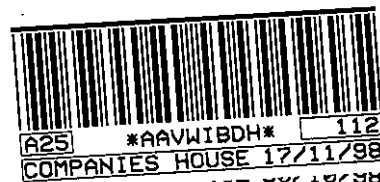


'AMENDING COPY'

Southern Appointments Limited

Accounts 31 December 1997
together with directors' and auditors' reports

Registered number: 3372323



Directors and Officers

Directors

JD Abrahamson

GI Brailey

RC Eden

Secretary

JD Abrahamson

Registered office

Glaston Park

Spring Lane

Glaston

Nr Uppingham

Rutland

LE15 9BX

Auditors

Arthur Andersen

20 Old Bailey

London EC4M 7AN

Directors' report

For the period ended 31 December 1997

Financial Statements

The directors present their report and financial statements for the period ended 31 December 1997.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the company's state of affairs at the end of the year and of its profit or loss for the year. 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 assume 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 company was incorporated on 13 May 1997, when it acquired the trade of Southern Appointments from Argosy Recruitment Limited for an initial consideration of £1,850,000. There is deferred consideration payable of £500,000 on 1 July 1998, providing that the gross profit for the year to 30 April 1998 exceeds £500,000, subject to a reduction of £1.75 for each £1 below £500,000. The acquisition was financed by inter company loans.

Results

The profit and loss account is set out on page 5 and shows the results for the period. Profits of £274,315 have been transferred to reserves.

Dividends

The directors do not propose the payment of a dividend for the year.

Directors' report (continued)

For the year ended 31 December 1997

Directors

JD Abrahamson

GI Brailey

RC Eden

Director's interests

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

JD Abrahamson, GI Brailey and RC Eden are all directors of The Corporate Services Group plc, the ultimate parent undertaking and their interests are disclosed in that company's financial statements.

Auditors

Arthur Andersen have expressed their willingness to continue in office, and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

This report was approved by the Board on 26 October 1998.

J.D. Abrahamson

Director

Auditors' report

To the shareholders of Southern Appointments Limited

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2, 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 state of the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
20 Old Bailey
London
EC4M 7AN

26 October 1998

Profit and loss account

for the period ended 31 December 1997

	Notes	Acquisitions 1997 £
Turnover		3,917,658
Cost of sales		<u>(3,234,105)</u>
Gross profit		683,553
Administrative expenses		<u>(270,238)</u>
Profit on ordinary activities before taxation	4	413,315
Tax on profit on ordinary activities	5	<u>(139,000)</u>
Retained profit for the financial period transferred to reserves		<u>274,315</u>

The above results all relate to the trade of Southern Appointments acquired on 13 May 1997.

There are no recognised gains or losses other than the profit for the period as shown above.

Balance sheet

as at 31 December 1997

	Notes	1997 £
Fixed assets		
Tangible assets	6	4,003
Current assets		
Debtors	7	2,220,998
Cash at bank and in hand		200
		<u>2,221,198</u>
Creditors: amounts falling due within one year	8	<u>(4,998,429)</u>
Net current assets		<u>(2,777,231)</u>
Total assets less current liabilities		<u>(2,773,228)</u>
Provisions for liabilities and charges	9	<u>(10,000)</u>
Net assets		<u>(2,783,228)</u>
Capital and reserves		
Called up share capital	10	2
Goodwill	11	(2,968,367)
Profit and loss account	11	<u>185,137</u>
Equity shareholders' funds	12	<u>(2,783,228)</u>

The financial statements on pages 5 to 11 were approved by the Board on 26 October 1998.

S.D. *Altham*

Director

Notes to the financial statements

for the period ended 31 December 1997

1 Accounting policies

a) Basis of accounting

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

b) Turnover

Turnover represents amounts receivable for services sold to third parties excluding value added tax and relates wholly to the principal activity all of which originates and is carried out in the United Kingdom.

c) Depreciation of tangible assets

Depreciation is provided on all tangible fixed assets in use, at rates and bases calculated to write off the cost, less estimated residual value, of each asset over the expected useful life, as follows:

