

Registered Number 3548695

CSTIM Limited
Directors' report and financial statements
for the year ended 30 June 2006

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the year ended 30 June 2006. The comparatives are for the 18 month period ended 30 June 2005.

Principal activities and business review

The principal activity of the company during the year was that of providing management consultancy services to companies engaged in the investment industry.

Business review

CSTIM specialises in the provision of strategy and business improvement consultancy services to the investment industry. It has offices in London, Edinburgh and Luxembourg serving clients both locally and globally. It delivered another strong performance, slightly exceeding expectations for the year. CSTIM began the year expecting a period of consolidation after the rapid growth of the previous two years and our move to new offices in London. With the continuing maturity of the business, we feel that the foundations are now in place to push forward again. During the year, demand for outsourcing services slowed but the business showed its flexibility by winning an increased number of mandates in the areas of hedge funds, retail funds, private client business and life and pensions business.

We have also made good progress in further developing our business in Continental Europe. Over the past year we have completed assignment work with clients in Luxembourg, France, Germany, the Netherlands and Switzerland.

During the period CSTIM Ltd acquired 60% of the share capital of CSTIM SAS, a start up management consultancy business registered in France, and disposed of its 25% interest in CIB Partners Ltd. The profit on disposal of CIB Partners amounted to £117,475.

CSTIM's strategy of developing a global specialist consultancy business serving the investment industry remains an important differentiator and we are seeking increasing opportunities to share our skills and expertise across our various office locations. The Directors believe that the prospects for the future are positive.

Risk

In the UK market, the pressures of increased global competition are a risk for the Company which means that key accounts could be lost to competitors. This risk is minimised by ensuring that clients are offered value adding services, competitive pricing and a high level of customer service focused on long term relationships.

The majority of turnover in the UK is generated in pounds sterling and euros and the risk of this is minimised at group level by the treasury function.

For a more detailed discussion of risks faced as a part of the Morse Group please see Morse plc 2006 accounts, page 26.

Environment

Morse plc, the ultimate parent company of the Company, recognises the importance of the environment and monitors and reviews its current and ongoing impact on the environment as a whole covering all group activities. In the Morse plc annual report and accounts the Company's parent has policies to address environmental impact for the entire group, including that of the Company. Morse plc imposes upon its subsidiary companies compliance with group initiatives to require for environmentally friendly disposal of waste, recycling and reducing energy consumption as far as possible.

DIRECTORS' REPORT *(continued)*

Human resources

Details of employees and associated remuneration costs are provided on pages 13-14 of these financial statements

The company seeks to embrace relevant disability requirements imposed by legislation and makes available necessary training and reasonable alterations to that individual's working environment. Training, career development and promotion is, as far as possible, provided equally to disabled employees as to any other employee on a like for like basis.

Employees have access through the relevant intranet to all corporate policies and practices which form part of the contract of employment. These policies and practices are updated on a regular basis to reflect changes in legislation and enhanced company benefit.

Most employees are entitled to various group wide benefits such as share option schemes, private health insurance, death in service benefit, personal accident insurance, a contributory personal pension policy and other location specific benefits.

Political and charitable donations

The Company made no political donations during the year (18 months ended 30 June 2005 £nil). Donations to charities amounted to £2,972 (18 months ended 30 June 2005 £7,596).

Results and dividends

The results of the company are set out in detail on page 8 and include those of its Luxembourg branch.

The Directors do not recommend the payment of a dividend this year (2005 £199,734). The profit for the financial year/period was £933,715 (2005 £1,515,160).

