

Southern Appointments Limited

Annual report and accounts
for the year ended 31 December 1999

Registered number: 3372323



Directors and Officers

Directors

D F Cornish

D A Lake

M R Sarson

Registered office

24 Stafford Place

London

SW1E 6NG

Auditors

Ernst & Young

400 Capability Green

Luton

LU1 3LU

Directors' report

For the year ended 31 December 1999

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 1999.

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 company traded profitably during the year and the directors look forward to the future with confidence.

Results and dividends

The audited accounts for the year ended 31 December 1999 are set out on pages 5 to 13. The company's profit for the year after taxation was £19,862 (1998: £39,921).

The directors do not recommend payment of a dividend for the year (1998: £ Nil).

Directors

The directors who served during the year were:

J D Abrahamson (resigned 6 July 1999)

G I Brailey (resigned 25 March 1999)

D F Cornish (appointed 22 July 1999)

R C Eden (resigned 25 March 1999)

D A Lake (appointed 4 May 1999)

M R Sarson (appointed 25 March 1999)

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 1999 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 1999 were as follows:

	Share options 1999	Share options 1998 (or date of appointment)	Ordinary shares of 10p each 1999	Ordinary shares of 10p each 1998 (or date of appointment)
	Number	Number	Number	Number
M R Sarson	55,902	-	-	-

Year 2000

The majority of computer systems with embedded chips or processors have tended to rely on two rather than four digits to define a specific year. This created the risk that at 1 January 2000, the dates could have been treated as dates in the 1900s. The consequence of this could have been inaccurate transaction processing or system failure. This could have resulted in business interruption, financial loss or loss of reputation.

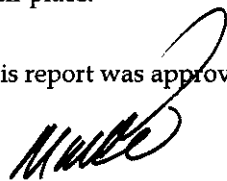
The board is pleased to report that the group of which the company is a member experienced no Year 2000 problems. The total cost to the group of Year 2000 compliance was approximately £500,000. This cost was written off to the group profit and loss account.

The group has now wound down its Year 2000 compliance team. The group does not believe there are any significant Year 2000 residual risks. Appropriate contingency planning has been further developed to deal with the unlikely event of a Year 2000 problem or indeed any other internal or external failure.

Auditors

Arthur Andersen have not sought re-election as auditors to the company and Ernst & Young have been appointed in their place.

This report was approved by the board on 5 July 2000.



M R Sarson

Director

24 Stafford Place
London
SW1E 6NG

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 13 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 1999 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

Registered Auditors

Luton

5 July 2000.

Profit and loss account

For the year ended 31 December 1999

	Notes	1999 £	1998 £
Turnover	1	2,938,734	6,121,044
Cost of sales		<u>(2,426,966)</u>	<u>(5,620,638)</u>
Gross profit		511,768	500,406
Administrative expenses		<u>(449,880)</u>	<u>(418,910)</u>
Operating profit	2	61,888	81,496
Net interest payable	4	<u>(31,026)</u>	<u>(41,575)</u>
Profit on ordinary activities before taxation		30,862	39,921
Tax on profit on ordinary activities	5	<u>(11,000)</u>	<u>-</u>
Retained profit for the year	10	<u>19,862</u>	<u>39,921</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.

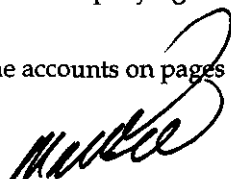
Balance sheet

31 December 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible fixed assets	6	9,983	9,056
Current assets			
Debtors	7	2,366,663	2,775,715
Cash at bank and in hand		<u>200</u>	<u>181,322</u>
		2,366,863	2,957,037
Creditors: amounts falling due within one year	8	<u>(5,105,291)</u>	<u>(5,714,400)</u>
Net current liabilities		<u>(2,738,428)</u>	<u>(2,757,363)</u>
Net liabilities		<u>(2,728,445)</u>	<u>(2,748,307)</u>
Capital and reserves			
Called up share capital	9	2	2
Profit and loss account	10	<u>(2,728,447)</u>	<u>(2,748,309)</u>
Equity shareholders' funds	11	<u>(2,728,445)</u>	<u>(2,748,307)</u>

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

The accounts on pages 5 to 13 were approved by the board on 5 July 2000.



M R Sarson

Director

Notes to the accounts

31 December 1999

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's liabilities at 31 December 1999 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
Office 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) 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.

Advance corporation tax payable on dividends paid or provided for in the year is written off, except where recoverability against corporation tax is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

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).

