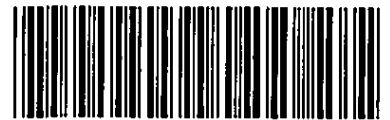


IPS Group Limited

**Annual report and accounts
for the year ended
31 December 2006**

Registered Number 1736684

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IPS Group Limited

Annual report and accounts

for the year ended 31 December 2006

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IPS Group Limited

Directors' report for the year ended 31 December 2006

The directors present their report and the audited financial statements of the company for the year ended 31 December 2006

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 2006 which brought about an increase in sales and operating profit. The directors believe that they can build on this and increase profitability in 2007

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 £750,000 (2005 - £500,000) but do not propose a final dividend (2005 - £nil)

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to clients' recruitment plans, the availability of suitable candidates and the acquisition and retention of staff capable of executing recruitment projects

Key performance indicators

The key performance indicators to which management refers when directing the business are the number and type of job vacancies notified to the company by clients, the number and suitability of applicants for vacancies, the quantity of Curricula Vitae submitted to client vacancies, the number of interviews arranged by recruitment consultants and the number and value of placements made. These key performance indicators were adequately achieved throughout the year and this resulted in the good financial result shown in the profit and loss account on page 4

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 (resigned 6 October 2006)

A W Gartside

J C C Cross

IPS Group Limited

Directors' report for the year ended 31 December 2006 (contd.)

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 2006	At 31 December 2005
A L Charlesworth	89,131	88,416
E Snell	137,340	135,997
A M Chitnis	124,116	123,352
N P Burrell	90,000	100,000
C B Dickman	191,056	191,056
R J Hodson (resigned 6 October 2006)	34,822	34,822
A W Gartside	58,410	58,410
J C C Cross	22,231	22,231

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.

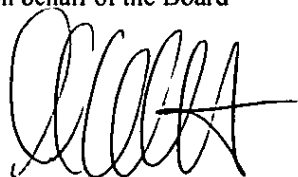
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets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

Auditors

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

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 L Charlesworth
Director

24 April 2007



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 16 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 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 the United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of the profit of the group for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the accounts for the year ended 31 December 2006.

Rees Pollock
Chartered Accountants and Registered Auditors

24 April 2007

IPS Group Limited

Profit and loss account for the year ended 31 December 2006

	Note	2006	2005
		£	£
Turnover		10,442,917	8,957,494
Cost of sales		(2,479,815)	(2,207,970)
Gross profit		7,963,102	6,749,524
Administrative expenses		(6,566,117)	(5,802,787)
Operating profit	1	1,396,985	946,737
Income from shares in group companies		48,988	-
Interest receivable and similar income		39,636	16,382
Interest payable and similar charges	3	(55,127)	(104,563)
Amounts written off investments	7	(421,452)	-
Profit on ordinary activities before taxation		1,009,030	858,556
Tax on profit on ordinary activities	4	(421,394)	(262,969)
Profit for the financial year.		587,636	595,587

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 2006

	Note	2006	2005
		£	£
Fixed assets			
Tangible assets	6	198,211	262,470
Investments	7	541,825	963,277
		740,036	1,225,747
Current assets			
Debtors	8	2,406,871	3,564,669
Cash at bank and in hand		1,078,409	840,034
		3,485,280	4,404,703
Creditors - Amounts falling due within one year	9	(1,643,792)	(2,197,859)
Net current assets		1,841,488	2,206,844
Total assets less current liabilities		2,581,524	3,432,591
Creditors - Amounts falling due after more than one year	10	-	(688,703)
Net assets		2,581,524	2,743,888
Capital and reserves			
Called up equity share capital	12	53,214	53,214
Profit and loss account	13	2,528,310	2,690,674
Total equity shareholder's funds	14	2,581,524	2,743,888

The financial statements on pages 4 to 16 were approved by the board of directors and authorised for issue on 24 April 2007 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.

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 risks 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.

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.