DIRECTORS' REPORT *(continued)***Directors and their interests**

The Directors who served the company during the period were as follows

K Alcock	
D Bower	(appointed 19 February 2007)
A Burton	
J Charles	(resigned 14 October 2006)
J Connor	
S Cruickshank	(appointed 14 July 2005, resigned 14 June 2006)
J Dallas	(resigned 19 June 2006)
L De Nicola	
G James	(resigned 24 August 2005)
D Lumer	
D McIntyre	
A Stewart	(appointed 19 February 2007)
H Ward	

The Directors have no direct interest in the Company D McIntyre's interest in the shares and share options of the ultimate holding company Morse plc are shown in the financial statements of that company Other Directors who served the company during the year and held share options in Morse plc were as follows

Director and scheme	Options held at 30 June 2005 (exercise price)	Options granted during the year (exercise price)	Options exercised during the year	Options cancelled / lapsed during the year	Options held at 30 June 2006	Earliest date of exercise	Expiry date
Kevin Alcock							
Long Term Incentive Plan	-	50,000 (nil)	-	-	50,000	Sep 2008	Sep 2009
Long Term Incentive Plan	-	70,093 (nil)	-	-	70,093	Mar 2009	Mar 2010
Sharesave Option Scheme 7	-	12,808 (£0.73)	-	-	12,808	Feb 2009	Aug 2009
Jeremy Charles							
Sharesave Option Scheme 6	-	10,412 (£0.91)	-	-	10,412	Feb 2008	Jul 2008
Dean Lumer							
Sharesave Option Scheme 7	-	12,808 (£0.73)	-	-	12,808	Feb 2009	Aug 2009

The following Directors held ordinary shares in Morse plc

Director	Beneficial Ordinary Shares of 10p each at 30 June 2006	Beneficial Ordinary Shares of 10p each at 30 June 2005
K Alcock	24,019	270,452
J Charles	98,777	57,256
J Connor	168,751	132,374
L De Nicola	65,587	38,017
D Lumer	197,552	114,510

DIRECTORS' REPORT *(continued)*

Supplier payment policy and practice

The company supports the Better Payment Practice Code (previously the CBI's Prompt Payers Code), to which it subscribes, when dealing with all its suppliers. A copy of the code can be obtained from the Department of Trade and Industry, DTI Publications, Orderline, Admail 528, London SW1W 8YT

It is Company policy that payments to suppliers are made in accordance with agreed terms and conditions on an individual basis provided all trading terms and conditions have been complied with

The average number of creditor days for the Company for the year was 35 (2005 37)

Post balance sheet events

On 27 February 2007, the Company acquired the remaining 49% of the ordinary share capital of SkillsHub Limited for a total maximum consideration of £819,738. As a result of this transaction, the Company now holds 100% of the share capital of SkillsHub Limited

The company has sold its 20% share holding in CSTARR Limited for no consideration. The resulting profit on disposal amounted to £nil

On 1 April 2007, the trade and assets of the UK element of CSTIM, was transferred to Morse Group Limited, a fellow subsidiary of Morse plc. The trade and assets of the Luxembourg branch remain in CSTIM Ltd

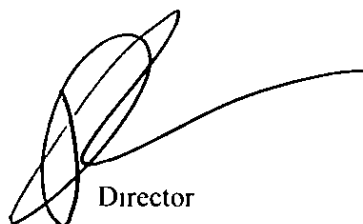
Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each 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, pursuant to section 384 of the Companies Act 1985, re-appointing KPMG Audit Plc as auditors for the ensuing year will be placed before the Annual General Meeting

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



Director

27th April 2007

Profile West
950 Great West Road
Brentford
Middlesex
TW8 9EE

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments 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, 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditors' report to the members of CSTIM Limited

We have audited the financial statements of CSTIM Limited for the year ended 30 June 2006 which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the related notes. 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 auditor's 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 UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

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 are properly prepared in accordance with the Companies Act 1985. We also 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 and 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 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.

