# Southern Appointments Limited

Annual report and accounts
for the year ended 31 December 2000

Registered number: 3372323

# Directors and Officers

**Directors**
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 an employment agency supplying both permanent and temporary staff to the construction industry.

**Business review**

The profit and loss account for the year is set out on page 5. The directors look forward to the future with confidence.

**Results and dividends**

The audited accounts for the year ended 31 December 2000 are set out on pages 5 to 12. The company's loss for the year after taxation was £12,272 (1999: profit £19,862).

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

**Directors**

The directors who served during the year were:

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.

D F Cornish and D A Lake were directors of the ultimate 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.

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 Number | Share options 1999 (as restated for rights issue during year) Number | Ordinary shares of 10p each 2000 Number | Ordinary shares of 10p each 1999 Number |
|---|---|---|---|---|
| M R Sarson | 78,603 | 58,337 | - | - |

# Directors' report (continued)

**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 Southern Appointments Limited**

We have audited the accounts on pages 5 to 12 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

**Ernst & Young LLP**

**Registered Auditors**
Luton

28 September 2001.

# Profit and loss account

For the year ended 31 December 2000

| | Notes | 2000<br>£ | 1999<br>£ |
|---|---|---|---|
| **Turnover** | 1 | 3,715,959 | 2,938,734 |
| Cost of sales | | (3,054,611) | (2,426,966) |
| **Gross profit** | | 661,348 | 511,768 |
| Administrative expenses | | (666,516) | (449,880) |
| **Operating (loss)/profit** | 2 | (5,168) | 61,888 |
| Net interest payable | 4 | (16,104) | (31,026) |
| **(Loss)/profit on ordinary activities before taxation** | | (21,272) | 30,862 |
| Tax on (loss)/profit on ordinary activities | 5 | 9,000 | (11,000) |
| **Retained (loss)/profit for the year** | 10 | (12,272) | 19,862 |

There are no recognised gains or losses other than the loss 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** | | | |
| Tangible fixed assets | 6 | 8,598 | 9,983 |
| **Current assets** | | | |
| Debtors | 7 | 1,456,362 | 2,366,663 |
| Cash at bank and in hand | | 200 | 200 |
| | | 1,456,562 | 2,366,863 |
| **Creditors:** amounts falling due within one year | 8 | (4,205,877) | (5,105,291) |
| **Net current liabilities** | | (2,749,315) | (2,738,428) |
| **Net liabilities** | | (2,740,717) | (2,728,445) |
| **Capital and reserves** | | | |
| Called up share capital | 9 | 2 | 2 |
| Profit and loss account | 10 | (2,740,719) | (2,728,447) |
| **Equity shareholders' funds** | 11 | (2,740,717) | (2,728,445) |

The accompanying notes are an integral part of this balance sheet.

The accounts on pages 5 to 12 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 incurred a loss of £12,272 in the year ended 31 December 2000 and at that date its liabilities exceeded its assets. 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:

| | |
|---|---|
| Leasehold premises | - over the lease term |
| Fixtures, fittings and computer 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.

**1. Accounting policies (continued)**

*e) 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.

*f) 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.

*g) 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.

*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).

**2. Operating (loss)/profit is stated after charging:**

| | 2000 £ | 1999 £ |
|---|---|---|
| Depreciation and amounts written off tangible fixed assets: | | |
| Charge for the year | | |
| - owned assets | 2,587 | 2,201 |
| Operating lease rentals: | | |
| - land and buildings | 20,871 | 10,192 |
| - plant and machinery | 869 | 4,200 |

### 3. Employees

| The average monthly number of persons employed by the company during the period was: | 2000 Number | 1999 Number |
|---|---|---|
| Directors | 3 | 3 |
| Employment services | 6 | 5 |
| | 9 | 8 |

| Their aggregate remuneration comprised: | £ | £ |
|---|---|---|
| Wages and salaries | 199,757 | 170,739 |
| Social security costs | 14,092 | 12,368 |
| Other pension costs | 1,848 | 1,310 |
| | 215,697 | 184,417 |

**Directors' remuneration**

218,954 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 money purchase pension schemes, received by these directors totalled £585,715 (1999: £993,281) 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.