IPS Group Limited

Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates ruling at the year-end. All differences are taken to the profit and loss account.

The transactions of overseas subsidiaries operating as agents for the group 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 2006

1 Operating profit

This is stated after charging

	2006	2005
	£	£
Staff costs		
Wages and salaries	3,567,665	2,830,211
Social security costs	414,519	363,440
Pension costs	113,954	100,758
Depreciation	124,631	137,991
Operating lease charges		
Plant and machinery	24,261	55,704
Other assets	321,142	236,184
Loss on disposal of tangible fixed assets	-	366
Auditors' remuneration		
Audit services	6,600	6,300

The average number of persons employed by the company during the year (excluding directors) was 47 (2005 48)

IPS Group Limited

2 Directors' remuneration

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

	2006	2005
	£	£
Aggregate emoluments	1,214,716	958,281
Pension contributions to money purchase pension schemes	62,504	60,787
Compensation for loss of office	60,000	-
	1,337,220	1,019,068

Highest paid director

	2006	2005
	£	£
Aggregate emoluments	235,360	180,413

The remuneration of the highest paid director includes pension contributions to money purchase pension schemes of £6,560 (2005 £6,560) Pension benefits under money purchase pension schemes are accruing to six directors at 31 December 2006 (2005 seven)

3 Interest payable and similar charges

	2006	2005
	£	£
Bank interest	55,127	104,563

IPS Group Limited

4 Tax on profit on ordinary activities

(a) Analysis of charge in the period

	2006	2005
	£	£
Current tax:		
UK corporation tax at 30% (2005 30%)	435,008	285,572
Adjustments in respect of prior periods	(1,830)	(19,719)
Total current tax	433,178	265,853
Deferred tax:		
Origination and reversal of timing differences	(11,784)	(2,884)
Tax on profit on ordinary activities	421,394	262,969

(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% (2005 30%)
The differences are explained below

	2006	2005
	£	£
Profit on ordinary activities before tax	1,009,030	858,556
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	302,709	257,567
<i>Effects of</i>		
Expenses not deductible for tax purposes	14,230	25,120
Amounts written off investments	126,436	-
Dividend income not liable for tax	(14,548)	-
Accelerated capital allowances and other timing differences	11,784	2,885
Adjustment to tax charge in respect of prior periods	(1,830)	(19,719)
Marginal rate relief	(5,603)	-
Current tax charge for the year	433,178	265,853

IPS Group Limited

5 Dividends – paid and proposed

	2006	2005
	£	£
Declared and paid during the year		
Equity Dividends on ordinary shares		
Final dividend for 2006 £nil (2005 £22 55)	-	1,200,000
Interim dividend for 2006 £14 09 (2005 £9 39)	750,000	500,000
	750,000	1,700,000

6 Tangible fixed assets

	Short leasehold property £	Furniture and equipment £	Total £
Cost			
At 1 January 2006	178,880	558,836	737,716
Additions	1,905	58,467	60,372
At 31 December 2006	180,785	617,303	798,088
Depreciation			
At 1 January 2006	82,014	393,232	475,246
Charge for the year	17,199	107,432	124,631
At 31 December 2006	99,213	500,664	599,877
Net book amount			
At 31 December 2006	81,572	116,639	198,211
At 31 December 2005	96,866	165,604	262,470

IPS Group Limited

7 Fixed asset investments

	Unlisted investments	Subsidiary companies	Total
	£	£	£
Cost			
At 1 January and at 31 December 2006	32,000	1,729,092	1,761,092
Amounts written off			
At 1 January 2006	32,000	765,815	797,815
Provided during the year	-	421,452	421,452
At 31 December 2006	32,000	1,187,267	1,219,267
Net book value			
At 31 December 2006	-	541,825	541,825
At 31 December 2005	-	963,277	963,277

Amounts written off during the year relate to the company's investment in Anakin Seal Legal Limited following an impairment review carried out in accordance with FRS 11. The carrying value has been written down to the estimated recoverable amount based on a discounted cash flow analysis using a pre-tax discount rate of 10%.

