

IPS Group Limited  
Annual report and accounts  
for the year ended 31 December 2005

Registered Number 1736684



# IPS Group Limited

## Annual report and accounts

for the year ended 31 December 2005

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## Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

### Principal activity

The company's principal activity is that of an employment agency.

### Review of the business and future developments

The directors are pleased to report that there was a considerable improvement in trading in 2005 which brought about an increase in sales and operating profit. The directors believe that they can build on this and increase profitability in 2006.

### Trading results and dividend

The results for the year are set out in the profit and loss account on page 4. The directors have paid an interim dividend of £500,000 (2004: £500,000) but do not propose a final dividend (2004: £1,200,000) and recommend that the retained loss of £1,104,413 (2004: profit of £105,956) be taken to reserves.

### Directors

The directors who held office during the year are given below:

A L Charlesworth  
E Snell  
A M Chitnis  
N P Burrell  
C B Dickman  
R J Hodson  
A W Gartside  
J C C Cross

### Directors' interests

The company is a wholly owned subsidiary of IPS Holdings Limited, the ultimate parent undertaking. The beneficial interests of the directors in the 25p ordinary shares of IPS Holdings Limited were as follows:

	at 31 December 2005	at 31 December 2004
A L Charlesworth	88,416	85,697
E Snell	135,997	132,845
A M Chitnis	123,352	120,240
N P Burrell	100,000	100,000
C B Dickman	191,056	185,596
R J Hodson	34,822	32,003
A W Gartside	58,410	56,614
J C C Cross	22,231	19,538

**Statement of directors' responsibilities**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

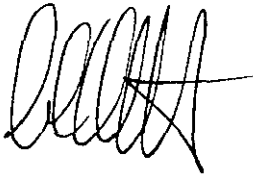
In preparing those accounts, the directors are required to select suitable accounting policies, as described on pages 6 and 7 and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the accounts on the going concern basis 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 accounts comply with the Companies Act 1985. The directors 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**

A resolution to reappoint Rees Pollock as auditors for the ensuing year will be proposed at the Annual General Meeting in accordance with section 385 of the Companies Act 1985.

On behalf of the board

A handwritten signature in black ink, appearing to be 'A L Charlesworth', with a long horizontal stroke extending to the right.

A L Charlesworth  
**Director**

25 April 2006



## REES POLLOCK

Chartered Accountants

35 New Bridge Street  
London EC4V 6BW  
Telephone 020 7778 7200  
Fax 020 7329 6408

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IPS GROUP LIMITED**

We have audited the accounts on pages 4 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### ***Respective responsibilities of directors and auditors***

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts 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 accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, 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 directors' remuneration and transactions with the company 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

#### ***Opinion***

In our opinion the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of its result for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Rees Pollock  
Chartered Accountants  
Registered Auditors  
28 April 2006

# IPS Group Limited

## Profit and loss account for the year ended 31 December 2005

	Note	2005 £	2004 (restated) £
<b>Turnover</b>		<b>8,957,494</b>	8,459,989
Cost of sales		(2,207,970)	(1,700,696)
<b>Gross profit</b>		<b>6,749,524</b>	6,759,293
Administrative expenses		(5,802,787)	(5,843,101)
<b>Operating profit</b>	1	<b>946,737</b>	916,192
Interest receivable and similar income		16,382	33,358
Interest payable and similar charges	3	(104,563)	(5,856)
<b>Profit on ordinary activities before taxation</b>		<b>858,556</b>	943,694
Tax on profit on ordinary activities	4	(262,969)	(337,738)
<b>Profit on ordinary activities after taxation</b>		<b>595,587</b>	605,956
Dividends	5	(1,700,000)	(500,000)
<b>Retained (loss)/profit for the financial year</b>	13	<b>(1,104,413)</b>	105,956

The above results are derived entirely from continuing operations.

The company has no recognised gains or losses other than the loss above therefore no separate statement of total recognised gains and losses has been presented.

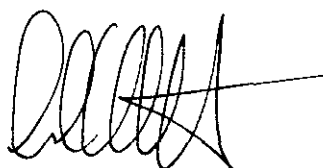
There is no difference between the profit on ordinary activities before taxation and the retained loss for the financial year stated above and their historical cost equivalents.