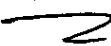
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of CSTIM Limited (*continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 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

KPMG Audit Plc


KPMG Audit Plc
Chartered Accountants
Registered Auditor

21st April 2007

8 Salisbury Square
London
EC4Y 8BB

CSTIM Limited**PROFIT AND LOSS ACCOUNT**
for the year ended 30 June 2006

	Note	Year ended 30 June 2006 £	18 months ended 30 June 2005 £
Turnover	2	7,694,981	13,576,229
Cost of sales		(5,723,234)	(9,792,607)
Gross profit		<u>1,971,747</u>	<u>3,783,622</u>
Administrative expenses		(1,278,149)	(1,863,408)
Operating profit		<u>693,598</u>	<u>1,920,214</u>
Income from shares in group undertakings		308,946	134,285
Profit on disposal of investments	10	117,475	-
Amounts written off investments	10	-	(25,000)
Interest payable and similar charges	5	(2,032)	
Interest receivable and similar income	6	70,554	96,708
Profit on ordinary activities before taxation	2-4	<u>1,188,541</u>	<u>2,126,207</u>
Tax on profit on ordinary activities	7	(254,826)	(611,047)
Profit for the financial year	15	<u>933,715</u>	<u>1,515,160</u>

All results in the current year and prior period relate to continuing activities

There is no difference between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historical cost equivalents

The company has no recognised gains or losses other than the results for the year as set out above, accordingly a statement of total recognised gains and losses has not been prepared

CSTIM Limited**RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS
for the year ended 30 June 2006**

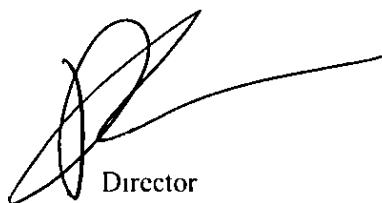
	Note	Year ended 30 June 2006 £	18 months ended 30 June 2005 £
Profit for the financial year		933,715	1,515,160
Dividend on shares classified in shareholders' funds	8	-	(199,734)
		<u>933,715</u>	<u>1,315,426</u>
Issue of shares		-	131,200
Capital distribution by the employee benefit trust		-	(8,916)
Opening equity shareholders' funds		<u>3,770,323</u>	<u>2,332,613</u>
Closing equity shareholders' funds		<u>4,704,038</u>	<u>3,770,323</u>

The notes on pages 11 to 20 form part of these accounts

CSTIM Limited**BALANCE SHEET****as at 30 June 2006**

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	9	306,476	400,169
Investments	10	246,727	314,090
		<u>553,203</u>	<u>714,259</u>
CURRENT ASSETS			
Debtors	11	6,159,096	3,679,545
Cash at bank and in hand		1,527,673	1,404,710
		<u>7,686,769</u>	<u>5,084,255</u>
CREDITORS amounts falling due within one year	12	<u>(3,535,934)</u>	<u>(2,028,191)</u>
NET CURRENT ASSETS		<u>4,150,835</u>	<u>3,056,064</u>
TOTAL NET ASSETS		<u>4,704,038</u>	<u>3,770,323</u>
CAPITAL AND RESERVES			
Called-up equity share capital	14	10,400	10,400
Profit and loss account	15	4,562,838	3,629,123
Merger reserve account	15	130,800	130,800
EQUITY SHAREHOLDERS' FUNDS		<u>4,704,038</u>	<u>3,770,323</u>

The financial statements were approved by the Board of Directors on 27th April 2007 and signed on its behalf by



Director

The notes on pages 11 to 20 form part of these accounts

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards, using the following accounting policies which have been consistently applied

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date',
- the presentation requirements of FRS 25 'Financial instruments presentation and disclosure', and
- FRS 28 'Corresponding amounts'

FRS 28 'Corresponding amounts' has had no material impact as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

Upon adoption of FRS 25 there has been no impact on the current and prior year, whilst the adoption of FRS 21 has had no impact on the current year, but did on the prior year

Consolidated accounts

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. The financial statements present information about the company as an individual undertaking and not about its group

As the company is a wholly owned subsidiary of Morse plc, the company has taken advantage of the exemption contained in FRS 8 "Related party disclosures" and has therefore not disclosed transactions or balances which form part of the group. The consolidated financial statements of the Morse plc, within which the company is included, are available from the address stated in note 18

Turnover

Turnover represents the value of advisory services provided within the company's ordinary activities net of Value Added Tax. Turnover is recognised as services are delivered

