

Blue Arrow Nursing Care Limited

(formerly Blue Arrow Care Limited)

Annual report and accounts
for the year ended 31 December 2000

Registered number: 1142361



Directors and Officers

Directors

J Barn
D F Cornish
C P Martin
M R Sarson

Registered office

22 Carlisle Place
London
SW1P 1JA

Auditors

Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

Directors' report

For the year ended 31 December 2000

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 2000.

Principal activities

The principal activity of the company during the year was that of a nursing and social worker employment agency and the placing of technical support staff to hospitals.

The subsidiary undertakings of the company are listed in note 9 to the accounts. Consolidated accounts are not presented as the company takes advantage of the exemption afforded by Section 228 of the Companies Act 1985.

Business review

The profit and loss account for the year is shown on page 5 of the accounts. The company traded profitably during the year and the directors look forward to the future with confidence.

With effect from 26 August 2000, the company acquired the trades and net assets of Quality Nursing Care Limited, Rainbowridge Limited and Welbeck Care Limited.

Results and dividends

The audited accounts for the year ended 31 December 2000 are set out on pages 5 to 18. The company's profit for the year after taxation was £116,216 (1999: £148,706).

The directors do not recommend payment of a dividend for the year (1999: £ Nil).

Directors

The directors who served during the year were:

J Barn
D F Cornish
D A Lake (resigned 3 August 2001)
M R Sarson

C P Martin was appointed a director on 3 August 2001.

Directors' interests in shares

None of the directors had any interest in the share capital of the company at any time.

D A Lake and D F Cornish were directors of the parent company at 31 December 2000 and their interests in the share capital of that company are as shown in the accounts of that company.

Directors' report (continued)

Directors' interests in shares (continued)

The interests in the share capital of the ultimate parent company of the other directors holding office at 31 December 2000 were as follows:

	Share options 2000	Share options 1999 (as restated for rights issue during year)	Ordinary shares of £1 each 2000	Ordinary shares of £1 each 1999
	Number	Number	Number	Number
J Barn	83,038	35,850	-	-
M R Sarson	78,603	58,337	-	-

Supplier payment policy

The company's policy, which is also applied by the group of which the company is a member, is to settle terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment. The company abides by the terms of payment. The company's trade creditors are settled by another group company.

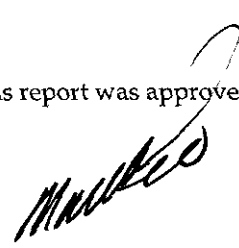
Change of name

The company changed its name to Blue Arrow Nursing Care Limited on 12 October 2000.

Auditors

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 27 September 2001. A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming annual general meeting.

This report was approved by the board on 28 September 2001.



M R Sarson
Director

22 Carlisle Place
London
SW1P 1JA

Directors' responsibilities

Accounts, including adoption of going concern basis

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 and of the profit or loss for that period. After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts. In preparing the accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts 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.

Auditors' report

To the shareholders of Blue Arrow Nursing Care Limited

We have audited the accounts on pages 5 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 circumstances of the company, 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 of the state of affairs of the company at 31 December 2000 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP

Registered Auditors

Luton

28 September 2001.

Profit and loss account

For the year ended 31 December 2000

	Notes	2000 £	1999 £
Turnover	1		
Existing operations		14,081,245	13,016,679
Acquisitions		<u>2,578,978</u>	<u>-</u>
Continuing operations		16,660,223	13,016,679
Cost of sales	2	<u>(12,906,771)</u>	<u>(10,060,769)</u>
Gross profit	2	3,753,452	2,955,910
Administrative expenses	2	<u>(3,494,611)</u>	<u>(2,650,633)</u>
Operating profit	3		
Existing operations		28,262	305,277
Acquisitions		<u>230,579</u>	<u>-</u>
Continuing operations		258,841	305,277
Interest payable and similar charges	5	<u>(86,625)</u>	<u>(87,571)</u>
Profit on ordinary activities before taxation		172,216	217,706
Tax on profit on ordinary activities	6	<u>(56,000)</u>	<u>(69,000)</u>
Retained profit for the year	15	<u>116,216</u>	<u>148,706</u>

There are no recognised gains or losses other than the profit for the financial year on continuing operations as shown in the profit and loss account.

