Company Registration No. 3685554

GCG Plc

Report and Financial Statements

30 June 2007

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GCG Plc

REPORT AND FINANCIAL STATEMENTS 2007

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GCG Plc

REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Valentine Feenck
Joy Feenck
Nicholas White

SECRETARY

Joy Feenck

BUSINESS ADDRESS

Wrest House
Wrest Park
Silsoe
Bedfordshire
MK45 4HS

REGISTERED OFFICE

Wrest House
Wrest Park
Silsoe
Bedfordshire
MK45 4HS

BANKERS

Lloyds TSB Bank plc	HSBC Bank plc
High St North	20 Eastcheap
Dunstable	EC3M 1ED

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cambndge

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2007

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activities of the company during the year were that of management consultancy, non-executive, executive and interim search and selection, the provision of outsourced recruitment services, and the development of senior managers and executives

During the 12 month period the company continued to invest in the business, from self-generated cash flow, to broaden the range of services offered to clients The directors regard this investment as an essential and ongoing component for the continued success and future growth of the business which relies in great part on having strong on-line capabilities As a result of this continued investment, revenue and profit after tax declined slightly during the 12 month period However, the directors believe that the company has a strong foundation from which to develop sustained revenues Diversifying the business mix across a greater number of customers continued to be a focus during the year and several new clients were secured These new relationships are capable of generating significant and consistent ongoing revenues

In particular, the company was pleased with the performance of its Outsourced Recruitment service which was launched during the prior period This service now represents one of the major growth areas for the business and this service offering is highly complementary to the company's other core recruitment offerings including candidateone com and professionalassociates com In recent months the company has been finalising the launch of the next version of candidateone com being positioned in the market place as the 'employee network' Separately, professionalassociates com is gaining increased presence in the interim market place The group is well placed to provide clients with a complete outsourcing service for permanent and casual recruitment in addition to handling key elements of the clients' payroll processing These developments support the company's continued focus on diversity in its earnings mix

As shown in the company's profit and loss account on page 7, the company's sales for the year were £1 504 million (2006 £1 583 million) A key measurement of the effectiveness of the company's operations is staff utilisation and efficiency During the year, the company improved staff utilisation (as measured by the ratio of staff costs to turnover) from 48% in 2006 to 47% in 2007 continuing the trend for greater efficiency Despite the continued investment in technology and on-line service launches, website costs capitalised were reduced to £144,311 during the year (2006 - £262,352) In addition, the company is pleased to report a significant improvement in Trade Debtors reduced from £355,000 in 2006 to £155,000 this year with the average debt days reducing significantly from 82 days to 38 days

The balance sheet on page 9 shows that the company's financial position at the year end is, in total assets less current liabilities terms, once again broadly consistent with the prior year The company's tangible assets have increased due to the cost of a number of employees (associated with website development) being capitalised on the balance sheet

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates in highly competitive markets which is an ongoing risk to the company and could result in losing sales to its key competitors The company continues to manage and mitigate this risk by offering differentiated services to its customers, and developing strong relationships with the board directors and senior managers within client organisations

FUTURE PROSPECTS

Having invested in the business over the last year to enhance the range of services offered to clients, the company has recently secured a number of important new contracts By focusing on proven service offers, the company is positive about the future prospects of the business

RESULTS AND DIVIDENDS

The profit for the year after taxation was £29,613 (2006 £52,339) The directors recommend the payment of a dividend in the current year of £1 02 per share (2006 - £1 66 per share)

GCG Plc

DIRECTORS' REPORT

DIRECTORS

The following directors served throughout the year

Valentine Feerick
Joy Feerick
Nicholas White

POLICY ON THE PAYMENT OF CREDITORS

The company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted It is company policy that payments to suppliers are made in accordance with these terms, provided that the supplier complies with all the relevant terms and conditions At the year end the company had 65 days' costs outstanding in trade creditors

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) 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

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

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

J F. Feerick

Director

6 December 2007

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 accounting standards have been followed,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 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 GCG Plc

We have audited the financial statements of GCG Plc for the year ended 30 June 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the statement of movement on reserves the balance sheet the cash flow statement and the related notes 1 to 20 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 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 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GCG 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 30 June 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 information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cambridge, United Kingdom
11 December 2007

GCG Plc

PROFIT AND LOSS ACCOUNT
Year ended 30 June 2007

	Note	2007 £	2006 £
TURNOVER	2	1,504,034	1 583,204
Staff costs	4	(760,829)	(770,862)
Depreciation		(141,035)	(67,055)
Other operating charges		(575,855)	(675,077)
OPERATING PROFIT	3	26,315	70,210
Interest receivable and similar income		1,324	1,331
Interest payable and similar charges	5	-	(70)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		27,639	71,471
Tax on profit on ordinary activities	6	1,974	(19,132)
PROFIT FOR THE FINANCIAL YEAR		29,613	52,339

All activities derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 June 2007

	2007 £	2006 £
Profit attributable to the members of its company	29,613	52,339
Credit on share options	-	(26,447)
Total recognised gains and losses related to the year	29,613	25,892

