

ELLIS FAIRBANK PLC

Report and Financial Statements

26 May 2006



Deloitte & Touche LLP
Leeds

ELLIS FAIRBANK PLC

REPORT AND FINANCIAL STATEMENTS 2006

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ELLIS FAIRBANK PLC

REPORT AND FINANCIAL STATEMENTS 2006

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 26 May 2006.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW AND PROSPECTS

The 2005/6 financial year continued the strong revenue growth of the previous year with further investment in growth opportunities and access to new markets. Sales increased by 21% to £8.7 million (2005: £7.2 million).

Profitability has fallen compared to the prior year due to high levels of investment in new premises following the relocation of the London office and the opening of a new Strasbourg office which only became fully operational after the end of the financial year.

The board is of the opinion that the company is now poised to deliver further growth from a significantly broader platform following the strengthening of the brand in the UK and Internationally during the year.

The Company has several key performance indicators (KPIs) with which to measure progress. The Company is focussed on sales generation and the effectiveness of the consultants. The following KPIs are used by management in monitoring the businesses.

	2006	2005
Sales Headcount (1)	90	82
Sales per Consultant (2)	£97,000	£88,000
Advertising Revenue(3)	£435,000	£307,000

- (1) The recruitment sector is characterised by a skill shortage, with a limited talent pool. The key to growth is to attract and retain high calibre staff. During the current financial year the average headcount increased by 10% to 90, despite the closure of one division with the loss of 10 staff.
- (2) The key measure of the effectiveness of sales staff is in their average billings. This reflects the training and support that the Company invests in its staff and we have invested heavily in both these areas to maximise staff effectiveness. During the financial year 2005/6 this investment was rewarded by two nationally recognised awards. The Company was awarded the Recruiter Award for Training and Development and the Computing Awards IT Department of the Year. The net result is an increase in the average sales per consultant by 10% in the current year to £97,000. This average masks the improving trend, with £112,000 achieved in the last period of this year.
- (3) Advertising is important in developing brand strength and recognition. In turn this attracts both clients and candidates. Advertising revenues increased by 42% in the current financial year.

PRINCIPAL RISKS AND UNCERTAINTIES

Management consider that the key risk for the company is the continuing competitive pressure in the UK. The company manages this risk by ensuring that the recruitment offering includes a variety of value-added services based on improving the quality of service to our clients. The company also focuses its business on discrete markets, ensuring that our consultants fully understand the dynamics of the market they serve in order to better understand the issues of our clients.

The company is also exposed to movements in the Sterling – Euro exchange rate due to overseas sales. The exchange risk is naturally hedged through the investment in the Strasbourg office, the costs of which are in Euros.

DIRECTORS' REPORT (continued)

RESULTS AND DIVIDENDS

The audited accounts for the year ended 26 May 2006 are set out on pages 6 to 13.

The directors do not recommend payment of a dividend (2005 – 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 26 May 2006 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 26 May 2006 were equivalent to 30 days (2005 – 32 days) purchases, based on the average daily amount invoiced by suppliers during the year.

DISCLOSURE OF RELEVANT INFORMATION TO AUDITORS

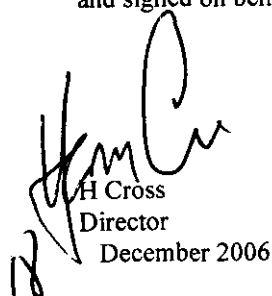
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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
December 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company and the group in accordance with United Kingdom Generally Accepted Accounting Practice.

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 year. 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; and
- 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 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 ELLIS FAIRBANK PLC

We have audited the financial statements of Ellis Fairbank plc for the year ended 26 May 2006 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 17. 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 26 May 2006 and of its profit 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.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Leeds

18 December 2006

ELLIS FAIRBANK PLC

PROFIT AND LOSS ACCOUNT Year ended 26 May 2006

		2006 £'000	2005 £'000
	Note		
TURNOVER	2	8,718	7,192
Cost of sales		(5,279)	(4,332)
Gross profit		3,439	2,860
Administrative expenses		(3,357)	(2,553)
OPERATING PROFIT	4	82	307
Profit on sale of tangible fixed assets	5	-	348
Interest payable	6	(64)	(59)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18	596
Tax on profit on ordinary activities	7	-	6
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		18	602
Retained profit for the year transferred to reserves	13,14	18	602

