

# ADG Group Limited

Directors' Report and Financial Statements

for the 52 week period ended 31 December 2010

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## **ADG Group Limited**

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**ADG Group Limited**  
**Company Information**

**Directors**           A J Burchall  
                              R J Watson

**Company secretary** R J Watson

**Registered office**   800 The Boulevard  
                              Capability Green  
                              Luton  
                              LU1 3BA

**Bankers**             Barclays Bank plc  
                              1 Churchill Place  
                              London  
                              E14 5HP

**Auditors**            PricewaterhouseCoopers LLP  
                              10 Bricket Road  
                              St Albans  
                              Hertfordshire  
                              AL1 3JX

## **ADG Group Limited**

### **Directors' Report for the 52 week period ended 31 December 2010**

The directors present their report and the financial statements for the 52 week period ended 31 December 2010

#### **Directors of the company**

The directors who held office during the period were as follows

A J Burchall

R J Watson

#### **Principal activity**

The principal activity of the company is that of a holding company and this is expected to continue into the future

#### **Business review**

The directors are satisfied with the performance of the company and expect no change in the foreseeable future

#### **Insurance**

Impellam Group plc ("the Group"), of which the company is a member, maintains a comprehensive insurance programme with a number of reputable third party underwriters. These insurance policies are reviewed annually to ensure that there is adequate cover for insurable risks and that the terms of those policies are optimised.

#### **Principal risks and uncertainties**

The principal risks and uncertainties of the Group, which include those of the company, are discussed in the Group Financial Director's Report in the Group's annual report which does not form part of this report. The Group's business and financial risks are managed at a Group level, rather than at an individual company level. For this reason, the company's directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the company.

#### **Regulatory environment**

The staffing industry is governed by an increasing level of compliance which varies from market to market. Additionally our clients require more complex levels of compliance in their contractual arrangements. The company takes its responsibilities seriously, is committed to meeting all of its regulatory responsibilities, and continues to strengthen its internal controls and processes with respect to legal and contractual obligations.

#### **Donations**

There were no charitable or political donations made by the company in either 2010 or 2009.

#### **Directors' liabilities**

During the year and to the date of these accounts, the Group had in force an indemnity provision in favour of one or more Directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006.

#### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

**ADG Group Limited**

**Directors' Report for the 52 week period ended 31 December 2010**

**..... continued**

**Reappointment of auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and so are deemed to be reappointed under section 487(2) of the Companies Act 2006

Approved by the Board on 5 April 2011 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'A J Burchall', written over a horizontal line.

A J Burchall  
Director

**ADG Group Limited**  
**Statement of Directors' Responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent Auditor's Report to the Members of ADG Group Limited**

We have audited the financial statements of ADG Group Limited for the 52 weeks ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

As explained more fully in the Statement of Directors' Responsibilities (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

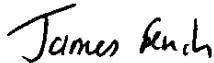
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



James French (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans

5 April 2011

**ADG Group Limited**  
**Profit and Loss Account for the 52 week period ended 31 December 2010**

	Note	2010 £ 000	2009 £ 000
Administrative expenses		7,959	-
Operating profit		7,959	-
Other interest receivable and similar income	6	1,343	1,444
Profit on ordinary activities before taxation		9,302	1,444
Tax on profit or loss on ordinary activities	7	(359)	-
Profit for the financial year		<u>8,943</u>	<u>1,444</u>

Turnover and operating profit derive wholly from continuing operations


The company has no recognised gains or losses for the period other than the results above



**ADG Group Limited**  
**Registration number: 1734222**  
**Balance Sheet at 31 December 2010**

	Note	2010 £ 000	2009 £ 000
<b>Fixed assets</b>			
Investments	8	<u>5,093</u>	<u>5,093</u>
<b>Current assets</b>			
Debtors	9	17,720	8,417
Creditors Amounts falling due within one year	10	<u>(2,119)</u>	<u>(1,759)</u>
Net current assets		<u>15,601</u>	<u>6,658</u>
Net assets		<u>20,694</u>	<u>11,751</u>
<b>Capital and reserves</b>			
Called up share capital	11	2,155	2,155
Share premium account	12	33,715	33,715
Profit and loss account	12	<u>(15,176)</u>	<u>(24,119)</u>
Total shareholders' funds		<u>20,694</u>	<u>11,751</u>