Notes to the accounts (continued)

2. Operating profit is stated after charging:

	1999 £	1998 £
Depreciation and amounts written off tangible fixed assets:		
Charge for the year		
- owned assets	2,201	1,484
Impairment charge	-	616
Operating lease rentals:		
- land and buildings	10,192	10,210
- plant and machinery	4,200	2,600
Auditors' remuneration for audit services: <i>payable to Arthur Andersen</i>	-	2,000

Exceptional items

Recognised in arriving at operating profit

	1999 £	1998 £
Changes in accounting methods and estimates	-	2,234

3. Employees

The average monthly number of persons employed by the company during the period was:

	1999 Number	1998 Number
Directors	3	3
Employment services	5	6
	8	9

Their aggregate remuneration comprised:

	£	£
Wages and salaries	170,739	119,803
Social security costs	12,368	10,539
Other pension costs	1,310	1,117
	184,417	131,459

Directors' remuneration

368,117 options (1998: Nil) to acquire shares in the ultimate parent company were granted to the directors during the year. One director exercised options over 108,608 shares (1998: Nil) in the ultimate parent company during the year.

Notes to the accounts (continued)

3. Employees (continued)

Directors' remuneration (continued)

J D Abrahamson, G I Brailey and R C Eden were also directors of fellow subsidiaries and of the ultimate parent company. D F Cornish, D A Lake and M R Sarson are also directors of fellow subsidiaries and D F Cornish and D A Lake are also directors of the ultimate parent company. Total remuneration, including company contributions to money purchase pension schemes, received by these directors totalled £993,281 (1998: £645,000) paid by the ultimate parent company or by other subsidiaries. Three of these directors are members of a money purchase pension scheme. The directors do not believe that it is practicable to apportion this amount between their services as directors to the company and their services as directors of the ultimate parent company and of fellow subsidiary companies.

4. Net interest payable

	1999 £	1998 £
On revolving credit facilities	28,713	39,497
Other interest	2,313	2,078
	<u>31,026</u>	<u>41,575</u>

5. Taxation

	1999 £	1998 £
The tax charge comprises:		
UK Corporation tax at 30.25% (1998: 31%)	<u>11,000</u>	<u>-</u>

Notes to the accounts (continued)

6. Tangible fixed assets

	Leasehold premises	Fixtures, fittings and computer equipment	Total
	£	£	£
Cost			
1 January 1999	8,817	23,248	32,065
Additions	-	3,128	3,128
31 December 1999	8,817	26,376	35,193
Depreciation			
1 January 1999	6,028	16,981	23,009
Charge for year	735	1,466	2,201
31 December 1999	6,763	18,447	25,210
Net book values			
31 December 1999	2,054	7,929	9,983
31 December 1998	2,789	6,267	9,056

7. Debtors

	1999 £	1998 £
Trade debtors	520,854	1,316,280
Amounts owed by other group undertakings	1,427,590	1,017,334
Corporation tax	30,771	-
Other debtors	346,016	441,573
Prepayments and accrued income	41,432	528
	2,366,663	2,775,715

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.

Notes to the accounts (continued)

8. Creditors: amounts falling due within one year

	1999	1998
	£	£
Bank overdraft (secured – note a))	11,537	-
Revolving credit (secured – note b))	332,354	364,236
Trade creditors	-	2,921
Amounts owed to other group undertakings	4,529,125	4,635,153
Corporation tax	-	86,000
Other taxation and social security	176,907	587,017
Other creditors and accruals	55,368	39,073
	<u>5,105,291</u>	<u>5,714,400</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 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

	1999	1998
	£	£
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

10. Reserves

	Profit and loss account £
1 January 1999	(2,748,309)
Retained profit for the year	<u>19,862</u>
31 December 1999	<u>(2,728,447)</u>

The cumulative amount of goodwill which has been written off to profit and loss account reserve is £3,062,545 (1998: £3,062,545).

Notes to the accounts (continued)

11. Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Retained profit for the year	19,862	39,921
Goodwill written off relating to prior year acquisitions	-	(5,000)
Net addition to shareholders' funds	19,862	34,921
Opening shareholders' funds	(2,748,307)	(2,783,228)
Closing shareholders' funds	(2,728,445)	(2,748,307)

12. Commitments under operating leases

At 31 December 1999, the company had the following commitments under operating leases:

	1999 £	1998 £
Land and buildings:		
Expiring within two to five years	10,000	10,000

13. 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 1999 was £68,601,000 (1998: £79,818,400).
- As part of the overdraft facility; the net aggregate amount outstanding against this facility at 31 December 1999 was £5,114,000 (1998: £537,000).
- In respect of borrowings by the ultimate parent company; the net aggregate amount outstanding at 31 December 1999 was £2,493,000 (1998: £3,111,000) of which £221,000 was repaid on 4 May 2000.

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.