The accompanying notes are an integral part of this profit and loss account.

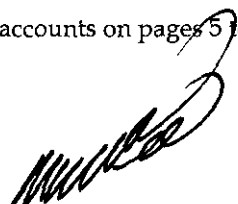
Balance sheet

31 December 2000

	Notes	2000 £	1999 £
Fixed assets			
Intangible asset – goodwill	7	127,833	-
Tangible fixed assets	8	237,021	145,471
Investments	9	<u>2</u>	<u>2</u>
		364,856	145,473
Current assets			
Debtors	10	5,842,360	6,334,850
Cash at bank and in hand		<u>2,300</u>	<u>1,200</u>
		5,844,660	6,336,050
Creditors: amounts falling due within one year	11	<u>(5,443,999)</u>	<u>(5,883,122)</u>
Net current assets		<u>400,661</u>	<u>452,928</u>
Total assets less current liabilities		765,517	598,401
Creditors: amounts falling due after one year	12	(480,864)	(480,864)
Provisions for liabilities and charges	13	<u>(61,400)</u>	<u>(10,500)</u>
Net assets		<u>223,253</u>	<u>107,037</u>
Capital and reserves			
Called up share capital	14	49	49
Profit and loss account	15	<u>223,204</u>	<u>106,988</u>
Equity shareholders' funds	16	<u>223,253</u>	<u>107,037</u>

The accompanying notes are an integral part of this balance sheet

The accounts on pages 5 to 18 were approved by the board on 28 September 2001.



M R Sarson

Director

Notes to the accounts

31 December 2000

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is dependent, in the absence of other funding, on the continued support of the ultimate parent company, The Corporate Services Group PLC. The ultimate parent company has confirmed that it will continue to support the company. On this basis, the directors consider it appropriate to prepare the accounts on the going concern basis. The accounts do not include any adjustments that might be necessary if The Corporate Services Group PLC were not to provide further support.

b) Goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its estimated useful economic life, subject to a maximum of 20 years. Provision is made for any impairment.

Goodwill arising on acquisitions in the year ended 31 December 1997 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard, the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

c) Turnover

Turnover, which is stated exclusive of value added tax, comprises amounts receivable for employment services provided net of trade discounts.

d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, less depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its expected useful life, as follows:

Short leasehold property	- over the lease term
Fixtures, fittings and equipment	- between 3 and 10 years

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

Notes to the accounts (continued)

1. Accounting policies (continued)

e) *Investments*

Fixed asset investments are shown at cost less provision for diminution in value.

f) *Leasing and hire purchase commitments*

Assets obtained under lease and hire purchase contracts which result in the transfer to the company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Rentals paid under other leases (operating leases) are charged against income on a straight-line basis over the lease term.

g) *Pension costs*

The company is a party to a defined contribution pension scheme for certain permanent employees. Contributions in respect of the year are charged to the profit and loss account as incurred.

h) *Taxation*

Corporation tax is provided on taxable profits at the current rate.

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that such a liability is unlikely to crystallise.

i) *Vacant property*

When a property substantially ceases to be used for the purposes of the business, provision is made to the extent that the recoverable amount of the interest in the property is expected to be insufficient to cover the future obligations relating to the lease.

j) *Cashflow statement*

The company has not prepared a cashflow statement as it is exempt under the provisions of Financial Reporting Standard No. 1 (revised).

k) *Consolidation*

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare group accounts because it is a wholly owned subsidiary of The Corporate Services Group PLC which prepares consolidated accounts which are publicly available. Accordingly, these accounts are those of the company and not of its group.