The financial statements on pages 6 to 12 were approved by the Board on 5 April 2011 and signed on its behalf by

  
A J Burchall  
Director

**ADG Group Limited**  
**Notes to the Financial Statements for the 52 week period**  
**ended 31 December 2010**

**1 Accounting policies**

**Basis of preparation**

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 2006. The principal accounting policies have been applied consistently during the year and are set out below.

**Exemption from preparing a cash flow statement**

The company has taken advantage of the exemption under FRS 1 (Revised 1996) not to publish a cash flow as its ultimate parent, Impellam Group Plc, a company incorporated in the United Kingdom, has prepared consolidated financial statements which are publicly available.

**Significant accounting judgements**

In applying the company's accounting policies the following judgements have been made that may have a significant effect on the amounts recognised in the financial statements:

*Recoverability of debtors*

The company determines whether debtors are impaired if events or changes in circumstances indicate that the carrying value may not be recoverable at least on an annual basis.

**Fixed asset investments**

Fixed asset investments are stated at cost less a provision for impairment. The carrying values of investments are reviewed for impairment at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the assets are allocated. Estimating the value in use requires the company to make an estimate of the future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

**Taxation**

Current tax is recognised at the amounts estimated to be payable or recoverable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are recognised, subject to certain exceptions, in respect of all material timing differences between the recognition of gains and losses in the accounts and for tax purposes. Those timing differences recognised may include accelerated capital allowances, unrelieved tax losses and short term timing differences. Timing differences not recognised include those relating to the revaluation of fixed assets in the absence of a commitment to sell the revalued assets and the gain on sale of assets rolled over into replacement assets in the absence of a commitment to sell the replacement assets.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**2 Auditor's remuneration**

Auditors' remuneration for the current and prior years has been borne by a fellow group company.

**ADG Group Limited**  
**Notes to the Financial Statements for the 52 week period**  
**ended 31 December 2010**

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**3 Exceptional items**

	2010 £ 000	2009 £ 000
Exceptional administrative expenses	<u>7,959</u>	<u>-</u>

The exceptional items in 2010 relate to the release of various provisions over balances with fellow group companies where the underlying trade or assets have increased to such an extent that the impairment is no longer required

**4 Particulars of employees**

Other than the directors, the company had no employees throughout the period

**5 Directors' remuneration**

The emoluments of the directors are paid by the ultimate parent company, or by another group company. The directors' services to this company are of a non-executive nature and are deemed to be attributable to services to the remunerating company. Accordingly, the directors received no remuneration for services to the company in the year (2009 £nil)

**6 Other interest receivable and similar income**

	2010 £ 000	2009 £ 000
Interest from group undertakings	<u>1,343</u>	<u>1,444</u>

**7 Taxation**

**Tax charge/(credit) on profit on ordinary activities**

	2010 £ 000	2009 £ 000
<b>Current tax</b>		
Group relief payable/(receivable)	<u>359</u>	<u>-</u>

**Factors affecting current tax charge for the year**

The effective current tax rate on the profit on ordinary activities before tax can be reconciled to the standard rate of corporation tax (taken to be the standard rate of corporation tax in the UK) as follows

	2010 %	2009 %
Standard rate of tax	28.0	28.0
Transfer pricing adjustments (see below)	(0.2)	29.7
Release impairment on intra-group balance	(23.9)	
Effect of not paying for group relief at the standard rate of tax	<u>-</u>	<u>(57.7)</u>
Effective current tax rate	<u>3.9</u>	<u>-</u>

**ADG Group Limited**  
**Notes to the Financial Statements for the 52 week period**  
**ended 31 December 2010**

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UK legislation requires, in broad terms, that most transactions between connected parties be at an arm's length price for tax purposes (commonly known as 'transfer pricing') As a result, this company is entitled to a deduction for deemed net interest payable in relation to intercompany balances that has not been recognised in the accounts