Cash flow statement

The company has taken advantage of the exemptions permitted by FRS 1 (Revised 1996) "Cash Flow Statement" not to produce a cash flow statement, on the basis that it is a wholly owned subsidiary undertaking of Morse plc and the cash flows of the Company are included within the consolidated group cash flow statement of Morse plc, in its published financial statements

Tangible fixed assets

The cost of the tangible fixed assets, net of estimated residual value, is depreciated in equal annual instalments over the estimated useful lives of the assets. The estimated useful lives are as follows

Leasehold improvements	-	Remaining term of the lease
Computers and office equipment	-	3 years
Fixtures and fittings	-	Remaining term of the lease

1. ACCOUNTING POLICIES (continued)

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease

Pension costs

The company makes contributions to an independently administered defined contribution scheme. Contributions are charged to the profit and loss account as they accrue. In addition the company makes contributions to certain employees' personal pension arrangements which are charged to the profit and loss account as they accrue.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 future or a right to pay less tax in future have occurred at the balance sheet date, except as otherwise required by FRS19. 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.

Foreign currencies

Transactions denominated in foreign currencies are translated to Sterling at the average monthly exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at rates ruling at the balance sheet date. These translation differences are included in the profit and loss account.

Exchange differences arising on the company's foreign branch are included in the profit and loss account.

Investments

Investments in subsidiary undertakings are stated at cost less provision for any impairment in value. Trade investments are held at cost less provision for any impairment in value.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 30 June 2006 (continued)****2. SEGMENTAL REPORTING****(1) Classes of business**

The company has one class of business being that of providing advisory services to companies engaged in the investment management industry

(2) Geographic areas

An analysis of turnover and profit on ordinary activities before taxation is given below

	Year ended 30 June 2006		18 months ended 30 June 2005	
	Turnover	Profit before taxation	Turnover	Profit before taxation
	£	£	£	£
United Kingdom	6,406,518	1,035,641	10,178,672	1,733,464
Luxembourg	1,288,463	152,900	3,397,557	392,743
	<u>7,694,981</u>	<u>1,188,541</u>	<u>13,576,229</u>	<u>2,126,207</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Average monthly number of persons employed (including Directors)	Year ended 30 June 2006	18 mths ended 30 June 2005
	Number	Number
Management consultants	32	30
Administration staff	15	11
	<u>47</u>	<u>41</u>

Staff costs (including Directors)	Year ended 30 June 2006	18 mths ended 30 June 2005
	£	£
Salaries	3,578,419	6,256,047
Social security costs	432,100	647,548
Pension costs	193,137	361,903
	<u>4,203,656</u>	<u>7,265,498</u>

Directors' emoluments	Year ended 30 June 2006	18 mths ended 30 June 2005
	£	£
Aggregate emoluments	1,015,568	1,269,108
Company contributions to money purchase pension schemes	63,910	176,291
	<u>1,079,478</u>	<u>1,445,399</u>

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 30 June 2006 (continued)****3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

Emoluments of highest paid Director	Year ended 30 June 2006	18 mths ended 30 June 2005
	£	£
Aggregate emoluments	285,557	322,198
Company contributions to money purchase pension schemes	16,380	43,682
	<u>301,937</u>	<u>365,880</u>

Five Directors participated in the pension scheme

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging / (crediting)	Year ended 30 June 2006	18 mths ended 30 June 2005
	£	£
Depreciation of tangible fixed assets	132,847	152,355
Auditors' remuneration		
- audit fee	13,500	13,500
- non-audit fee	-	7,175
Foreign exchange loss	16,755	27,764
Operating lease rentals - land and buildings	334,660	397,326
Profit on disposal of investments	(117,475)	-
Loss on disposal of fixed assets	-	2,198
	<u>-</u>	<u>2,198</u>

The non audit fee in 2005 related to fees paid to the company's previous auditors in relation to work connected to the acquisition of the company by Morse plc during that period