Furniture, fixtures and fittings	- 4 years
Computer equipment	- 3 years
Leasehold property	- period of the lease

d) Leased assets

Where the company has entered into finance leases, the obligations to the lessor are shown as part of the borrowings and the rights in the corresponding assets are treated in the same way as owned fixed assets. Leases are regarded as finance leases where their terms transfer to the lessee substantially all the benefits and burdens of ownership other than the rights to legal title. Rentals payable under operating leases are charged to the profit and loss account as incurred.

e) Deferred taxation

Deferred taxation is accounted for using the liability method on all material timing differences to the extent that it is probable that a liability will crystallise. Timing differences are taxable items or allowances on reliefs which are given effect to in taxation periods different from those in which they have effect in the financial statements.

f) Pension costs

As the pension scheme is a defined contribution scheme, it has been accounted for on a contributions payable basis.

g) 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.

h) Cashflow statement

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

Notes to the financial statements (continued)

for the period ended 31 December 1997

2 Directors

No director received any remuneration for services during the period.

3 Staff costs

	1997 £
Wages and salaries	84,658
Social security costs	7,126
Other pension costs	376
	<u>92,160</u>

The average number of employees during the period was made up as follows:

	Number
Office and management	<u>5</u>

4 Operating profit

	1997 £
This is stated after charging:	
Depreciation on owned assets	1,434
Operating lease rentals – plant & machinery	<u>5,833</u>

5 Tax on profit on ordinary activities

	1997 £
UK Corporation tax at 31.5% based on the profit for the year	<u>139,000</u>

Notes to the financial statements (continued)

for the period ended 31 December 1997

6 Tangible fixed assets

	Leasehold premises £	Computer Equipment £	Furniture fixtures and fittings £	Total £
Cost				
Inter group transfers	8,817	533	15,562	24,912
31 December 1997	<u>8,817</u>	<u>533</u>	<u>15,562</u>	<u>24,912</u>
Depreciation				
Inter group transfers	4,841	66	14,568	19,475
Charge for year	452	25	957	1,434
31 December 1997	<u>5,293</u>	<u>91</u>	<u>15,525</u>	<u>20,909</u>
Net book values				
31 December 1997	<u>3,524</u>	<u>442</u>	<u>37</u>	<u>4,003</u>

7 Debtors

	1997 £
Trade debtors	1,224,138
Other debtors	11,675
Prepayments	7,745
Amount owed by fellow subsidiary undertakings	977,440
	<u>2,220,998</u>

8 Creditors: amounts falling due within one year

	1997 £
Bank overdraft	1,111,815
Trade creditors	2,831
Corporation tax payable	139,000
Other taxes and social security costs	544,546
Accruals and deferred income	3,485
Amounts owing to other group undertakings	3,119,236
Other creditors	77,516
	<u>4,998,429</u>

The bank overdraft is secured by fixed and floating charges over certain group assets.

9 Southern Appointments Limited

Notes to the financial statements (continued)

for the period ended 31 December 1997

9 Provision for liabilities and charges

	1997 £
Dilapidation provision on acquired assets	<u>10,000</u>

10 Called up share capital

	1997 £
Authorised	
1,000 Ordinary shares of £1 each	<u>1,000</u>
Allotted, called up and fully paid	
2 Ordinary shares of £1 each	<u>2</u>

11 Statement of reserves

	Goodwill £	Profit and loss account £	Total £
Profit for the period	-	274,315	274,315
Goodwill acquired	(3,057,545)	-	(3,057,545)
Amortisation of goodwill	<u>89,178</u>	<u>(89,178)</u>	<u>-</u>
31 December 1997	<u>(2,968,367)</u>	<u>185,137</u>	<u>(2,783,230)</u>

12 Shareholders' funds

	1997 £
At 1 January 1997	2
Retained profit for the period	274,315
Goodwill acquired	<u>(3,057,545)</u>
At 31 December 1997	<u>(2,783,228)</u>

Notes to the financial statements (continued)

For the year ended 31 December 1997

13 Commitments

At 31 December 1997, the company had operating lease commitments on the following year as set out below:

	1997 £
Land and buildings:	
Leases which expire in over five years	<u>10,000</u>
	<u>10,000</u>

14 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. 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.

15 Related parties disclosure

The company has taken advantage of the exemption in FRS8 for subsidiaries where group accounts are publicly available.