS ACCOUNT
Year ended 28 May 2004

		2004 £	2003 £
	Note		
TURNOVER	2	5,786,131	6,695,762
Cost of sales		(3,676,836)	(4,258,935)
Gross profit		2,109,295	2,436,827
Administrative expenses		(1,716,022)	(1,681,685)
OPERATING PROFIT		393,273	755,142
Interest payable (net)	3	(69,589)	(32,571)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	323,684	722,571
Tax on profit on ordinary activities	6	-	(13,955)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		323,684	708,616
Retained profit for the year transferred to reserves	13	323,684	708,616

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

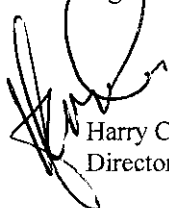
BALANCE SHEET

28 May 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	7	<u>1,310,674</u>	<u>1,267,987</u>
CURRENT ASSETS			
Debtors	8	2,451,071	1,668,037
Cash at bank and in hand		<u>4,150</u>	<u>-</u>
		2,455,221	1,668,037
CREDITORS: amounts falling due within one year	9	<u>(3,083,055)</u>	<u>(2,596,161)</u>
NET CURRENT LIABILITIES		<u>(627,834)</u>	<u>(928,124)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		682,840	339,863
CREDITORS: amounts falling due after one year	10	<u>(19,293)</u>	<u>-</u>
NET ASSETS		<u>663,547</u>	<u>339,863</u>
CAPITAL AND RESERVES			
Called up share capital	12	50,000	50,000
Profit and loss account	13	<u>613,547</u>	<u>289,863</u>
Equity shareholders' funds	14	<u>663,547</u>	<u>339,863</u>

These financial statements were approved by the Board of Directors on 22 December 2004.

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 28 May 2004

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

Interest is capitalised in respect of borrowings to finance the construction of the freehold building.

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.

Leases

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 28 May 2004

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:

	2004 £	2003 £
Turnover by destination		
United Kingdom	5,326,350	6,411,840
Europe	327,862	190,638
Rest of world	131,919	93,284
Total	<u>5,786,131</u>	<u>6,695,762</u>

All turnover originates in the United Kingdom.

3. INTEREST PAYABLE (NET)

	2004 £	2003 £
<i>Interest income</i>		
Bank interest receivable and similar income	<u>467</u>	<u>-</u>
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	45,473	32,571
Other interest	<u>24,583</u>	<u>-</u>
	<u>70,056</u>	<u>32,571</u>
<i>Finance charges (net)</i>		
Interest income	467	-
Interest payable and similar charges	<u>(70,056)</u>	<u>(32,571)</u>
	<u>(69,589)</u>	<u>(32,571)</u>

4. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 28 May 2004

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

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

	2004	2003
	No.	No.
Sales	73	93
Administration	37	36
	<u>110</u>	<u>129</u>

Their aggregate remuneration comprised:

	2004	2003
	£	£
Wages and salaries	3,892,539	3,561,341
Social security costs	416,136	368,506
Other pension costs	30,288	36,320
	<u>4,338,963</u>	<u>3,966,167</u>

5. OPERATING PROFIT

Operating profit is stated after charging:

	2004	2003
	£	£
Depreciation and amount written off owned tangible fixed assets	127,053	173,967
Operating lease rentals -- land and buildings	74,224	96,885
(Profit) on sale of tangible fixed assets	-	(304)
	<u>127,053</u>	<u>173,967</u>

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

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2004	2003
	£	£
Current tax		
UK corporation tax	-	-
Total current tax	-	-
Deferred tax		
Adjustments in respect of prior years	-	13,955
Tax on profit on ordinary activities	-	13,955

NOTES TO THE FINANCIAL STATEMENTS

Year ended 28 May 2004

6. 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.

	2004 £	2003 £
Profit on ordinary activities before tax	323,684	722,571
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	97,105	216,771
Effects of:		
Expenses not deductible	9,757	7,415
Depreciation in excess of capital allowances	15,648	10,047
Movement in short term timing differences	(4,272)	-
Group relief	(118,238)	(103,196)
Prior period adjustment	-	(131,037)
Current tax charge for year	-	-

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 June 2003	1,162,805	104,542	673,052	1,940,399
Additions	-	60,995	130,920	191,915
Disposals	-	(76,450)	-	(76,450)
At 28 May 2004	1,162,805	89,087	803,972	2,055,864
Depreciation				
At 1 June 2003	76,386	66,128	529,898	672,412
Charge for the year	17,075	20,340	89,638	127,053
Disposals	-	(54,275)	-	(54,275)
At 28 May 2004	93,461	32,193	619,536	745,190
Net book value				
At 28 May 2004	1,069,344	56,894	184,436	1,310,674
At 31 May 2003	1,086,419	38,414	143,154	1,267,987

Freehold land, with an historical cost of £315,000 (2003: £315,000) has not been depreciated.

Cumulative interest capitalised, included in the cost of tangible fixed assets amounts to £nil (2003: £13,463).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 28 May 2004

8. DEBTORS

	2004 £	2003 £
Trade debtors	553,168	334,010
Amount owed by group undertakings	1,783,620	1,247,779
Other debtors	13,160	10,393
Prepayments and accrued income	101,123	75,855
	<u>2,451,071</u>	<u>1,668,037</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Bank overdraft	1,108,122	806,777
Trade creditors	222,867	188,906
Amounts owed to group undertakings	646,799	680,058
Other taxation and social security	706,672	717,870
Accruals and deferred income	394,155	202,550
Obligations under the hire purchase contracts	4,440	-
	<u>3,083,055</u>	<u>2,596,161</u>

The bank loan is secured on the freehold property of the company.

10. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2004 £	2003 £
Obligations under the hire purchase contracts	19,293	-
	<u>19,293</u>	<u>-</u>

11. DEFERRED TAXATION

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

The company has an unrecognised deferred tax asset of £105,202 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.

12. CALLED UP SHARE CAPITAL

	2004 £	2003 £
Authorised		
100,000 ordinary shares £1 of each	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 28 May 2004

13. PROFIT AND LOSS ACCOUNT

	2004 £	2003 £
Opening balance	289,863	(418,753)
Profit for the year	323,684	708,616
Closing balance	<u>613,547</u>	<u>289,863</u>

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

	2004 £	2003 £
Profit for the financial year	323,684	708,616
Opening equity shareholders' funds / (deficit)	339,863	(368,753)
Closing equity shareholders' funds	<u>663,547</u>	<u>339,863</u>

15. FINANCIAL COMMITMENTS

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

	2004 £	2003 £
Expiry date:		
- between two and five years	<u>67,500</u>	<u>96,865</u>

16. 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.

The company has a trading relationship with Lloyds TSB Development Capital Limited, which also has interests in the group headed by Chrome Tiger Limited. During the year the sales to Lloyds TSB Development Capital Limited on normal commercial terms amounted to £nil (2003 – £29,755). At the balance sheet date the company was owed £nil (2003 – £4,935) by Lloyds TSB Development Capital Limited.

17. POST BALANCE SHEET EVENT

Subsequent to the year end the company entered into a sale and leaseback transaction on the freehold property which gave rise to a net profit of £348,004.

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.