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 June 2006	18 mths ended 30 June 2005
	£	£
Bank interest payable	<u>2,032</u>	<u>-</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 30 June 2006	18 mths ended 30 June 2005
	£	£
Bank interest received	26,184	91,126
Interest from associate undertaking	5,476	5,582
Interest from group undertaking	38,894	-
Interest receivable and similar income	<u>70,554</u>	<u>96,708</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006 (continued)
7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 June 2006 £	18 mths ended 30 June 2005 £
<i>UK corporation tax</i>		
Current tax on income for the period	202,950	501,180
Adjustment in respect of prior periods	3,823	35,111
	<u>206,773</u>	<u>536,291</u>
<i>Foreign tax</i>		
Current tax on income for the period	48,770	123,075
Adjustment in respect of prior periods	-	(15,527)
Total current tax	<u>255,543</u>	<u>643,839</u>
<i>Deferred tax (see note 11)</i>		
Origination of timing difference	-	(18,900)
Increase in recognition of deferred tax asset	(717)	(13,892)
Total deferred tax	<u>(717)</u>	<u>(32,792)</u>
Tax on profit on ordinary activities	<u>254,826</u>	<u>611,047</u>

The current tax charge is lower (2005 higher) than the standard rate of corporation tax in the UK of 30% (2005 - 30%) The differences are explained below

	Year ended 30 June 2006 £	18 mths ended 30 June 2005 £
Profit on ordinary activities before taxation	<u>1,188,541</u>	<u>2,126,207</u>
Current tax at 30% (2005 30%)	356,562	637,862
Expenses not deductible for tax purposes	23,802	16,162
Dividends received not subject to corporation tax	(92,684)	(40,286)
Profit on investment disposal not subject to corporation tax	(35,243)	-
Depreciation in excess of capital allowances for the period	(717)	10,517
Adjustments in respect of prior periods – UK corporation tax	3,823	35,111
- Foreign tax	-	(15,527)
Total current tax charge	<u>255,543</u>	<u>643,839</u>

The deferred tax asset is in respect of the excess of depreciation over capital allowances

CSTIM Limited**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 30 June 2006 (*continued*)**8. EQUITY DIVIDENDS**

	Year ended 30 June 2006 £	18 mths ended 30 June 2005 £
Dividend paid on ordinary shares (2005 £19 21 per ordinary share)	-	199,734

9. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Computer and office equipment £	Fixtures & fittings £	Total £
Cost				
At 30 June 2005	290,793	408,505	81,789	781,087
Additions	-	38,629	525	39,154
At 30 June 2006	<u>290,793</u>	<u>447,134</u>	<u>82,314</u>	<u>820,241</u>
Depreciation				
At 30 June 2005	13,454	361,236	6,228	380,918
Charge for the year	66,513	48,756	17,578	132,847
At 30 June 2006	<u>79,967</u>	<u>409,992</u>	<u>23,806</u>	<u>513,765</u>
Net book value				
At 30 June 2006	<u>210,826</u>	<u>37,142</u>	<u>58,508</u>	<u>306,476</u>
At 30 June 2005	<u>277,339</u>	<u>47,269</u>	<u>75,561</u>	<u>400,169</u>

10. INVESTMENTS

	Associated undertakings £	Subsidiary undertakings £	Other investments £	Total £
Cost				
At 30 June 2005	82,837	206,253	25,000	314,090
Additions	-	15,474	-	15,474
Disposals	(82,837)	-	-	(82,837)
At 30 June 2006	<u>-</u>	<u>221,727</u>	<u>25,000</u>	<u>246,727</u>
Net book value				
At 30 June 2006	<u>-</u>	<u>221,727</u>	<u>25,000</u>	<u>246,727</u>
At 30 June 2005	<u>82,837</u>	<u>206,253</u>	<u>25,000</u>	<u>314,090</u>