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

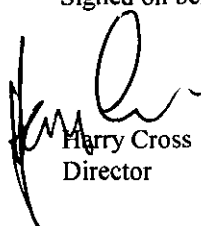
BALANCE SHEET

26 May 2006

	Note	2006 £'000	2005 £'000
FIXED ASSETS			
Tangible assets	8	242	274
CURRENT ASSETS			
Debtors	9	4,075	4,058
Cash at bank and in hand		38	1
		4,113	4,059
CREDITORS: amounts falling due within one year	10	(3,071)	(3,067)
NET CURRENT ASSETS		1,042	992
TOTAL ASSETS LESS CURRENT LIABILITIES		1,284	1,266
NET ASSETS		1,284	1,266
CAPITAL AND RESERVES			
Called up share capital	12	50	50
Profit and loss account	13	1,234	1,216
Equity shareholders' funds	14	1,284	1,266

These financial statements were approved by the Board of Directors on 18 December 2006.

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 26 May 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The accounting policies adopted have been used consistently in both the current and preceding year other than for the adoption of Financial Reporting Standard (FRS) 21 'Events after the balance sheet date', the presentation requirements of FRS 25 'Financial instruments' and FRS 28 'Corresponding amounts'. These new standards are not considered by management to have had a material effect on the financial statements in the current or prior 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 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:

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 26 May 2006

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:

	2006	2005
	£'000	£'000
Turnover by destination		
United Kingdom	7,807	6,723
Europe	609	327
Rest of world	302	142
Total	8,718	7,192

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:

	2006	2005
	No.	No.
Sales	90	82
Administration	36	36
	126	118

Their aggregate remuneration comprised:

	2006	2005
	£'000	£'000
Wages and salaries	4,897	4,389
Social security costs	558	463
Other pension costs	32	28
	5,487	4,880

4. OPERATING PROFIT

Operating profit is stated after charging:

	2006	2005
	£'000	£'000
Depreciation of tangible fixed assets	122	110
Operating lease rentals – land and buildings	372	185
Group management charges	776	638

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 26 May 2006

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

	2006 £'000	2005 £'000
<i>Interest payable</i>		
Bank loans and overdrafts	64	59

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2006 £'000	2005 £'000
Current tax		
UK corporation tax	-	-
Adjustment in respect of prior years	-	6
Deferred tax		
Adjustments in respect of prior years	-	-
Tax on profit on ordinary activities	-	6

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.

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	18	596
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	5	179
Effects of:		
Expenses not deductible	2	13
Depreciation in excess of capital allowances	34	13
Movement in short term timing differences	-	(18)
Group relief	-	(51)
Capital gain sheltered by losses	-	(136)
Adjustment in respect of the prior year	-	(6)
Utilisation of tax losses	(41)	-
Current tax credit for year	-	(6)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 26 May 2006

8. TANGIBLE FIXED ASSETS

	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 27 May 2005	27	968	995
Additions	27	63	90
	<hr/>	<hr/>	<hr/>
At 26 May 2006	54	1,031	1,085
	<hr/>	<hr/>	<hr/>
Depreciation			
At 27 May 2005	8	713	721
Charge for the year	11	111	122
	<hr/>	<hr/>	<hr/>
At 26 May 2006	19	824	843
	<hr/>	<hr/>	<hr/>
Net book value			
At 26 May 2006	35	207	242
	<hr/>	<hr/>	<hr/>
At 27 May 2005	19	255	274
	<hr/>	<hr/>	<hr/>

9. DEBTORS

	2006 £'000	2005 £'000
Trade debtors	1,157	1,125
Amount owed by group undertakings	2,622	2,723
Other debtors	33	8
Prepayments and accrued income	263	202
	<hr/>	<hr/>
	4,075	4,058
	<hr/>	<hr/>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Bank overdraft	938	1,206
Trade creditors	561	440
Amounts owed to group undertakings	647	647
Other taxation and social security	649	556
Accruals and deferred income	276	218
	<hr/>	<hr/>
	3,071	3,067
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 26 May 2006

11. DEFERRED TAXATION

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

The company has an unrecognised deferred tax asset of £142,477 (2005: £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.

12. CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised 100 ordinary shares £1 of each	100	100
Allotted, called up and fully paid 50 ordinary shares of £1 each	50	50

13. PROFIT AND LOSS ACCOUNT

	2006 £'000	2005 £'000
Opening balance	1,216	614
Profit for the year	18	602
Closing balance	1,234	1,216

14. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2006 £'000	2005 £'000
Profit for the financial year	18	602
Opening equity shareholders' funds	1,266	664
Closing equity shareholders' funds	1,284	1,266

15. FINANCIAL COMMITMENTS

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

	2006 £'000	2005 £'000
Expiry date: - between two and five years	316	316

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 26 May 2006

17. 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.