Notes to the accounts (continued)

2. Cost of sales, gross profit and administrative expenses

	Existing operations £	Acquisitions £	2000 Continuing operations £	1999 Continuing operations £
Cost of sales	10,826,469	2,080,302	12,906,771	10,060,769
Gross profit	<u>3,254,776</u>	<u>498,676</u>	<u>3,753,452</u>	<u>2,955,910</u>
Administrative expenses	<u>3,226,514</u>	<u>268,097</u>	<u>3,494,611</u>	<u>2,650,633</u>

3. Operating profit is stated after charging:

	2000 £	1999 £
Depreciation and amounts written off tangible fixed assets:		
- owned assets	18,736	41,361
Amortisation of goodwill	2,167	-
Operating lease rentals:		
- land and buildings	175,874	141,590
Auditors' remuneration for audit services	<u>10,000</u>	<u>8,000</u>

4. Employees

	2000	1999
The average monthly number of persons employed by the company during the year was:	Number	Number
Directors	4	4
Employment services	<u>49</u>	<u>40</u>
	<u>53</u>	<u>44</u>
Their aggregate remuneration comprised:	2000 £	1999 £
Wages and salaries	1,362,117	1,147,411
Social security costs	129,580	97,856
Other pension costs	<u>23,791</u>	<u>12,239</u>
	<u>1,515,488</u>	<u>1,257,506</u>

Notes to the accounts (continued)

4. Employees (continued)

Directors' remuneration	2000 £	1999 £
Emoluments	37,789	21,999
Company contributions to money purchase pension schemes	1,219	406
	<u>39,008</u>	<u>22,405</u>
	2000 Number	1999 Number
Number of directors who are members of a money purchase pension scheme	<u>1</u>	<u>1</u>

266,142 options to acquire shares in the ultimate parent company were granted to the directors during the year. No director exercised options over shares in the ultimate parent company during the year.

During the year, D F Cornish, D A Lake and M R Sarson were also directors of fellow subsidiaries and D F Cornish and D A Lake were also directors of the ultimate parent company. Total remuneration, including company contributions to a money purchase pension scheme, received by these directors but not included above totalled £585,715 (1999: £1,020,167) paid by the ultimate parent company or by other subsidiaries. All these directors were members of a money purchase pension scheme in 2000 and 1999. The directors do not believe that it is practicable to apportion this amount between services as directors to the company and services as directors of the ultimate parent company and of fellow subsidiary companies.

5. Interest payable and similar charges

	2000 £	1999 £
On revolving credit facilities	86,625	93,611
Other interest	-	(6,040)
	<u>86,625</u>	<u>87,571</u>

6. Taxation

	2000 £	1999 £
The tax charge comprises:		
UK Corporation tax	<u>56,000</u>	<u>69,000</u>

Notes to the accounts (continued)

7. Goodwill

Cost	£
1 January 2000	-
Additions	130,000
31 December 2000	130,000
Amortisation	
1 January 2000	-
Charge for the year	2,167
31 December 2000	2,167
Net book value	
31 December 2000	127,833
1 January 2000	-

8. Tangible fixed assets

	Short leasehold property £	Fixtures, fittings and equipment £	Total £
Cost			
1 January 2000	14,683	290,783	305,466
Inter-group transfers	-	25,044	25,044
Additions	-	85,242	85,242
31 December 2000	14,683	401,069	415,752
Depreciation			
1 January 2000	3,556	156,439	159,995
Charge for the year	458	18,278	18,736
31 December 2000	4,014	174,717	178,731
Net book value			
31 December 2000	10,669	226,352	237,021
1 January 2000	11,127	134,344	145,471

Notes to the accounts (continued)

9. Fixed asset investments

	Investment in subsidiary undertaking
Cost	£
At 1 January 2000 and 31 December 2000	<u>2</u>

In the opinion of the directors the aggregate market value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