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 30 June 2007

	2007 £	2006 £
Opening shareholders' funds	316,559	379,754
Profit attributable to the members	29,613	52,339
Credit on share options	-	(26,447)
Dividends (note 7)	(54,740)	(89,087)
Closing shareholders' funds	291,432	316,559

STATEMENT OF MOVEMENT ON RESERVES
Year ended 30 June 2007

	Share premium account £	Profit and loss account £
At 1 July 2006	236,382	26,510
Profit for the year	-	29,613
Dividends (note 7)	-	(54,740)
At 30 June 2007	236,382	1,383

GCG Plc

BALANCE SHEET
30 June 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Intangible assets	8	311.062	330 812
Tangible assets	9	322,134	297 023
Investments	10	5,099	5 099
		638,295	632,934
CURRENT ASSETS			
Debtors	11	180,697	387.959
Cash at bank and in hand		40,232	7,780
		220,929	395,739
CREDITORS: amounts falling due within one year	12	(566 697)	(693,063)
NET CURRENT LIABILITIES		(345,768)	(297,324)
TOTAL ASSETS LESS CURRENT LIABILITIES		295 527	335,610
PROVISIONS FOR LIABILITIES AND CHARGES	13	(1,095)	(19 051)
NET ASSETS		291,432	316 559
CAPITAL AND RESERVES			
Called up share capital	16	53,667	53,667
Share premium account		236,382	236,382
Profit and loss account		1,383	26,510
SHAREHOLDERS' FUNDS		291 432	316,559

These financial statements were approved by the Board of Directors and authorised for issue on 6 December 2007.

Signed on behalf of the Board of Directors

Nicholas White

Director

CASH FLOW STATEMENT
Year ended 30 June 2007

	Note	2007 £	2006 £
Net cash inflow from operating activities	17	326,931	273,026
Returns on investments and servicing of finance			
Interest received		1,324	1,331
Interest paid		-	(70)
Net cash inflow from returns on investments and servicing of finance		1,324	1,261
Taxation paid		(60,320)	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(146,396)	(281,185)
Net cash outflow from capital expenditure and financial investment		(146,396)	(281,185)
Acquisitions and disposals			
Payments to acquire fixed asset investments		-	(5,091)
Net cash outflow from acquisitions and disposals		-	(5,091)
Dividend paid		(89,087)	-
Increase (decrease) in cash	18/19	32,452	(11,989)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

1. ACCOUNTING POLICIES

Basis of accounting

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

Basis of consolidation

In the opinion of the directors, the subsidiary undertakings of the company are immaterial to consolidate The company has therefore taken advantage provided by section 229 of the Companies Act 1985 not to prepare group accounts

Turnover

The turnover shown in the profit and loss account represents work carried out during the period, exclusive of Value Added Tax

Goodwill

Purchased goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised over its estimated useful life of 20 years from the date of acquisition Goodwill is reviewed for impairment at the end of the first full financial period following each acquisition and subsequently as and when necessary, if circumstances emerge that indicate that the carrying value may not be recoverable

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows

Website	33% straight line
Equipment	33% straight line
Fixtures and fittings	25% straight line

Operating lease agreements

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

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Share-based payments

The company has applied the requirements of FRS 20 (IFRS 2) Share-based Payment In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006

The company issues equity-settled and cash-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted to the effect of non market-based vesting conditions

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

1. ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Fair value is measured by use of the Black-Scholes pricing model The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments

2 TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company

An analysis of turnover is given below

	2007 £	2006 £
United Kingdom	1,504,034	1,583,204

3. OPERATING PROFIT

Operating profit is after charging.	2007 £	2006 £
Amortisation	19,750	19,750
Depreciation of owned fixed assets	121,285	47,305
Rentals under operating leases		
Land and buildings	38,049	26,002
Other operating leases	1,730	1,730
Auditors' remuneration		
Audit	9,100	8,500
Other services	11,951	25,795

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2007 £	2006 £
Directors' remuneration		
Emoluments	149,000	149,000
	£	£
Highest paid director's remuneration	149,000	149,000
Average number of persons employed by the company during the year was:	No	No
Directors	3	3
Consultancy staff	7	7
Recruiting and administrative staff	9	10
	19	20

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2007 £	2006 £
Staff costs during the year (including directors)		
Wages and salaries	688,049	718,144
Social security costs	72,780	79,165
Share option credit	-	(26,447)
	760,829	770,862

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Other similar charges payable	-	70

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £	2006 £
Current tax		
United Kingdom corporation tax based on the result for the year	15,982	81
Deferred taxation (note 13)		
Origination and reversal of timing differences	(17,956)	19,051
	(1,974)	19,132

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

6 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 20% (2006 19%) The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation

	2007 £	2006 £
Profit on ordinary activities before tax	27,639	71,471
Tax on profit on ordinary activities at standard rate	5,528	13,579
Disallowed expenses	11,994	5,943
Timing differences	(60)	(19,199)
Marginal relief	-	(242)
Revenue losses	(1,480)	-
Total actual amount of current tax	15,982	81