# IPS Group Limited

## Balance sheet as at 31 December 2005

	Note	2005	2004 (restated)
		£	£
<b>Fixed assets</b>			
Tangible assets	6	262,470	350,339
Investments	7	963,277	963,277
		<b>1,225,747</b>	<b>1,313,616</b>
<b>Current assets</b>			
Debtors	8	3,564,669	4,877,981
Cash at bank and in hand		840,034	376,270
		<b>4,404,703</b>	<b>5,254,251</b>
<b>Creditors - Amounts falling due within one year</b>	9	<b>(2,197,859)</b>	<b>(1,550,837)</b>
<b>Net current assets</b>		<b>2,206,844</b>	<b>3,703,414</b>
<b>Total assets less current liabilities</b>		<b>3,432,591</b>	<b>5,017,030</b>
<b>Creditors - Amounts falling due after more than one year</b>	10	<b>(688,703)</b>	<b>(1,168,729)</b>
<b>Net assets</b>		<b>2,743,888</b>	<b>3,848,301</b>
<b>Capital and reserves</b>			
Called up equity share capital	12	53,214	53,214
Profit and loss account	13	2,690,674	3,795,087
<b>Total equity shareholder's funds</b>	14	<b>2,743,888</b>	<b>3,848,301</b>

The financial statements on pages 4 to 17 were approved by the board of directors on 25 April 2006 and were signed on its behalf by:



A L Charlesworth  
Director

# IPS Group Limited

## Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies, which have been applied consistently, are set out below.

### Change in accounting policy

In preparing the financial statements for the current year the company has adopted FRS 21 "Events after the balance sheet date" and paragraphs one to fifty of FRS 25 "Financial instruments: presentation and disclosure". The adoption of FRS 21 has resulted in a change in accounting policy in respect to the recognition of dividends on equity financial instruments. Dividends are recognised when the shareholders' right to receive the payment is established. Previously, they were recognised when declared.

This change in accounting policy has resulted in a prior year adjustment for the company. Shareholders' funds at 1 January 2004 have increased by £500,000, the result for the year ended 31 December 2004 has increased by £700,000 and shareholder's funds at 31 December 2004 have increased by £1,200,000. The result for the current year has decreased by £1,200,000 as a result of this change in accounting policy

Adoption of FRS 25 has not required any revisions to the financial statements in either the current or prior years.

### Consolidated accounts

The financial statements contain information about IPS Group Limited as an individual company and do not contain consolidated financial information as the parent of a group. 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, IPS Holdings Limited, a company registered in England.

### Turnover

Turnover represents the invoiced value of services rendered, exclusive of value added tax, and is derived entirely in the United Kingdom from the principal activity.

### Tangible fixed assets and depreciation

Tangible fixed assets are depreciated so as to write off the cost of the assets over their estimated useful lives using the following rates per annum.

Short leasehold property	Over period of lease
Furniture and equipment	25% straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

### Leased assets

Rentals payable under operating leases where substantially all of the benefits or risk of ownership remain with the lessor are charged to the profit and loss account on a straight-line basis over the lease term.

### Investments in group undertakings

Investments in group undertakings are stated at cost less amounts written off for permanent diminution in value.



# **IPS Group Limited**

## **Deferred taxation**

Deferred tax is provided in full on timing differences that 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. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

## **Cash flow statement and related party disclosures**

The company is a wholly-owned subsidiary of IPS Holdings Limited and is included in the consolidated financial statements of IPS Holdings Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the IPS Holdings Limited group or investees of the IPS Holdings Limited group.

## **Pension costs**

Pension payments to money purchase pension arrangements are charged to the profit and loss account as they fall due in accordance with the rules of the scheme.

## **Foreign currency translation**

Assets and liabilities expressed in foreign currencies are translated into sterling at rates ruling at the year end.

The transactions of overseas subsidiaries operating as agents for the company are treated as if they are foreign currency transactions of the company.

# IPS Group Limited

## Notes to the financial statements for the year ended 31 December 2005

### 1 Operating profit

This is stated after charging:

	2005	2004
	£	£
Staff costs:		
Wages and salaries	2,830,211	2,641,017
Social security costs	363,440	323,981
Pension costs	100,758	105,094
Depreciation	137,991	149,978
Operating lease charges:		
Plant and machinery	55,704	27,095
Other assets	236,184	229,295
Loss on disposal of tangible fixed assets	366	5,952
Auditors' remuneration:		
Audit services	6,300	10,000
Exceptional Items:		
Write-off of investment and loan	-	82,000

The average number of persons employed by the company during the year (excluding directors) was 48 (2004: 44).