The company has investments in the following subsidiary undertakings:

Name of subsidiary undertaking	Principal activities	Class of shares held	Holding
Medical and General Employment Agency Limited	Dormant	Ordinary	100%

10. Debtors

	2000 £	1999 £
Trade debtors	1,962,502	1,625,653
Amounts owed by other group undertakings	3,310,464	4,328,427
Other debtors	48,782	24,766
Prepayments and accrued income	<u>520,612</u>	<u>356,004</u>
	<u>5,842,360</u>	<u>6,334,850</u>

Certain trade debtors are subject to revolving credit facilities (invoice discounting - see note 11) under which the company receives a substantial proportion of the value of the trade debtors shortly after they have been invoiced.

Notes to the accounts (continued)

11. Creditors: amounts falling due within one year

	2000 £	1999 £
Bank overdraft (secured – note a))	28,565	69,183
Revolving credit (secured – note b))	1,429,419	1,009,535
Amounts owed to other group undertakings	2,113,578	3,496,302
Corporation tax	167,942	111,942
Other taxation and social security	1,164,137	886,890
Other creditors and accruals	540,358	309,270
	<u>5,443,999</u>	<u>5,883,122</u>

- a) Bank overdrafts are secured by a fixed and floating charge over certain assets of the group of which the company is part.
- b) The revolving credit facilities (invoice discounting) relate to the trade debtors described in note 10. The revolving credit is secured by a fixed charge over certain assets of the company and a floating charge over all properties and assets of the company and of its fellow subsidiaries which have invoice discounting facilities.

12. Creditors: amounts falling due after more than one year

	2000 £	1999 £
Amount owed to ultimate parent undertaking	<u>480,864</u>	<u>480,864</u>

13. Provisions for liabilities and charges

<i>Property provision</i>	£
1 January 2000	10,500
Inter-group transfer	32,000
Charged to profit and loss account	<u>18,900</u>
31 December 2000	<u>61,400</u>

The property provision is in respect of the expected holding costs to the estimated disposal dates on vacant properties under leases expiring between two and four years.

Notes to the accounts (continued)

14. Share capital

	2000 £	1999 £
Authorised		
100 £1 Deferred shares	100	100
30 US\$1 Ordinary shares	19	19
	<u>119</u>	<u>119</u>
Allotted, called up and fully paid		
30 £1 Deferred shares	30	30
30 US\$1 Ordinary shares	19	19
	<u>49</u>	<u>49</u>

The deferred shares have no rights to dividends before 2020. Thereafter they have a right to 1/24 of the rate of dividend paid on ordinary shares. On a winding up the deferred shares have the right to repayment of capital after the company has paid its liabilities and distributed the amount paid up or credited as paid up on the ordinary shares. The deferred shares carry no right to attend at or vote at general meetings of the company.

15. Reserves

	Profit and loss account £
1 January 2000	106,988
Retained profit for the year	116,216
31 December 2000	<u>223,204</u>

16. Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Retained profit for the year	116,216	148,706
Net addition to shareholders' funds	116,216	148,706
Opening shareholders' funds	107,037	(41,669)
Closing shareholders' funds	<u>223,253</u>	<u>107,037</u>

Notes to the accounts (continued)

17. Commitments under operating leases

	Land and buildings 2000 £	Land and buildings 1999 £
As at 31 December the company had the following commitments under operating leases:		
Expiring within one year	-	3,000
Expiring within two to five years	118,323	5,520
Expiring after five years	89,500	66,500
	<u>207,823</u>	<u>75,020</u>

18. Acquisitions during the year

a) Quality Nursing Care Limited

With effect from 26 August 2000 the company acquired the entire trade and certain assets and liabilities of Quality Nursing Care Limited for a total consideration of £188,895 satisfied in cash.

