

ARTHUR ANDERSEN

Blue Arrow Care Limited (formerly known as International Care Limited)

Accounts 31 December 1996
together with directors' and auditors' reports

Registered number: 1142361



Directors and Officers

Directors

JD Abrahamson

GI Brailey

RC Eden

J Barn

Secretary

JD Abrahamson

Registered office

Glaston Park

Spring Lane

Glaston

Nr Uppingham

Leicestershire

LE15 9BX

Auditors

Arthur Andersen

20 Old Bailey

London EC4M 7BH

Bankers

National Westminster Bank Plc

PO Box 113

Cavell House

2a Charing Cross Road

London WC2H 0PD

Directors' report

For the year ended 31 December 1996

Financial Statements

The directors present their report and financial statements for the year ended 31 December 1996 .

Directors' Responsibilities

Company law requires the directors 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 period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, 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 directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

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

Change in immediate parent undertaking

With effect on 17 June 1996 the company was acquired by ADG Group Limited.

Results

The results for the year are set out in the profit and loss account on page 4. With effect from 17 June 1996 the company acquired the trade of Medical & General Agency Limited for £209,843 in cash and the company for £2 in cash.

Dividends

During the year an interim dividend of £Nil (1995: £139,183) was paid. The directors propose the payment of a final dividend for the year of £200,000 (1995: £Nil).

Directors' report (continued)

Directors and their interests

The directors who served during the year were as follows:

JD Abrahamson

GI Brailey

RC Eden

J Barn (appointed 2 December 1996)

No director had any interest in the share capital of the company.

JD Abrahamson, GI Brailey and RC Eden are directors of The Corporate Services Group Plc, the ultimate parent undertaking and their interests are disclosed in that company's financial statements. No other director had any beneficial interest in the ultimate parent undertaking.

Auditors

Since the last AGM Binder Hamlyn, part of the Arthur Andersen worldwide organisation, resigned as Auditors of the Company and Arthur Andersen were appointed. Special notice of an ordinary resolution to reappoint Arthur Andersen has been received by the Company and accordingly the resolution for their appointment will be proposed at the AGM.

This report was approved by the Board on 29 OCTOBER 1997

J.D. Abrahamson

Secretary

JD ABRAHAMSON

London

Auditors' report

To the shareholders of Blue Arrow Care Limited
(formerly known as
International Care Limited)

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the company's state of affairs at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Chartered Accountants and Registered Auditors

20 October 1997

Profit and loss account

For the year ended 31 December 1996

	Notes	Acquisitions 1996 £	Continuing 1996 £	Total 1996 £	Year ended 31 December 1995 £
Turnover	1	1,667,225	9,732,542	11,399,767	10,228,571
Cost of sales		<u>(1,382,040)</u>	<u>(8,038,841)</u>	<u>(9,420,881)</u>	<u>(8,659,936)</u>
Gross profit		285,185	1,693,701	1,978,886	1,568,635
Administrative expenses		<u>(131,786)</u>	<u>(1,182,203)</u>	<u>(1,313,989)</u>	<u>(1,476,286)</u>
Operating profit	2	153,399	511,498	664,897	92,349
Interest payable and similar charges	5			<u>-</u>	<u>(27,407)</u>
Profit on ordinary activities before taxation				664,897	64,942
Taxation	6			<u>(216,000)</u>	<u>(16,000)</u>
Profit on ordinary activities after taxation				448,897	48,942
Dividends	7			<u>(200,000)</u>	<u>(139,183)</u>
Profit/(loss) for the financial year transferred to/(from) reserves	14			<u>248,897</u>	<u>(90,241)</u>

Statement of total recognised gains and losses

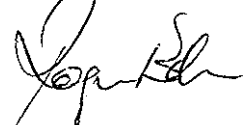
There were no recognised gains and losses on activities other than those stated above.

