

**ELLIS FAIRBANK PLC**

**Report and Financial Statements**

**26 May 2007**

**Deloitte & Touche LLP**  
**Leeds**



# **ELLIS FAIRBANK PLC**

## **REPORT AND FINANCIAL STATEMENTS 2007**

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# **ELLIS FAIRBANK PLC**

## **REPORT AND FINANCIAL STATEMENTS 2007**

### **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 2007

### **PRINCIPAL ACTIVITIES**

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

### **BUSINESS REVIEW AND PROSPECTS**

The 2006/7 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 40% to £12.2 million (2006: £8.7 million).

Profitability has risen compared to the prior year due to increased sales, notably in Europe and in Interim markets.

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:

	2007	2006
Sales Headcount (1)	98	90
Sales per Consultant (2)	£125,510	£97,000
Advertising Revenue(3)	£429,674	£435,000

- (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 9% to 98.
- (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 2006/7 this investment was rewarded by retaining for the second year running the Recruiter Award for Training and Development and winning the Recruitment Business Awards – Best Executive Search & Selection Firm 2007/8. The net result is an increase in the average sales per consultant by 29% in the current year to £125,510.
- (3) Advertising is important in developing brand strength and recognition. In turn this attracts both clients and candidates. Advertising revenues were static in the current financial year.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal uncertainty for the company relates to the proposed sale of the company subject to financing being available. Details of this are provided in note 1 to the accounts.

Management consider that the continuing competitive pressure in the UK remains a risk to the company. 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 2007 are set out on pages 7 to 14

The directors do not recommend payment of a dividend (2006 – nil)

**DIRECTORS**

The directors who served during the year were as follows

Jason Martin  
Graham Smith  
Harry Cross

**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 2007 were equivalent to 47 days (2006 – 30 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

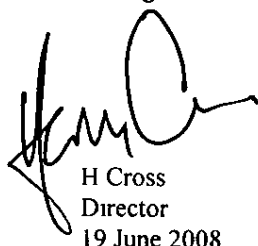
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

**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  
19 June 2008

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **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 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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 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.

In addition, we 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, 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ELLIS FAIRBANK PLC (continued)**

### **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 2007 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 directors' report is consistent with the financial statements

### **Emphasis of matter – going concern**

Without qualifying our opinion we draw attention to the disclosures made in note 1 of the financial statements concerning the company's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern as it is not practicable to determine or quantify them.

*Deloitte + Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
Leeds

20 June 2008

# ELLIS FAIRBANK PLC

## PROFIT AND LOSS ACCOUNT

Year ended 26 May 2007

		2007 £'000	2006 £'000
	Note		
<b>TURNOVER</b>	2	12,234	8,718
Cost of sales		(8,044)	(5,279)
<b>Gross profit</b>		4,190	3,439
Administrative expenses		(3,695)	(3,357)
<b>OPERATING PROFIT</b>	4	495	82
Interest payable	5	(55)	(64)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		440	18
Tax on profit on ordinary activities	6	-	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		440	18
<b>Retained profit for the year transferred to reserves</b>	12,13	440	18

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

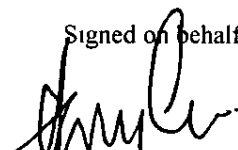
## BALANCE SHEET

26 May 2007

	Note	2007 £'000	2006 £'000
<b>FIXED ASSETS</b>			
Tangible assets	7	160	242
<b>CURRENT ASSETS</b>			
Debtors	8	4,703	4,075
Cash at bank and in hand		83	38
		<u>4,786</u>	<u>4,113</u>
<b>CREDITORS</b> amounts falling due within one year	9	<u>(3,222)</u>	<u>(3,071)</u>
<b>NET CURRENT ASSETS</b>		<u>1,564</u>	<u>1,042</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,724</u>	<u>1,284</u>
<b>NET ASSETS</b>		<u>1,724</u>	<u>1,284</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	50	50
Profit and loss account	12	<u>1,674</u>	<u>1,234</u>
<b>Shareholders' funds</b>	13	<u>1,724</u>	<u>1,284</u>

These financial statements were approved by the Board of Directors on 19 June 2008

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 2007

### 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.

#### 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.

#### Going concern

In September 2007 the loans held by the ultimate parent company (Chrome Tiger Limited) used to finance the group became fell due for repayment. The group does not have sufficient funds to make this repayment and, at this stage, the directors of Chrome Tiger Limited have been unable to negotiate new financing.

The directors of Chrome Tiger Limited have taken the decision to sell the entire issued share capital of the company and its immediate parent company, Ellis Fairbank Holdings Limited, to enable them to continue their operations.