**8 Investments held as fixed assets**

	2010 £ 000	2009 £ 000
Shares in group undertakings and participating interests	<u>5,093</u>	<u>5,093</u>

**Shares in group undertakings and participating interests**

	Subsidiary undertaking £ 000
<b>Cost</b>	
At 1 January 2010	<u>10,596</u>
At 31 December 2010	10,596
<b>Provision for impairment</b>	
At 1 January 2010	<u>(5,503)</u>
<b>Net book value</b>	
At 31 December 2010	<u>5,093</u>
At 31 December 2009	<u>5,093</u>

**Loans to group undertakings and participating interests**

	Subsidiary undertaking £ 000
At 1 January 2010	27,000
Provided	<u>(27,000)</u>
At 31 December 2010	<u>-</u>

Group loans bear interest at 4% above LIBOR and are unsecured

**ADG Group Limited**  
**Notes to the Financial Statements for the 52 week period**  
**ended 31 December 2010**

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**Details of undertakings**

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

<b>Undertaking</b>	<b>Holding</b>	<b>Proportion of voting rights and shares held</b>	<b>Principal activity</b>
<b>Subsidiary undertakings</b>			
Chrysalis Community Care Group Limited	£1 Deferred and US\$1 Ordinary	100%	Employment agency
PRN Recruitment Limited	£1 Deferred and US\$1 Ordinary	100%	Employment agency

**9 Debtors**

	<b>2010 £ 000</b>	<b>2009 £ 000</b>
Amounts owed by group undertakings	<u>17,720</u>	<u>8,417</u>
Amounts owed by group undertakings are interest free, unsecured and repayable on demand		

**10 Creditors: Amounts falling due within one year**

	<b>2010 £ 000</b>	<b>2009 £ 000</b>
Amounts owed to group undertakings	<u>2,119</u>	<u>1,759</u>
Amounts owed to group undertakings are interest free, unsecured and repayable on demand		

**11 Share capital**

**Allotted, called up and fully paid shares**

	<b>2010</b>		<b>2009</b>	
	<b>No. 000</b>	<b>£ 000</b>	<b>No. 000</b>	<b>£ 000</b>
Ordinary shares of £0.05 each	<u>43,094</u>	<u>2,155</u>	<u>43,094</u>	<u>2,155</u>

**ADG Group Limited**  
**Notes to the Financial Statements for the 52 week period**  
**ended 31 December 2010**

..... *continued*

**12 Reserves**

	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2010	33,715	(24,119)	9,596
Profit for the year	-	8,943	8,943
At 31 December 2010	<u>33,715</u>	<u>(15,176)</u>	<u>18,539</u>

**13 Reconciliation of movement in shareholders' funds**

	2010 £ 000	2009 £ 000
Profit attributable to the members of the company	8,943	1,444
Net addition to shareholders' funds	8,943	1,444
Shareholders' funds at 1 January	11,751	10,307
Shareholders' funds at 31 December	<u>20,694</u>	<u>11,751</u>

**14 Contingent liabilities**

The company has given cross guarantees as follows

As part of the invoice discounting facility of the Group of which the company is a member, a net aggregate amount of £12,057,791 was drawn down by other group companies as at 31 December 2010 (2009 £50,438,632)

b) In respect of the Group's £45 million 10 per cent guaranteed secured notes due 2011, the net aggregate amount outstanding at 31 December 2010 was £20,000,000 (2009 £20,000,000)

**15 Related party transactions**

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the Group

**16 Control**

The company's immediate parent undertaking is Blue Arrow Holdings Limited, a company incorporated in Great Britain

The directors regard Impellam Group plc, a company incorporated in Great Britain, as the ultimate parent undertaking. This is also the parent undertaking of the largest and smallest group which includes the company and for which group accounts are prepared. Copies of the group accounts of Impellam Group plc will be delivered to, and be available from, the Registrar of Companies, Companies Registration Office, Crown Way, Mandy, Cardiff, CF14 3UZ

At 31 December 2010, the Lombard Trust was interested in and controlled 58.5% of Impellam Group plc