

1478123

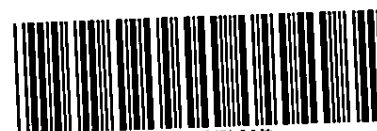
PRG-Schultz UK Limited

Director's Report and Financial Statements

Year Ended

31 December 2007

FRIDAY



A08 *AKSHW2VW* 05/09/2008 162
COMPANIES HOUSE



BDO Stoy Hayward
Chartered Accountants

PRG-Schultz UK Limited

Annual report and financial statements for the year ended 31 December 2007

Contents

Page:

1	Report of the director
4	Report of the independent auditors
6	Profit and loss account
7	Balance sheet
8	Cash flow statement
9	Notes forming part of the financial statements

Director

J McCurry

Secretary and registered office

T Field, First Floor, 731 Capability Green, Luton, Bedfordshire LU1 3LU

Company number

1478123

Auditors

BDO Stoy Hayward LLP, Prospect Place, 85 Great North Road, Hatfield, Herts AL9 5BS

-

PRG-Schultz UK Limited

Report of the director for the year ended 31 December 2007

The director presents his report together with the audited financial statements for the year ended 31 December 2007

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year

No interim dividends were paid (2006 £Nil) and no final dividend is proposed (2006 £Nil)

Principal activities, trading review and future developments

The principal activity of the company in the year under review continued to be that of the provision of recovery audit services and associated professional services

Turnover has decreased by £1.3m (8%) to £15.2m however gross profit has improved by £0.2m to £4.2m (2006 £4.0m) as a result of the company continuing to focus on its major clients and following the exit from a number of smaller client contracts that were not profitable. Operating profit for the year was £0.1m compared to £0.7m loss in 2006

Consistent with the strategy on focusing on its core client base, the company continues to review its overheads and operating model to ensure that the operational infrastructure is appropriate for the business. This is expected to deliver further margin improvements during 2008

Net operating cash inflows were £0.2m (2006 £1.3m). The liquidity position of the company decreased during the year to £0.4m at 31 December 2007 from £0.5m at 31 December 2006 following capital investment in the refurbishing of new offices

The business of the company is reliant upon its clients and the business environment in which they operate. Whilst no major changes in this respect are anticipated at this time, any adverse change in that environment or the loss of a major client would affect the company's business accordingly

Post balance sheet events

There have been no events since the balance sheet date which materially affect the position of the company

Charitable and political contributions

During the year the company made charitable contributions of £1,500 (2006 £1,151). There were no political contributions (2006 £Nil)

Financial instruments

The board regularly reviews the financial requirements of the company and the risks associated therewith. Company operations are primarily financed from operating cashflows and the company has a positive cash balance of £395k and no overdraft at the year end and did not utilise any such facility during the year. The company does not use complicated or derivative financial instruments for trading purposes

PRG-Schultz UK Limited

Report of the director for the year ended 31 December 2007 (*Continued*)

Director

The director of the company during the year was J McCurry

Director's responsibilities

The director is 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 director 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 director is 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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

PRG-Schultz UK Limited

Report of the director for the year ended 31 December 2007 (*Continued*)

Auditors

The director has taken all the steps that he ought to have taken to make himself 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 director is 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



J. McCurry
Director

Date

8/29/08

PRG-Schultz UK Limited

Report of the independent auditors

To the shareholders of PRG-Schultz UK Limited

We have audited the financial statements of PRG-Schultz UK Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The director's 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 director's 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. We also report to you if, in our opinion, the director's report is not consistent with those financial statements, if 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 the director's remuneration and other transactions are not disclosed.

We read the director's 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 director 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.