# IPS Group Limited

## 2 Directors' remuneration

Staff costs include the following in respect of the directors of the company:

	2005	2004
	£	£
Aggregate emoluments	958,281	965,710
Pension contributions to money purchase pension schemes	60,787	59,222
	1,019,068	1,024,932

### Highest paid director

	2005	2004
	£	£
Aggregate emoluments	180,413	203,307

The remuneration of the highest paid director includes pension contributions to money purchase pension schemes of £6,560 (2004: £13,621). Pension benefits under money purchase pension schemes are accruing to seven directors at 31 December 2005 (2004: seven).

## 3 Interest payable and similar charges

	2005	2004
	£	£
Bank and other interest	104,563	5,856

# IPS Group Limited

## 4 Tax on profit on ordinary activities

### (a) Analysis of charge in the period

	2005	2004
	£	£
<b>Current tax:</b>		
UK corporation tax at 30% (2004: 30%)	285,572	356,377
Adjustments in respect of prior periods	(19,719)	(17,043)
Total current tax	265,853	339,334
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(2,884)	(1,596)
<b>Tax on profit on ordinary activities</b>	<b>262,969</b>	<b>337,738</b>

### (b) Factors affecting tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005	2004
	£	£
Profit on ordinary activities before tax	858,556	943,694
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	257,567	283,108
<i>Effects of:</i>		
Expenses not deductible for tax purposes	25,120	71,673
Accelerated capital allowances and other timing differences	2,885	1,596
Adjustment to tax charge in respect of prior periods	(19,719)	(17,043)
<b>Current tax charge for the year</b>	<b>265,853</b>	<b>339,334</b>

### (c) Factors that may affect future tax charges

There are no factors that are expected to significantly affect the taxation charge in future years.

# IPS Group Limited

## 5 Dividends – paid and proposed

	2005 £	2004 (restated) £
<b>Declared and paid during the year</b>		
Equity Dividends on ordinary shares:		
Final dividend for 2004: £22.55 (2003: £9.39)	1,200,000	500,000
Interim dividend for 2005: £9.39 (2004: £nil)	500,000	-
	1,700,000	500,000
<b>Proposed and approved at the AGM</b>		
(not recognised as a liability at 31 December)		
Final Dividend for 2005: £nil (2004: £22.55)	-	1,200,000

# IPS Group Limited

## 6 Tangible fixed assets

	Short leasehold property £	Furniture and equipment £	Total £
<b>Cost</b>			
At 1 January 2005	160,237	614,859	775,096
Additions	20,786	29,727	50,513
Disposals	(2,143)	(85,750)	(87,893)
<b>At 31 December 2005</b>	<b>178,880</b>	<b>558,836</b>	<b>737,716</b>
<b>Depreciation</b>			
At 1 January 2005	64,721	360,036	424,757
Charge for the year	19,436	118,555	137,991
Disposals	(2,143)	(85,359)	(87,502)
<b>At 31 December 2005</b>	<b>82,014</b>	<b>393,232</b>	<b>475,246</b>
<b>Net book amount</b>			
<b>At 31 December 2005</b>	<b>96,866</b>	<b>165,604</b>	<b>262,470</b>
At 31 December 2004	95,516	254,823	350,339

## 7 Fixed asset investments

	Unlisted investments £	Subsidiary companies £	Total £
<b>Cost</b>			
At 1 January and at 31 December 2005	32,000	1,729,092	1,761,092
<b>Amounts written off</b>			
At 1 January and 31 December 2005	32,000	765,815	797,815
<b>Net book amount</b>			
At 1 January and 31 December 2005	-	963,277	963,277

# IPS Group Limited

## 7. Fixed asset investments (continued)

The investment in subsidiary companies at 31 December 2005 comprises shares in:

**% of ordinary  
shares held**

Insurance Personnel Selection Limited *	100
IPS Overseas Limited *	100
Trevor James (City of London) Limited *	100
IPS Trustee Company Limited *	100
Insurance Career Consultants Limited *	100
Forsythe and Kayee Limited*	100
IPS Search Inc.	100
Anakin Seal Legal Limited	100
IPS Group (Manchester) Limited	100

\* Indicates non-trading companies

All the above companies are registered in England with the exception of IPS Search Inc. which is registered in the USA. The principal activity of all trading subsidiary companies is that of an employment agency.

The company's investment in unlisted investments represents 32% (2004 - 32%) of the equity share capital of Talent & Pro UK Limited (formerly A Sure Talent UK Limited).