The directors of Chrome Tiger Limited have entered negotiations with Inhoco 3359 Limited, a related company by virtue of common directors and some shareholders, who are currently seeking additional finance to acquire the company.

The directors expect a sale to Inhoco 3359 Limited will be completed in the second half of 2008 and have prepared budgets and cash flow forecasts covering the period ending 12 months from the date of approval of these financial statements. These budgets and forecasts suggest that subject to obtaining adequate financing facilities the company can continue as a going concern for the foreseeable future.

Having taken into account the uncertainties explained above, the directors consider that the forecasts are achievable, the sale will be completed and that the required funding will be available. On this basis the directors consider it appropriate to prepare the company's accounts on a going concern basis. The accounts do not include any adjustments which may be necessary if adequate facilities are not obtained and/or the company is not sold.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 26 May 2007

## 1. ACCOUNTING POLICIES (continued)

### Taxation (continued)

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.

## 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

	2007 £'000	2006 £'000
<b>Turnover by destination</b>		
United Kingdom	9,994	7,807
Europe	1,850	609
Rest of World	390	302
<b>Total</b>	<b>12,234</b>	<b>8,718</b>

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

	2007 No.	2006 No.
Sales	98	90
Administration	42	36
	<b>140</b>	<b>126</b>

Their aggregate remuneration comprised

	2007 £'000	2006 £'000
Wages and salaries	5,547	4,897
Social security costs	899	558
Other pension costs	40	32
	<b>6,486</b>	<b>5,487</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 26 May 2007**

**4. OPERATING PROFIT**

Operating profit is stated after charging

	2007 £'000	2006 £'000
Depreciation of tangible fixed assets	130	122
Operating lease rentals – land and buildings	302	372
Group management charges	358	776

Auditors' remuneration allocated as £15,000 (2006 £14,000) was paid by another group company

**5. INTEREST PAYABLE**

	2007 £'000	2006 £'000
<i>Interest payable</i>		
Bank loans and overdrafts	55	64

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

There is no tax charge in either year

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

	2007 £'000	2006 £'000
<b>Profit on ordinary activities before tax</b>	440	18
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	132	5
Effects of		
Expenses not deductible	-	2
Depreciation in excess of capital allowances	(18)	34
Utilisation of tax losses	(114)	(41)
<b>Current tax credit for year</b>	-	-

# ELLIS FAIRBANK PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 26 May 2007

### 7. TANGIBLE FIXED ASSETS

	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>			
At 27 May 2006	54	1,031	1,085
Additions	-	66	66
Disposals	(27)	-	(27)
	<hr/>	<hr/>	<hr/>
At 26 May 2007	27	1,097	1,124
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 27 May 2006	19	824	843
Charge for the year	6	124	130
Disposals	(9)	-	(9)
	<hr/>	<hr/>	<hr/>
At 26 May 2007	16	948	964
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 26 May 2007	11	149	160
	<hr/>	<hr/>	<hr/>
At 26 May 2006	35	207	242
	<hr/>	<hr/>	<hr/>

### 8. DEBTORS

	2007 £'000	2006 £'000
Trade debtors	1,870	1,157
Amount owed by group undertakings	2,510	2,622
Other debtors	-	33
Prepayments and accrued income	323	263
	<hr/>	<hr/>
	4,703	4,075
	<hr/>	<hr/>

### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Bank overdraft	666	938
Trade creditors	617	561
Amounts owed to group undertakings	647	647
Other taxation and social security	731	649
Accruals and deferred income	561	276
	<hr/>	<hr/>
	3,222	3,071
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 26 May 2007**

**10. DEFERRED TAXATION**

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

The company has an unrecognised deferred tax asset of £126,757 (2006 £142,477) 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

**11. CALLED UP SHARE CAPITAL**

	2007 £'000	2006 £'000
Authorised 100 ordinary shares £1 of each	100	100
Allotted, called up and fully paid 50 ordinary shares of £1 each	50	50

**12. PROFIT AND LOSS ACCOUNT**

	2007 £'000	2006 £'000
Opening balance	1,234	1,216
Profit for the year	440	18
Closing balance	1,674	1,234

**13. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS**

	2007 £'000	2006 £'000
Profit for the financial year	440	18
Opening equity shareholders' funds	1,284	1,266
Closing equity shareholders' funds	1,724	1,284

**14. FINANCIAL COMMITMENTS**

Annual commitments under non-cancellable operating leases are as follows

	2007 £'000	2006 £'000
Expiry date - between two and five years	423	316

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 26 May 2007**

**15. 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

**16. 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