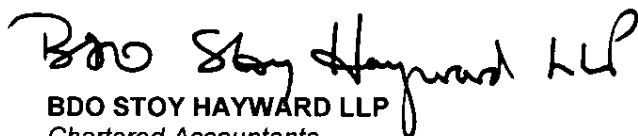
PRG-Schultz UK Limited

Report of the independent auditors (*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 31 December 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 director's report is consistent with the financial statements



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

Date *31 August 2008*

PRG-Schultz UK Limited

Profit and loss account for the year ended 31 December 2007

	Note	2007 £	2006 £
Turnover	1	15,224,011	16,508,430
Cost of sales		(11,004,094)	(12,484,185)
Gross profit		4,219,917	4,024,245
Other operating income		669,548	1,082,214
Administrative expenses		(4,825,529)	(5,834,608)
Operating profit/(loss)	2	63,936	(728,149)
Interest receivable and similar income	5	6,719	6,873
Interest payable and similar charges	6	-	(7,553)
Profit/(loss) on ordinary activities before taxation		70,655	(728,829)
Taxation on profit on ordinary activities	7	(54,791)	-
Retained Profit for the financial year		15,864	(728,829)

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

The notes on pages 9 to 17 form part of these financial statements

PRG-Schultz UK Limited

Balance sheet at 31 December 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Intangible assets	8		2,045,005		2,174,846
Tangible assets	9		317,329		275,338
Current assets					
Debtors	10	6,137,658		5,915,155	
Cash at bank and in hand		394,755		545,241	
			6,532,413		6,460,396
Creditors, amounts falling due within one year	11	(6,242,218)		(6,273,915)	
Net current assets			290,195		186,481
Net assets			2,652,529		2,636,665
Capital and reserves					
Called up share capital	12		210		210
Share premium	17		17,609,646		17,609,646
Capital contribution reserve	17		2,606,894		2,606,894
Profit and loss	17		(17,564,221)		(17,580,085)
Shareholders' funds	18		2,652,529		2,636,665

The financial statements were approved by the director and authorised for issue on ²⁷August 2008


J. McCurry
Director

The notes on pages 9 to 17 form part of these financial statements

PRG-Schultz UK Limited

Cash flow statement for the year ended 31 December 2007

	Note	2007 £	2006 £
Net cash inflow from operating activities	13	197,257	1,253,905
Returns on investments and servicing of finance	14	6,719	(680)
Taxation		-	60,773
Capital expenditure and financial investment	14	(354,462)	(103,906)
Cash (outflow)/inflow before financing		(150,486)	1,210,092
Financing	14	-	(1,152,808)
(Decrease)/increase in cash		(150,486)	57,284

Reconciliation of net cash flow to movement in net funds

	Note	2007 £	2006 £
(Decrease)/increase in cash		(150,486)	57,284
Cash inflow to decrease debt	15	-	1,152,808
Movement in net funds/(debt)		(150,486)	1,210,092
Opening net funds/(debt)		545,241	(664,851)
Closing net funds		394,755	545,241

The notes on pages 9 to 17 form part of these financial statements

PRG-Schultz UK Limited

Notes forming part of the financial statements for the year ended 31 December 2007

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

Turnover

Turnover represents amounts derived from the principal business of providing recovery audit services to large and medium businesses. Turnover is stated net of VAT and is recognised when a customer has secured a recovery from its supplier

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates

Computer equipment	- 33% per annum
Office equipment	- 20% per annum
Leasehold improvements	- over the lesser of 10 years or the remaining lease term

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

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that

- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

Leased assets

All leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. The assets of the scheme are held separately in an independently administered fund

PRG-Schultz UK Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

1 Accounting policies (Continued)

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form

Goodwill

Purchased goodwill is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which is 20 years. Impairment tests on the carrying value of goodwill are undertaken

- at the end of the first full financial year following acquisition,
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings and from translating the profit and loss account at an average rate are taken to reserves.

All other differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, which, to the extent that they are used to finance or provide a hedge against foreign equity investments, are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises. Tax charges or credits that are directly and solely attributable to such exchange differences are also taken to reserves.