The investment in subsidiary companies at 31 December 2006 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% (2005 - 32%) of the equity share capital of Talent & Pro UK Limited, a company registered in England and Wales which operates in the management consultancy sector. The business and assets of IPS Group (Manchester) Limited were transferred to the company on 31 December 2006. IPS Group (Manchester) Limited has not traded since 31 December 2006.

IPS Group Limited

8 Debtors

	2006	2005
	£	£
Trade debtors	1,067,647	939,828
Amounts due from group undertakings	1,177,202	2,516,511
Deferred tax asset (note 11)	29,739	17,955
Sundry debtors and prepayments	132,283	90,375
	2,406,871	3,564,669

9 Creditors – Amounts falling due within one year

	2006	2005
	£	£
Bank overdraft	-	15,162
Bank loan (Note 10)	-	229,568
Trade creditors	230,180	177,422
Corporation tax	265,506	135,572
Other taxation and social security	427,735	348,075
Amounts due to group undertakings	102,237	709,016
Other creditors and accruals	618,134	583,044
	1,643,792	2,197,859

Included within other creditors is an amount of £14,096 (2005 £15,410) relating to unpaid pension contributions

IPS Group Limited

10 Creditors – Amounts falling due after more than one year

	2006	2005
	£	£
Bank loan	-	688,703

The bank loan was repayable in equal quarterly instalments that commenced on 13 March 2005 and carried interest at an initial rate of 2.75% over the Bank of Scotland base rate. This reduced to 2.35% over the Bank of Scotland base rate if the covenants applying to the loan were adhered to for three consecutive quarters. The loan was stated net of arrangement costs. The bank loan was secured by a fixed and floating charge over the company's assets. The loan was repaid in full during 2006 ahead of its contractual term.

The bank loan was repayable as follows:

	2006	2005
	£	£
Within one year	-	235,410
Between one and two years	-	235,410
After two but not more than five years	-	470,822
	-	941,642
Unamortised loan costs	-	(23,371)
	-	918,271

11 Deferred tax asset

The deferred tax asset is analysed as follows:

	2006	2005
	£	£
Future capital allowances in excess of depreciation	(16,132)	(8,895)
Short term timing differences	(13,607)	(9,060)
	(29,739)	(17,955)
	2006	2005
	£	£
At 1 January 2006	(17,955)	(17,955)
Deferred tax credited in profit and loss account (note 4)	(11,784)	-
At 31 December 2006	(29,739)	(17,955)

IPS Group Limited

12 Called up equity share capital

	2006	2005
	£	£
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
Allotted, issued and fully paid		
53,214 ordinary shares of £1 each	53,214	53,214

13 Reserves

	Profit and loss account
	£
At 1 January 2006	2,690,674
Profit for the financial year	587,636
Dividends	(750,000)
At 31 December 2006	2,528,310

14 Reconciliation of movements in equity shareholder's funds

	2006	2005
	£	£
Opening equity shareholder's funds	2,743,888	3,848,301
Profit for the financial year	587,636	595,587
Dividends	(750,000)	(1,700,000)
Closing equity shareholder's funds	2,581,524	2,743,888

IPS Group Limited

15 Operating lease commitments

Annual commitments under operating leases at 31 December 2006 amount to

	2006		2005	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Lease expiry date:				
Within one year	-	16,619	-	20,340
Between two to five years	173,862	33,319	173,862	35,111
After five years	64,766	-	64,766	-
	238,628	49,938	238,628	55,451

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 £48,716 (2005 £47,702) including VAT where appropriate in providing these services. Of these and other amounts owed to the company, £52,034 was repaid in 2006 (2005 £49,634).

The amounts due to the company from Talent & Pro UK Limited at 31 December 2006 were an interest bearing loan of £50,000 (2005 £50,000) (this was written off in 2004) and an interest-free balance of £8,057 (2005 £11,375) including VAT where appropriate.

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.