## 8 Debtors

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Trade debtors	<b>939,828</b>	894,894
Amounts due from group undertakings	<b>2,516,511</b>	3,862,292
Deferred tax asset (note 11)	<b>17,955</b>	15,071
Sundry debtors and prepayments	<b>90,375</b>	105,724
	<b>3,564,669</b>	4,877,981

# IPS Group Limited

## 9 Creditors – Amounts falling due within one year

	2005 £	2004 (restated) £
Bank overdraft	15,162	25,575
Bank loan (Note 10)	229,568	292,100
Trade creditors	177,422	187,035
Corporation tax	135,572	181,877
Other taxation and social security	348,075	273,361
Amounts due to group undertakings	709,016	57,573
Other creditors and accruals	583,044	533,316
	<b>2,197,859</b>	<b>1,550,837</b>

Included within other creditors is an amount of £15,410 (2004: £15,241) relating to unpaid pension contributions.

## 10 Creditors – Amounts falling after more than one year

	2005 £	2004 £
Bank loan	688,703	1,168,729

The bank loan is repayable in equal quarterly instalments that commenced on 13 March 2005 and carries interest at an initial rate of 2.75% over the Bank of Scotland base rate. This reduces to 2.35% over the Bank of Scotland base rate if the covenants applying to the loan are adhered to for three consecutive quarters. The loan is stated net of arrangement costs. The bank loan is secured by a fixed and floating charge over the company's assets.

The bank loan is repayable as follows:

	2005 £	2004 £
Within one year	235,410	300,000
Between one and two years	235,410	300,000
After two but not more than five years	470,822	900,000
	<b>941,642</b>	<b>1,500,000</b>
Unamortized loan costs	(23,371)	(39,171)
	<b>918,271</b>	<b>1,460,829</b>



# IPS Group Limited

## 11 Deferred tax asset

The deferred tax asset is analysed as follows:

	2005	2004
	£	£
Future capital allowances in excess of depreciation	(8,895)	(5,999)
Short term timing differences	(9,060)	(9,072)
	(17,955)	(15,071)
		2005
		£
At 1 January 2005		(15,071)
Deferred tax credited in profit and loss account (note 4)		(2,884)
At 31 December 2005		(17,955)

## 12 Called up equity share capital

	2005	2004
	£	£
<b>Authorised</b>		
100,000 ordinary shares of £1 each	100,000	100,000
<b>Allotted, issued and fully paid</b>		
53,214 ordinary shares of £1 each	53,214	53,214

## 13 Reserves

	Profit and loss account
	£
At 1 January 2005 (restated)	3,795,087
Retained loss for the financial year	(1,104,413)
At 31 December 2005	2,690,674

# IPS Group Limited

## 14 Reconciliation of movements in equity shareholder's funds

	2005 £	2004 (restated) £
Opening equity shareholder's funds	3,848,301	3,742,345
Profit on ordinary activities after taxation	595,587	605,956
Dividends	(1,700,000)	(500,000)
<b>Closing equity shareholder's funds</b>	<b>2,743,888</b>	<b>3,848,301</b>

## 15 Operating lease commitments

Annual commitments under operating leases at 31 December 2005 amount to:

	2005		2004	
	Land and buildings £	Other £	Land and buildings £	Other £
<b>Lease expiry date:</b>				
Within one year	-	20,340	-	11,807
Between two to five years	173,862	35,111	111,583	55,430
After five years	64,766	-	62,225	-
	<b>238,628</b>	<b>55,451</b>	<b>173,808</b>	<b>67,237</b>

## 16 Related party transactions

The company owns 32% of the issued ordinary shares of Talent & Pro UK Limited (formerly A Sure Talent UK Limited). Two directors of the company, AL Charlesworth and E Snell, are also directors of Talent & Pro UK Limited. The directors therefore consider that Talent & Pro UK Limited is a related party to the company.

During the year Talent & Pro UK Limited traded from the company's premises. The company also provided accounting, IT and general office services throughout the year.

In the year the company recharged a total of £47,702 (2004: £59,011) including VAT where appropriate in providing these services. Of these and other amounts owed to the company, £49,634 was repaid in 2005 (2004: £35,894).

The amounts due to the company from Talent & Pro UK Limited at 31 December 2005 were an interest bearing loan of £50,000 (2004: £50,000) (this was written off in 2004) and an interest-free balance of £11,375 (2004: £25,261) including VAT where appropriate.

# **IPS Group Limited**

## **17 Ultimate controlling party**

The company's immediate and ultimate parent undertaking, and the ultimate controlling party, is IPS Holdings Limited, a company registered in England, which is the parent of the smallest and largest group to consolidate these accounts. Copies of the accounts of IPS Holdings Limited can be obtained from 6 Lloyds Avenue, London EC3N 3ES.