2 Operating profit/(loss)	2007 £	2006 £
This is arrived at after charging/(crediting)		
Loss on disposal of fixed assets	78,670	8,303
Foreign currency exchange profit	(57,453)	(332,409)
Depreciation of tangible fixed assets	233,801	659,454
Amortisation of goodwill	129,841	129,841
Land and buildings – operating leases	45,000	255,888
<i>Auditors remuneration</i>		
Audit *	42,000	48,500
Other services	83,000	22,000

PRG-Schultz UK Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

3 Remuneration of director

The director's remuneration is borne by another group company

The director is accruing no benefits under money purchase pension schemes (2006 £Nil)

4 Employees

The average number of employees (including director) during the year, analysed by category, was as follows

	Number of employees	
	2007	2006
Administration	50	56
Audit	39	72
	<u>89</u>	<u>128</u>
Staff costs (including director) consist of	2007	2006
	£	£
Wages and salaries	3,588,607	6,813,147
Social security costs	502,630	770,993
Other pension costs	230,013	234,353
	<u>4,321,250</u>	<u>7,818,493</u>

The pension cost for 2007 of £230,013 (2006 £234,353) relates to contributions payable to the company's defined contribution pension scheme. At 31 December 2007, there were outstanding contributions of £9,682 (2006 £17,909)

5 Interest receivable and similar income

	2007	2006
	£	£
Bank interest	6,719	6,873
	<u>6,719</u>	<u>6,873</u>

6 Interest payable and similar charges

	2007	2006
	£	£
Inter company interest payable	-	7,553
	<u>-</u>	<u>7,553</u>

PRG-Schultz UK Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

7 Taxation on loss from ordinary activities

	2007 £'000	2006 £'000
<i>UK corporation tax</i>		
Current tax on losses of the year	-	-
Adjustment in respect of prior periods	54,791	
	<hr/>	<hr/>
Taxation on profit/(loss) on ordinary activities	54,791	-
	<hr/>	<hr/>

Current tax for the year is higher (2006 higher) than the standard rate of tax in the UK of 30% (2006 30%) The differences are explained below

	2006 £	2006 £
Profit on ordinary activities before tax	70,655	(728,829)
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	21,197	(218,649)
<i>Effect of</i>		
Expenses not deductible for tax purposes	38,952	39,297
Depreciation in excess of capital allowances	8,287	4,247
Other timing differences	(68,436)	(73,304)
Adjustments in respect of prior periods	54,791	-
Tax losses not recognised	-	248,409
	<hr/>	<hr/>
Current tax charge for year	54,791	-
	<hr/>	<hr/>

Factors that may affect future tax charges

No deferred tax has been recognised at 31 December 2007 (2006 £Nil) A potential deferred tax asset of £723,491 has not been recognised on accelerated capital allowances, other timing differences and tax losses carried forward at 31 December 2007 (2006 £1,820,538) on the grounds that there is insufficient evidence that the asset will be recovered in the foreseeable future

PRG-Schultz UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

8	Intangible fixed assets				Goodwill £
	<i>Cost</i>				
	At 1 January and 31 December 2007				13,840,591
	<i>Amortisation</i>				
	At 1 January 2007				11,665,745
	Charged in year				129,841
	At 31 December 2007				11,795,586
	<i>Net book amount</i>				
	At 31 December 2007				2,045,005
	At 31 December 2006				2,174,846
9	Tangible fixed assets	Computer equipment £	Furniture & fittings £	Leasehold improvements £	Total £
	<i>Cost or valuation</i>				
	At 1 January 2007	1,973,873	126,639	365,667	2,466,179
	Additions	57,738	75,803	220,921	354,462
	Disposals	(1,819,696)	-	(365,667)	(2,185,363)
	At 31 December 2007	211,915	202,442	220,921	635,278
	<i>Depreciation</i>				
	At 1 January 2007	1,752,936	112,688	325,217	2,190,841
	Charge for year	165,790	11,998	56,013	233,801
	Disposals	(1,741,360)	-	(365,333)	(2,106,693)
	At 31 December 2007	177,366	124,686	15,897	317,949
	<i>Net book amount</i>				
	At 31 December 2007	34,549	77,756	205,024	317,329
	At 31 December 2006	220,937	13,951	40,450	275,338