Analysis of the net assets at the date of acquisition is:

	Book and fair values on acquisition £
Tangible fixed assets	12,421
Debtors	50,470
Creditors	<u>(3,996)</u>
Net assets	58,895
Goodwill on acquisition	<u>130,000</u>
Satisfied by cash	<u>188,895</u>

Previous results

	1 January to 25 August 2000 £	Year ended 31 December 1999 £
Turnover	<u>369,519</u>	<u>368,995</u>
Operating loss	(9,820)	(39,899)
Interest payable and similar charges	<u>(90)</u>	<u>(491)</u>
Loss before taxation	(9,910)	(40,390)
Taxation	<u>4,000</u>	<u>10,000</u>
Loss after taxation	<u>(5,910)</u>	<u>(30,390)</u>

Quality Nursing Care Limited has no recognised gains and losses other than the losses above.

Notes to the accounts (continued)

18. Acquisitions during the year (continued)

b) Welbeck Care Limited

With effect from 26 August 2000 the company acquired the entire trade and certain assets and liabilities of Welbeck Care Limited for a total consideration of £29,508 satisfied in cash. There were no fair value adjustments on acquisition.

Analysis of the net assets at the date of acquisition is:

	Book and fair values on acquisition £
Tangible fixed assets	12,623
Debtors	127,620
Cash in hand	600
Creditors	(91,335)
Provisions for liabilities and charges	(20,000)
Satisfied by cash	<u>29,508</u>

Previous results

	1 January to 25 August 2000 £	Year ended 31 December 1999 £
Turnover	<u>3,831,082</u>	<u>4,962,853</u>
Operating profit	256,784	279,033
Interest payable and similar charges	-	(896)
Profit before taxation	256,784	278,137
Taxation	(80,000)	(84,000)
Profit after taxation	<u>176,784</u>	<u>194,137</u>

Welbeck Care Limited has no recognised gains and losses other than the profits above.

Notes to the accounts (continued)

18. Acquisitions during the year (continued)

c) Rainbowridge Limited

With effect from 26 August 2000 the company acquired the entire trade and certain assets and liabilities of Rainbowridge Limited for a total consideration equivalent to the net book value. There were no fair value adjustments on acquisition.

	Book and fair values on acquisition	
	£	
Debtors	52,790	
Cash at bank	100	
Creditors	(49,660)	
Provisions for liabilities and charges	(12,000)	
Net liabilities	(8,770)	

	Previous results	
	1 January to 25 August 2000	Year ended 31 December 1999
	£	£
Turnover	1,163,481	1,724,110
Operating profit	71,624	313,064
Profit before taxation	71,624	315,397
Taxation	(22,000)	(95,000)
Profit after taxation	49,624	220,397

Rainbowridge Limited has no recognised gains and losses other than the profits above.

19. Contingent liabilities

The company has given cross guarantees as follows:

- As part of the invoice discounting facility; the net aggregate amount outstanding against this facility at 31 December 2000 was £4,137,000 (1999: £3,358,000).
- As part of the overdraft facility; the net aggregate amount outstanding against this facility at 31 December 2000 was £1,035,000 (1999: £5,057,000).
- In respect of borrowings by the ultimate parent company; the net aggregate amount outstanding at 31 December 2000 was £2,144,000 (1999: £2,493,000).

20. Related party transactions

The company has taken advantage of the exemption granted to 90% subsidiaries not to disclose transactions with group undertakings under the provisions of Financial Reporting Standard No. 8 "Related Party Disclosures".

Notes to the accounts (continued)

21. Parent undertakings and controlling party

The company's immediate parent undertaking is ADG Group Limited, a company incorporated in Great Britain. The directors regard The Corporate Services Group PLC, a company incorporated in Great Britain, as the ultimate parent undertaking and the ultimate controlling party.

The parent undertaking of the largest and smallest group which includes the company and for which group accounts are prepared is The Corporate Services Group PLC. Copies of the group accounts of The Corporate Services Group PLC have been delivered to, and are available from, the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff, CF4 3UZ.