### 4. Net interest payable

| | 2000 £ | 1999 £ |
|---|---|---|
| On revolving credit facilities | 21,874 | 28,713 |
| Other interest | - | 2,313 |
| Total interest payable and similar charges | 21,874 | 31,026 |
| Other interest receivable | (5,770) | - |
| Net interest payable | 16,104 | 31,026 |

# Notes to the accounts (continued)

## 5. Taxation

| | 2000 | 1999 |
|---|---|---|
| The tax (credit)/charge comprises: | £ | £ |
| UK Corporation tax | (9,000) | 11,000 |

## 6. Tangible fixed assets

| | Leasehold premises | Fixtures, fittings and computer equipment | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Cost** | | | |
| 1 January 2000 | 8,817 | 26,376 | 35,193 |
| Additions | - | 1,202 | 1,202 |
| **31 December 2000** | 8,817 | 27,578 | 36,395 |
| **Depreciation** | | | |
| 1 January 2000 | 6,763 | 18,447 | 25,210 |
| Charge for year | 678 | 1,909 | 2,587 |
| **31 December 2000** | 7,441 | 20,356 | 27,797 |
| **Net book values** | | | |
| **31 December 2000** | 1,376 | 7,222 | 8,598 |
| 1 January 2000 | 2,054 | 7,929 | 9,983 |

## 7. Debtors

| | 2000 | 1999 |
|---|---|---|
| | £ | £ |
| Trade debtors | 529,534 | 520,854 |
| Amounts owed by other group undertakings | 851,971 | 1,427,590 |
| Corporation tax recoverable | 39,771 | 30,771 |
| Other debtors | - | 346,016 |
| Prepayments and accrued income | 35,086 | 41,432 |
| | 1,456,362 | 2,366,663 |

Certain trade debtors are subject to revolving credit facilities (invoice discounting - see note 8) under which the company receives a substantial proportion of the value of the trade debtors shortly after they have been invoiced.

## 8. Creditors: amounts falling due within one year

| | 2000 | 1999 |
|---|---|---|
| | £ | £ |
| Bank overdraft (secured - note a)) | 9,681 | 11,537 |
| Revolving credit (secured - note b)) | 313,804 | 332,354 |
| Amounts owed to other group undertakings | 3,652,012 | 4,529,125 |
| Other taxation and social security | 150,153 | 176,907 |
| Other creditors and accruals | 80,227 | 55,368 |
| | 4,205,877 | 5,105,291 |

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 7. 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.

## 9. Called up share capital

| | 2000 | 1999 |
|---|---|---|
| | £ | £ |
| **Authorised** | | |
| 1,000 Ordinary shares of £1 each | 1,000 | 1,000 |
| **Allotted, issued and fully paid** | | |
| 2 Ordinary shares of £1 each | 2 | 2 |

## 10. Reserves

| | Profit and loss account |
|---|---|
| | £ |
| 1 January 2000 | (2,728,447) |
| Retained loss for the year | (12,272) |
| **31 December 2000** | (2,740,719) |

The cumulative amount of goodwill which has been written off to profit and loss account reserve is £3,062,545 (1999: £3,062,545).

**11. Reconciliation of movements in shareholders' funds**

| | 2000 | 1999 |
|---|---|---|
| | £ | £ |
| Retained (loss)/profit for the year | (12,272) | 19,862 |
| **Net (reduction in)/addition to shareholders' funds** | (12,272) | 19,862 |
| Opening shareholders' funds | (2,728,445) | (2,748,307) |
| **Closing shareholders' funds** | (2,740,717) | (2,728,445) |

**12. Commitments under operating leases**

As at 31 December the company had the following commitments under operating leases:

| | 2000 | 1999 |
|---|---|---|
| | £ | £ |
| Land and buildings: | | |
| Expiring within two to five years | 18,855 | 18,855 |

The figure for 1999 has been restated to include the sum of £8,855 previously omitted in error.

**13. Contingent liabilities**

The company has given cross guarantees as follows:

a) As part of the invoice discounting facility; the net aggregate amount outstanding against this facility at 31 December 2000 was £55,565,000 (1999: £68,601,000).

b) As part of the overdraft facility; the net aggregate amount outstanding against this facility at 31 December 2000 was £1,054,000 (1999: £5,114,000).

c) 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).

**14. 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".

**15. Parent undertakings and controlling party**

The company's immediate parent undertaking is Forward Recruitment Consultants 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.