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**Modelbond Limited**

Report and Financial Statements

Year Ended

31 December 2006

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## **Modelbond Limited**

### **Annual report and financial statements for the year ended 31 December 2006**

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#### **Directors**

D McLaney  
N J Williams

#### **Secretary and registered office**

K Spedding, Fives Court, Hillsborough Barracks, Penistone Road, Sheffield S6 2GZ

#### **Company number**

2867439

#### **Auditors**

BDO Stoy Hayward LLP, Emerald House, East Street, Epsom, KT17 1HS

## **Modelbond Limited**

### **Report of the directors for the year ended 31 December 2006**

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The directors present their report together with the audited financial statements for the year ended 31 December 2006

#### **Principal activities, review of business and future developments**

The company's principal activity is that of an intermediary holding company to a business engaged in the supply of permanent and temporary social workers to local authorities

The company is exempt from the requirement to prepare consolidated financial statements as it and its subsidiary, listed in note 5, are included in the consolidated financial statements prepared by the ultimate parent, Public Recruitment Group PLC

The profit and loss account is set out on page 5 and shows the result for the year

An interim dividend of £33 49 (2005 £nil) per share was paid during the year. The directors do not recommend the payment of a final dividend (2005 £nil per share)

#### **Key performance indicators**

Turnover of the subsidiary fell by 9% compared to 2005. This was largely due to reduced permanent fees and the cessation of a contract to supply clerical staff

Gross margin in the subsidiary was 14.2% (2005 16.2%). Again reduced permanent fees had an impact, but the market has also been affected by the increased use of vendor managed services

In 2006 the average number of clients increased by 3% and there were consistently over 400 candidates in position

#### **Financial instruments**

The company's subsidiary holds financial instruments to finance their operations. Operations are financed by floating rate invoice discounting and overdraft facilities. In addition, various financial instruments such as trade debtors and trade creditors arise directly from the subsidiaries' operations. Neither the company, nor its subsidiary, enters into any hedging arrangements

The company and its subsidiary utilise a centralised treasury service that monitors the liquidity and interest rate risk. The company and its subsidiary have access to the invoice discounting and overdraft facilities of the Group. Cash flow is monitored on a regular basis and appropriate action is taken where additional funds are required

#### **Directors**

The directors of the company during the year and their interests in the ordinary share capital of the company were

D McLaney  
N J Williams

No director had any beneficial interest in the share capital of the company

At 31 December 2006, D McLaney and N J Williams were also directors of the ultimate parent company, Public Recruitment Group PLC, and their interest in the share capital of that company is shown in its financial statements

## **Modelbond Limited**

### **Report of the directors for the year ended 31 December 2006 (Continued)**

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#### **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

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 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, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

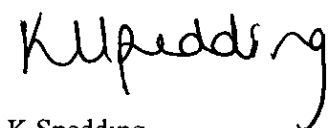
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

#### **By order of the board**



K Spedding  
Secretary

Date 23/3/07

## **Modelbond Limited**

### **Report of the independent auditors**

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#### **To the shareholders of Modelbond Limited**

We have audited the financial statements of Modelbond Limited for the year ended 31 December 2006, which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **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 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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those 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 consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### **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.

**Modelbond Limited**

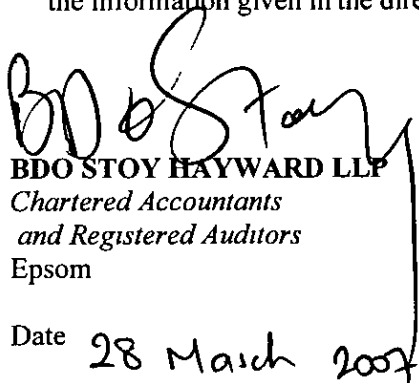
**Report of the independent auditors (*Continued*)**

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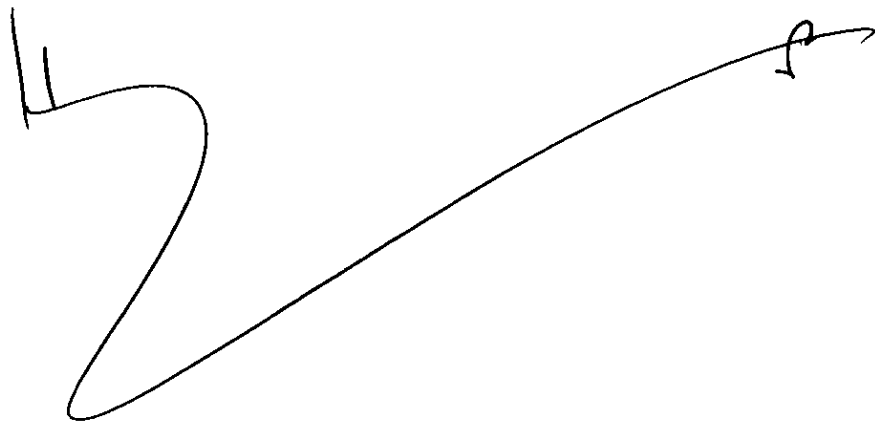
**Opinion**