10. INVESTMENTS (continued)

	Country of incorporation	% of ordinary shares and voting rights held	Nature of business
Subsidiary undertakings			
CSTIM Jersey Limited	Jersey	100%	Consultancy
CSTIM Management Consulting (Proprietary Limited)	South Africa	100%	Consultancy
CSTIM SAS	France	60%	Consultancy
SkillsHub Limited	England	51%	Contractor placement
Associate undertakings			
CSTARR Limited	England	20%	Consultancy
Other investments			
Fleming McGillivray & Co Limited	England	10%	Consultancy

On 22nd June 2006 the company acquired 60% of the share capital of CSTIM SAS, a company registered and incorporated in France for £15,474. On 30th June 2006, the company disposed of its entire shareholding in CIB Partners Ltd for £200,000. The profit on disposal of CIB Partners amounted to £117,475. The write-down in the prior year related to the company's investment in CSTARR Limited.

11. DEBTORS

	2006 £	2005 £
Trade debtors	1,626,358	1,721,969
Financial asset	111,058	-
Loan to associate undertaking	-	105,582
Amounts owed by subsidiary undertakings	1,051,822	29,448
Amounts owed by associated undertakings	-	71,892
Amounts owed by group undertakings	1,827,263	1,181,137
Other debtors	330,577	64,638
Deferred tax	33,509	32,792
Prepayments and accrued income	1,178,509	472,087
	<u>6,159,096</u>	<u>3,679,545</u>

The financial asset is a loan to CIB Partners

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006 (continued)

Deferred Taxation

Year ended
30 June 2006

The movement in deferred taxation is as follows

	£
Opening balance as at 30 June 2005	32,792
Charge for the year (see note 7)	717
Closing balance at 30 June 2006	<u>33,509</u>

30 June 2006

30 June 2005

£

£

The elements of deferred taxation are as follows

	30 June 2006	30 June 2005
	£	£
Accelerated capital allowances	33,509	32,792
	<u>33,509</u>	<u>32,792</u>

A deferred tax asset is recognised because the Directors believe that the future taxable profits are in excess of those arising from the reversal of the deferred tax asset

12. CREDITORS: Amounts falling due within one year

	2006	2005
	£	£
Trade creditors	347,537	263,696
Amounts owed to subsidiary undertakings	960,350	223,491
Amounts owed to group undertakings	1,114,930	318
Corporation tax	22,159	206,836
PAYE and social security	145,600	110,077
VAT	113,298	98,866
Other creditors	15,611	65,604
Accruals and deferred income	816,449	1,059,303
	<u>3,535,934</u>	<u>2,028,191</u>

13. COMMITMENTS UNDER OPERATING LEASES

There are no capital commitments at 30 June 2006 (30 June 2005 nil) At 30 June 2006 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	
	2006	2005
	£	£
Operating leases which expire		
Within 1 year	18,750	16,612
Between years 2 and 5	297,641	-
After more than 5 years	-	226,290
	<u>316,391</u>	<u>242,902</u>

14. SHARE CAPITAL

Authorised share capital

	2006	2005
	£	£
20,000 Ordinary shares of £1 00 each	<u>20,000</u>	<u>20,000</u>
Allotted, called up and fully paid		
	2006	2005
	£	£
10,400 Ordinary shares of £1 00 each	<u>10,400</u>	<u>10,400</u>

15. RESERVES

	Profit and loss account	Merger reserve account
	£	£
Opening balance	3,629,123	130,800
Retained profit for the year	933,715	-
Balance carried forward	<u>4,562,838</u>	<u>130,800</u>

16. RELATED PARTY TRANSACTIONS

The company charged fees during the year ended 30 June 2006 of £42,603 (18 month period ended 30 June 2005 £20,788) to Fleming McGillivray & Co Limited on normal commercial terms for use of office facilities. Fleming McGillivray & Co Limited charged the company consultancy fees during the year ended 30 June 2006 of £28,343 (18 month period ended 30 June 2005 £5,000) on normal commercial terms. At 30 June 2006 Fleming McGillivray & Co Limited owed the company £18,420 (30 June 2005 £24,015). At 30 June 2006 the company owed Fleming McGillivray & Co Limited £6,956 (30 June 2005 nil).