7. DIVIDENDS

	2007 £	2006 £
£1 02 per share (2006 - £1 66 per share declared)	54,740	89,087

8. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 1 July 2006 and 30 June 2007	395,000
Amortisation	
At 1 July 2006	64,188
Charge for the year	19,750
At 30 June 2007	83,938
Net book value	
At 30 June 2007	311,062
At 30 June 2006	330,812

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

9. TANGIBLE FIXED ASSETS

	Website £	Equipment £	Fixtures and fittings £	Total £
Cost				
At 1 July 2006	262,352	77,424	19,959	359,735
Additions	144,311	2,085	-	146,396
At 30 June 2007	406,663	79,509	19,959	506,131
Depreciation				
At 1 July 2006	19,323	38,964	4,425	62,712
Charge for the year	91,460	24,835	4,990	121,285
At 30 June 2007	110,783	63,799	9,415	183,997
Net book value				
At 30 June 2007	295,880	15,710	10,544	322,134
At 30 June 2006	243,029	38,460	15,534	297,023

10 INVESTMENTS HELD AS FIXED ASSETS

	Shares in group companies £
Cost	
At 1 July 2006 and 30 June 2007	5,099
Net book value	
At 30 June 2007	5,099
At 30 June 2006	5,099

The company has an interest in the issued share capital of the following companies

Name of company	Nature of business	Country of registration	Class of shares held	% of shares held
Non Executive Register Limited	Dormant	England and Wales	Ordinary	100
Candidate One Limited	Dormant	England and Wales	Ordinary	100
FindMe Limited	Dormant	England and Wales	Ordinary	100
GCG Limited	Dormant	England and Wales	Ordinary	100
Professional Associates Limited	Dormant	England and Wales	Ordinary	100
Worldexec Limited	Dormant	England and Wales	Ordinary	100

All of the above subsidiary undertakings remained dormant throughout the year

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

11. DEBTORS

	2007 £	2006 £
Trade debtors	155,456	354,656
Other debtors	15,324	15,109
Prepayments and accrued income	9,917	18,194
	180,697	387,959

All debtors are due within one year

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Directors' current account	198,842	173,590
Trade creditors	86,531	214,007
Amounts owed to group undertakings	11	11
Corporation tax	15,981	60,320
Other tax and social security	139,732	74,594
Accruals and deferred income	70,860	81,454
Dividend declared	54,740	89,087
	566,697	693,063

13. DEFERRED TAXATION

The movement in the deferred taxation account during the year was

	2007 £	2006 £
Balance brought forward	19,051	-
Profit and loss account (credit) charge	(17,956)	19,051
Balance carried forward	1,095	19,051

The amounts of deferred taxation provided in the financial statements and the amounts not provided are set out below

	Unprovided		Provided	
	2007 £	2006 £	2007 £	2006 £
Accelerated capital allowances	-	-	1,095	19,051

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

14. OPERATING LEASE COMMITMENTS

At 30 June 2007 the company had no annual commitments under non-cancellable operating leases

15. RELATED PARTY TRANSACTIONS

As at 30 June 2007 £198,842 (2006 - £173,590) was due to Valentine Feerick, a director of the company The amount is unsecured, interest free and repayable upon demand During the year this director introduced £265,829 (2006 - £277,640) and withdrew £254,213 (2006 - £104,132)

16. CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised		
100,000 ordinary shares of £1 each	100,000	10,000
Allotted called up and fully paid		
53,667 ordinary shares of £1 each	53,667	53,667

Options were previously granted over £1 ordinary shares under an Enterprise Management Incentive Scheme as follows

Date granted	Number granted	Cancelled	As at 30 June 2006
20 June 2005	1,075	(1,075)	-
20 June 2005	817	(817)	-
20 June 2005	2,285	(2,285)	-

During the year this EMI Scheme was cancelled

Options were granted over £1 shares under a new Enterprise Management Incentive Scheme as follows

Date granted	Number granted	Lapsed in year	As at 30 June 2007	Exercise price
11 January 2007	6,744	-	6,744	£11 24
11 January 2007	3,380	-	3 380	£19 16
11 January 2007	2,500	1,500	1,000	£38 33
11 January 2007	1,500	500	1,000	£57 50

All of the above options granted are exercisable 18 months from the date granted

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

17. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating profit	26 315	70,210
Amortisation	19,750	19,750
Depreciation	121.285	47 305
Credit on share options	-	(26,447)
Decrease (increase) in debtors	207 261	(164,551)
(Decrease) increase in creditors	(47 680)	326,759
Net cash inflow from operating activities	326,931	273,026

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2007 £	2006 £
Increase (decrease) in cash in the year	32,452	(11,989)
Movement in net funds in the year	32,452	(11,989)
Net funds at 1 July 2006	7,780	19,769
Net funds at 30 June 2007	40,232	7,780

19. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 July 2006 £	Cash flows £	At 30 June 2007 £
Net cash:			
Cash in hand and at bank	7,780	32,452	40,232
Net funds	7,780	32,452	40,232

20 CONTROLLING PARTY

The ultimate controlling party is V Feerick