**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 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

  
**BDO STOY HAYWARD LLP**  
*Chartered Accountants  
and Registered Auditors*  
Epsom

Date 28 March 2007



**Modelbond Limited****Profit and loss account for the year ended 31 December 2006**

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	Note	2006 £	2005 £
Income from fixed asset investments	2	1,820,000	-
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		1,820,000	-
Taxation on profit on ordinary activities	3	-	-
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		1,820,000	-
		<hr/>	<hr/>

All amounts relate to continuing activities

All recognised gains and losses in the current and prior year are included in the profit and loss account

Movements in shareholders' funds are shown in note 8

The notes on pages 7 to 10 form part of these financial statements

**Modelbond Limited****Balance sheet at 31 December 2006**

	Note	2006 £	2006 £	2005 £	2005 £
<b>Fixed assets</b>					
Fixed asset investments	5		549,914		549,914
<b>Current assets</b>					
Debtors	6	636		636	
<b>Net current assets</b>			636		636
<b>Total assets less current liabilities</b>			550,550		550,550
<b>Capital and reserves</b>					
Called up share capital	7		544		544
Profit and loss account	8		550,006		550,006
<b>Shareholders' funds</b>	8		550,550		550,550

The financial statements were approved by the Board and authorised for issue on 23/3/07



N J Williams  
Director

The notes on pages 7 to 10 form part of these financial statements



## Modelbond Limited

### Notes forming part of the financial statements for the year ended 31 December 2006

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#### 1 Accounting policies

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

The following principal accounting policies have been applied

##### *Consolidated financial statements*

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent. These financial statements therefore present information about the company as an individual undertaking and not about its group.

##### *Cash flow statement*

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Public Recruitment Group PLC and the company is included in consolidated financial statements.

##### *Valuation of investments*

Investments held as fixed assets are stated at cost less any provision for impairment.

##### *Equity Dividends*

Equity dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

##### *Related party disclosures*

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Public Recruitment Group PLC on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

#### 2 Income from fixed asset investments

	2006 £	2005 £
Dividend received from subsidiary investment	1,820,000	-

**Modelbond Limited****Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****3 Taxation on profit on ordinary activities**

	2006 £	2005 £
<i>UK Corporation tax</i>		
Current tax on losses of the year	-	-
Over provision in respect of prior years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The tax assessed for the year is lower (2005 same) than the standard rate of corporation tax in the UK  
The differences are explained below

	2006 £	2005 £
Profit on ordinary activities before tax	1,820,000	-
	<u>1,820,000</u>	<u>-</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 30%)	546,000	-
Effect of Income not chargeable for tax purposes	(546,000)	-
	<u>-</u>	<u>-</u>
Current tax charge for year	-	-
	<u>-</u>	<u>-</u>

**4 Dividends**

	2006 £	2005 £
Ordinary shares		
Interim paid of £33.49 (2005 £nil) per share	1,820,000	-
	<u>1,820,000</u>	<u>-</u>

## Modelbond Limited

### Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

#### 5 Fixed asset investments

	Group undertakings £
<i>Cost</i>	
At 1 January 2006 and 31 December 2006	549,914
<i>Subsidiary undertakings</i>	

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Proportion of voting rights and ordinary share capital held	Nature of business
Action First Recruitment Consultants Limited	100%	Recruitment consultants

#### 6 Debtors

	2006 £	2005 £
Amounts owed by group undertakings	94	94
Other debtors	542	542
	<u>636</u>	<u>636</u>

#### 7 Share capital

	2006 £	2005 £
<i>Authorised Share capital</i>		
100,000 Ordinary shares of £0.01 each	<u>1,000</u>	<u>1,000</u>
 <i>Allotted, called up and fully paid Share capital</i>		
54,350 Ordinary shares of £0.01 each	<u>544</u>	<u>544</u>

## Modelbond Limited

### Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

#### 8 Summary of reserve movements and reconciliation of shareholders' funds

	Share capital £	Profit and loss account £	Shareholders' funds £
At 1 January 2006	544	550,006	550,550
Profit for the year	-	1,820,000	1,820,000
Dividends	-	(1,820,000)	(1,820,000)
Closing shareholder's funds	544	550,006	550,550

#### 9 Contingent liabilities

The company has provided security against the bank borrowings of other group companies. At the 31 December 2006 the liabilities covering this security totalled £29,639,725 (2005 £22,428,908)

#### 10 Ultimate parent company and parent undertaking of larger group

At 31 December 2006 the company's ultimate parent company was Public Recruitment Group PLC, which is the parent of both the smallest and largest groups in which the results of the company are consolidated

Copies of the consolidated financial statements of Public Recruitment Group PLC are available from Companies House