The company charged fees during the year ended 30 June 2006 of £154,879 (18 month period ended 30 June 2005 £35,729) to CIB Partners Limited on normal commercial terms. At 30 June 2006 £473,523 was due from CIB Partners (30 June 2005 nil). This balance comprised of proceeds from sale of shares of £200,000, loan of £111,057, invoiced trading debt of £69,900 and accruals and recharges of £92,566 (30 June 2005 £nil).

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under FRS 8 "Related Party Disclosure".

17. POST BALANCE SHEET EVENTS

On 27 February 2007, the Company acquired the remaining 49% of the ordinary share capital of SkillsHub Limited for a total maximum consideration of £819,738. As a result of this transaction, the Company now holds 100% of the share capital of SkillsHub Limited.

The company has sold its 20% share holding in CSTARR Limited for no consideration. The resulting profit on disposal amounted to £nil.

On 1 April 2007, the trade and assets of the UK element of CSTIM, was transferred to Morse Group Limited, a fellow subsidiary of Morse plc. The trade and assets of the Luxembourg branch remain in CSTIM Ltd.

18. IMMEDIATE AND ULTIMATE PARENT COMPANY

The immediate and ultimate parent company is Morse plc, a company registered in England and Wales. The largest and smallest group in which the results of the company are consolidated is that headed by Morse plc, incorporated in England and Wales. Copies of the consolidated financial statements can be obtained from

Morse plc
Profile West
950 Great West Road
Brentford
Middlesex
TW8 9EE

UNAUDITED PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2006

The following detailed profit and loss account is provided for information purposes only and has not been audited

	Year ended 30 June 2006 £	18 months ended 30 June 2005 £
TURNOVER		
UK Consultancy	6,147,064	9,840,082
Recharges	377,993	718,386
Luxembourg	1,169,924	3,017,761
	<u>7,694,981</u>	<u>13,576,229</u>
COST OF SALES		
Wages and salaries	3,771,556	6,617,950
NIC on direct labour	432,100	647,548
Sub-contractors	658,692	531,029
Charges from other group companies	470,238	1,271,215
Rechargeable expenses	390,649	724,865
Discounts allowed	-	-
	<u>5,723,235</u>	<u>9,792,607</u>
GROSS PROFIT	<u>1,971,746</u>	<u>3,783,622</u>
OVERHEADS		
Rent, rates & service charges	298,798	504,826
Insurance	49,422	76,775
Repairs and maintenance	691	3,366
Travel and entertainment	168,382	191,222
Telephone and fax	75,950	107,295
Computer equipment and consumables	74,443	146,817
Printing, postage and stationery	39,140	46,528
Office running costs (net of recharges)	(11,054)	28,521
Subscriptions and publications	47,101	82,705
Internal business development	31,030	41,284
Training, development and recruitment	174,648	192,993
Sundry expenses	690	1,833
Sales and marketing	31,352	55,979
Donations	2,972	7,596
Loss/(Profit) on sale of own shares	-	105
Relocation expenses	19,922	52,811
Advertising	24,614	19,874
Legal and professional fees	42,986	70,452
Accounting & Audit fees	38,449	44,385
Depreciation	132,847	152,355
(Profit)/Loss on disposal of fixed assets	(117,475)	2,198
Bad debts written off	16,626	1,153
Bank charges	2,387	3,700
Exchange (gains)/losses	16,753	27,764
Acquisition costs	-	871
	<u>1,160,674</u>	<u>1,863,408</u>
OPERATING PROFIT	<u>811,072</u>	<u>1,920,214</u>

UNAUDITED PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2006

The following detailed profit and loss account is provided for information purposes only and has not been audited

	Year ended 30 June 2006	18 months ended 30 June 2005
	£	£
OPERATING PROFIT	811,072	1,920,214
Income from shares in group undertakings	308,946	134,285
Amounts written off investments	-	(25,000)
Bank interest payable	(2,032)	-
Bank interest receivable	70,555	96,708
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>1,188,541</u>	<u>2,126,207</u>