Balance sheet
at 31 December 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	8	86,245	44,394
Investments	9	<u>2</u>	<u>-</u>
		86,247	44,394
Current assets			
Debtors	10	3,884,733	1,938,179
Cash at bank and in hand		<u>651,550</u>	<u>421,213</u>
		4,536,283	2,359,392
Creditors: amounts falling due within one year	11	<u>(4,110,488)</u>	<u>(2,430,689)</u>
Net current liabilities		425,795	(71,297)
Total assets less current liabilities		<u>512,042</u>	<u>(26,903)</u>
Creditors: amounts falling due after one year	12	<u>(480,864)</u>	<u>-</u>
Net assets/(liabilities)		<u>31,178</u>	<u>(26,903)</u>
Capital and reserves			
Called up share capital	13	49	49
Goodwill reserve	14	(185,923)	-
Profit and loss account	14	<u>217,052</u>	<u>(26,952)</u>
Shareholders' funds	15	<u>31,178</u>	<u>(26,903)</u>

All shareholders' funds represent equity interests.

The financial statements on pages 4 to 12 were approved by the Board on 29th October 1997



Director

RC ESEN

Notes to the financial statements

31 December 1996

1 Accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of certain land and buildings.

b) Turnover

Turnover is the amount chargeable to external customers for goods and services excluding value added tax.

c) Depreciation

Depreciation is provided on all tangible fixed assets except freehold land and buildings in order to write off the cost or valuation of these assets on a straight line basis over their estimated useful lives as follows:

Short leasehold property	- period of lease
Computer equipment	- 20%
Fixtures and fittings	- 15%

d) Deferred taxation

Deferred tax is provided at the anticipated tax rates of differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

e) Leased assets

Operating lease rentals are charged to profit and loss account in the year in which they are incurred.

f) Pension costs

The company contributes towards personal defined contribution pension schemes with all employees eligible to participate. The funds of these various schemes are held separately from those of the company in independently administered funds. The company's contributions are charged in the period in which contributions are made.

g) Group accounts

The company has not prepared group accounts as it is exempt from the requirement to do so by Section 228 of the Companies Act 1985 as its parent undertaking is The Corporate Services Group plc, a company registered in England and Wales, and it is included in the consolidated financial statement of that company.

h) Goodwill

Goodwill is the excess of the fair value of the consideration given to acquire a business over the fair value of the separable net assets acquired. Goodwill is written off against a separate reserve in the year of acquisition. A transfer is made each year over its expected useful life of 20 years from this reserve into the profit and loss account to reflect the rate at which the goodwill becomes a realised loss.

Detailed profit and loss account (continued)

for the year ended 31 December 1996

2 Operating profit is stated after charging:

	1996 £	1995 £
Depreciation	13,124	2,977
Operating lease rentals		
- plant and machinery	4,068	3,649
- land and buildings	3,704	63,336
Auditors' remuneration	2,500	4,000
Management charge	253,572	138,347
	<hr/>	<hr/>

3 Directors

	1996 £	1995 £
Emoluments		
The emoluments of directors of the company were	37,201	-
Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:		
The Chairman	-	-
The highest paid director	37,201	-
Bandings	Number	Number
Directors' emoluments (excluding pension contributions) were in the following ranges:		
£35,001 - £40,000	1	-
	<hr/>	<hr/>

4 Employees

(1) Number of employees

	Number	Number
Average number of persons employed		
Management	3	3
Administration	37	31
	<hr/>	<hr/>
	40	34
	<hr/>	<hr/>

Detailed profit and loss account (continued)

for the year ended 31 December 1996

4 Employees (continued)

(2) Employment costs

	£	£
Wages and salaries	618,692	545,633
Social security costs	52,119	19,975
Pension costs	1,168	2,577
	<u>671,979</u>	<u>568,185</u>

5 Interests payable and similar charges

On bank overdrafts and other loans wholly repayable within five years	-	27,407
	<u>-</u>	<u>27,407</u>

6 Tax on profit on ordinary activities

	1996 £	1995 £
UK Corporation tax	<u>216,000</u>	<u>16,000</u>

7 Dividends

	1996 £	1995 £
Interim dividend paid	-	139,183
Proposed dividend	200,000	-
	<u>200,000</u>	<u>139,183</u>