PRG-Schultz UK Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

10 Debtors	2007 £	2006 £
Trade debtors	2,308,415	2,671,487
Other debtors	571,574	261,273
Prepayments and accrued income	454,147	164,796
Amounts owed from group undertakings	2,803,522	2,817,599
	<u>6,137,658</u>	<u>5,915,155</u>

All amounts shown under debtors fall due for payment within one year

11 Creditors: amounts falling due within one year	2007 £	2006 £
Trade creditors	1,468,863	1,402,306
Other taxation and social security	100,984	227,367
Corporation tax payable	54,791	-
Accruals and deferred income	858,847	1,605,001
Amounts owed to group undertakings	3,758,733	3,039,241
	<u>6,242,218</u>	<u>6,273,915</u>

12 Share capital

	2007 Number	Authorised 2007 Number	2006 £	2006 £
200 ordinary shares of £1 each	200	200	200	200
10 'A' ordinary shares of £1 each	10	10	10	10
	<u>210</u>	<u>210</u>	<u>210</u>	<u>210</u>
	2007 Number	Allotted, called up and fully paid 2007 Number	2006 £	2006 £
200 ordinary shares of £1 each	200	200	200	200
10 'A' ordinary shares of £1 each	10	10	10	10
	<u>210</u>	<u>210</u>	<u>210</u>	<u>210</u>

The 'A' ordinary shares rank pari passu in all respects save that they shall not entitle holders to receive notice of or to attend or vote at any general meeting, nor to participate in the profit and assets of the company

PRG-Schultz UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 *(Continued)*

13 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2007 £	2006 £
Operating profit/(loss)	63,936	(728,149)
Loss on sale of fixed assets	78,670	8,303
Depreciation of tangible fixed assets	233,801	659,454
Goodwill amortisation	129,841	129,841
Increase in debtors	(222,503)	2,050,676
Decrease in creditors	(86,488)	(866,220)
Net cash inflow from operating activities	197,257	1,253,905

14 Analysis of cash flows for headings netted in the cash flow statement

	2007 £	2006 £
Returns on investment and servicing of finance		
Interest received	6,719	6,873
Interest paid	-	(7,553)
	6,719	(680)
Capital expenditure		
Purchase of tangible fixed assets	(354,462)	(103,906)
Financing		
Intercompany finance	-	(1,152,808)

PRG-Schultz UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (Continued)

15 Analysis of net funds	At 1 January 2007 £	Cashflow £	At 31 December 2007 £
Cash in bank and in hand	545,241	(150,486)	394,755
Total	545,241	150,486	394,755

16 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2007 £	2006 £
Operating leases which expire		
Within one year	-	195,888
Within two to five years	45,000	-

17 Capital and reserves

	Share capital £	Share premium £	Profit and loss £	Capital contribution reserve £	Total £
At 1 January 2007	210	17,609,646	(17,580,085)	2,606,894	2,636,665
Profit for the year	-	-	15,864	-	15,864
At 31 December 2007	210	17,609,646	(17,564,221)	2,606,894	2,652,529

The director considers that the capital contribution reserve is distributable

18 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the year	15,864	(728,829)
Opening shareholders' funds	2,636,665	3,365,494
Closing shareholders' funds	2,652,529	2,636,665

PRG-Schultz UK Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

19 Immediate and ultimate parent company

The immediate parent company is Tamebond Limited, a company registered in England and Wales

The company's ultimate parent company is PRG-Schultz International Inc, incorporated in the United States. The largest group in which the results of the company are consolidated is that headed by PRG-Schultz International Inc. The consolidated accounts of this company are available to the public and may be obtained from PRG-Schultz International Inc, 600 Galleria Parkway, 100, Atlanta GA 30339, USA

21 Related party transactions

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 PRG-Schultz International Inc 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