Detailed profit and loss account (continued)

for the year ended 31 December 1996

8 Tangible fixed assets

	Short leasehold property	Computer equipment	Fixtures, fittings, tools and equipment	Total
	£	£	£	£
Cost of valuation				
1 January 1996	7,616	41,055	-	48,671
Additions	-	21,918	11,977	33,895
Inter group transfer	-	23,452	496	23,948
31 December 1996	7,616	86,425	12,473	106,514
Depreciation				
1 January 1996	1,953	2,324	-	4,277
Charge in the year	305	11,331	1,488	13,124
Inter group transfer	-	2,820	48	2,868
31 December 1996	2,258	16,475	1,536	20,269
Net book value 31 December 1996	5,358	69,950	10,937	86,245
31 December 1995	5,663	38,731	-	44,394

9 Investments

Investment in subsidiary undertaking	£
1 January 1996	-
Acquired in the year	2
31 December 1996	2

The subsidiary undertaking acquired during the year is as follows:

Company	Shares held/Class	%
Medical and General Employment Agency Limited	2 £1 Ordinary shares	100

The principal activity of the subsidiary is that of an employment agency supplying pharmacists, opticians and medical secretaries.

Detailed profit and loss account (continued)

for the year ended 31 December 1996

10 Debtors

	1996 £	1995 £
Trade debtors	1,690,785	1,501,271
Amounts owed by ultimate parent undertaking and fellow subsidiary undertakings	2,139,730	391,200
Other debtors	14,643	31,267
Prepayments and accrued income	39,575	14,441
	<u>3,884,733</u>	<u>1,938,179</u>

11 Creditors: amounts falling due within one year

	1996 £	1995 £
Bank overdraft	-	423,251
Trade creditors	12,562	-
Amounts owed to fellow subsidiary undertakings	2,300,718	1,180,359
Corporation tax	232,000	16,000
Other taxes and social security	1,030,734	283,525
Other creditors	297,067	319,107
Accruals and deferred income	37,407	208,447
Proposed dividend	200,000	-
	<u>4,110,488</u>	<u>2,430,689</u>

12 Creditors: amounts falling due after more than one year

	1996 £	1995 £
Amounts owed to ultimate parent undertaking	<u>480,864</u>	<u>-</u>

Detailed profit and loss account (continued)

for the year ended 31 December 1996

13 Share capital

	1996 £	1995 £
Authorised		
100 £1 Ordinary deferred shares	100	100
30 US\$1 Ordinary shares	<u>19</u>	<u>19</u>
Allotted, called up and fully paid		
30 £1 Ordinary deferred shares	30	30
30 US\$1 Ordinary shares	<u>19</u>	<u>19</u>
	<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.

14 Reserves

	Goodwill reserve £	Profit and loss account £
1 January 1996	-	(26,952)
Profit for the financial year	-	248,897
Goodwill acquired	(190,816)	-
Amortisation of goodwill	<u>4,893</u>	<u>(4,893)</u>
31 December 1996	<u>(185,923)</u>	<u>217,052</u>

Detailed profit and loss account (continued)

for the year ended 31 December 1996

15 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Profit for the financial year	448,897	48,942
Dividend	(200,000)	(139,183)
Net reduction in shareholders' funds	248,897	(90,241)
Reserves capitalised	-	(19)
Share capital issued	-	19
Goodwill acquired	(190,816)	-
Opening shareholders' funds	(26,903)	63,338
Closing shareholders' funds	31,178	(26,903)

16 Operating lease commitments

Commitments for the next year under operating leases are as follows:

	Land and buildings 1996 £	Land and buildings 1995 £
Expiry date:		
Within one year	16,350	350
Between two and five years	12,000	28,350
After five years	39,000	12,500
	67,350	41,200

17 Contingent liabilities

The company has given unlimited multilateral guarantees, secured by a fixed and floating charge over the assets of the company, to secure the borrowings of certain group undertakings. The net aggregate amount of these borrowings at 31 December 1996 was £5,588,000.

18 Ultimate parent undertaking

The directors regard the Corporate Services Group PLC as the company's ultimate parent undertaking.

The parent undertaking of the largest and smallest group which includes the company and for which group financial statements are prepared is The Corporate Services Group Plc, which is registered in England and Wales. Copies of the group financial statements 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.