

REGISTRAR'S COPY

REG'D NUMBER 3725732

Supply Desk Limited

Report and Financial Statements

Year Ended

31 December 2004



BDO
BDO Stoy Hayward
Chartered Accountants

Supply Desk Limited

Annual report and financial statements for the year ended 31 December 2004

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Directors

D McLaney
N J Williams

Secretary and registered office

K Haworth, Fives Court, Hillsbrough Barracks, Penistone Road, Sheffield, South Yorkshire, S6
2GZ

Company number

03725732

Auditors

BDO Stoy Hayward LLP, Emerald House, East Street, Epsom Surrey, KT17 1HS

Solicitors

Pincent Curtis Biddle, The Chancery, 58 Spring Gardens, Manchester, M2 1EW

Bankers

Fortis Bank S.A./N.V., Camomile Court, 23 Camomile Street, London, EC3A 7PP

Supply Desk Limited

Report of the directors for the year ended 31 December 2004

The directors present their report together with the audited financial statements for the year ended 31 December 2004.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

The directors do not recommend the payment of a final dividend (2003: £Nil per share).

Principal activities, review of business and future developments

The company's principal activity is that of a staff agency for supply teachers.

The directors are pleased with both the level of business achieved and the year end financial position of the company and expect the level of growth to be maintained for the foreseeable future.

Directors

The directors of the company during the year were:

| | |
|------------|---|
| D McLaney | |
| A Goodman | (resigned 29 September 2005) |
| L Percival | (resigned 18 June 2004) |
| K Haworth | (appointed 25 August 2004, resigned 31 August 2004) |

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

At 31 December 2004, D McLaney and A Goodman were also directors of the ultimate parent company, Public Recruitment Group PLC, and their interests in the share capital of that company are shown in its financial statements.

In addition, N J Williams was appointed a director of the company on 11 January 2005.

Supply Desk Limited

Report of the directors for the year ended 31 December 2004 (*Continued*)

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 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 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.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board



K Haworth
Secretary

Date: 14/10/05

Supply Desk Limited

Report of the independent auditors

To the shareholders of Supply Desk Limited

We have audited the financial statements of Supply Desk Limited for the year ended 31 December 2004 on pages 5 to 13 which have been prepared under the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Supply Desk Limited

Report of the independent auditors (*Continued*)

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A large, stylized handwritten signature in black ink, appearing to read 'BDO Stoy Hayward LLP', is written over the printed name of the firm.

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
Epsom

Date: 17/10/05

Supply Desk Limited**Profit and loss account for the year ended 31 December 2004**

| | Note | 2004 £ | 2003 £ |
|---|------|------------------|------------------|
| Turnover | 2 | 22,421,803 | 19,863,630 |
| Cost of sales | | 17,162,751 | 15,264,212 |
| Gross profit | | 5,259,052 | 4,599,418 |
| Administrative expenses | | 3,913,806 | 3,655,893 |
| Operating profit | 3 | 1,345,246 | 943,525 |
| Reorganisation costs | 4 | (177,256) | - |
| Profit on ordinary activities before interest and other income | | 1,167,990 | 943,525 |
| Other interest receivable and similar income | | 3,000 | - |
| Interest payable and similar charges | 7 | (168,502) | (126,370) |
| Profit on ordinary activities before taxation | | 1,002,488 | 817,155 |
| Taxation on profit on ordinary activities | 8 | 178,207 | 224,315 |
| Profit on ordinary activities after taxation | | 824,281 | 592,840 |
| Retained profit brought forward | 13 | 953,792 | 360,952 |
| Retained profit carried forward | 13 | 1,778,073 | 953,792 |

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

There are no movements in shareholders' funds in the current and prior year apart from the profit for the year.

The notes on pages 7 to 13 form part of these financial statements.

Supply Desk Limited

Balance sheet at 31 December 2004

| | Note | 2004 £ | 2004 £ | 2003 £ | 2003 £ |
|---|------|------------------|------------------|------------------|----------------|
| Fixed assets | | | | | |
| Tangible assets | 9 | | 209,495 | | 226,488 |
| Current assets | | | | | |
| Debtors | 10 | 5,187,572 | | 2,472,609 | |
| Cash at bank and in hand | | 25,913 | | 1,241,121 | |
| | | <u>5,213,485</u> | | <u>3,713,730</u> | |
| Creditors: amounts falling due within one year | 11 | <u>3,644,707</u> | | <u>2,986,226</u> | |
| Net current assets | | | <u>1,568,778</u> | | <u>727,504</u> |
| Total assets less current liabilities | | | <u>1,778,273</u> | | <u>953,992</u> |
| Capital and reserves | | | | | |
| Called up share capital | 12 | | 200 | | 200 |
| Profit and loss account | 13 | | 1,778,073 | | 953,792 |
| | | | <u>1,778,273</u> | | <u>953,992</u> |
| Equity shareholders' funds | | | <u>1,778,273</u> | | <u>953,992</u> |

The financial statements were approved by the Board on 14 October 2005



N J Williams
Director

The notes on pages 7 to 13 form part of these financial statements.

Supply Desk Limited

Notes forming part of the financial statements for the year ended 31 December 2004

1 Accounting policies

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

The following principal accounting policies have been applied:

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Public Recruitment Group PLC and the company is included in consolidated financial statements.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties, freehold land and certain buildings, evenly over their expected useful lives. It is calculated at the following rates:

| | |
|----------------------------------|------------------------|
| Motor vehicles | - 25% per annum |
| Fixtures, fittings and equipment | - 15 - 33.3% per annum |

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Where assets are held on operating leases their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions were made by the company to the individual money purchase plans of employees during the year. Contributions to these plans are charged to the profit and loss account in the period in which they become payable.

Supply Desk Limited

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

1 Accounting policies (continued)

Related party disclosure

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related party disclosures', not to disclose transactions with members or investees of the group headed by Public Recruitment Group PLC on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Operating profit

| | 2004 £ | 2003 £ |
|--|-------------------|-------------------|
| This is arrived at after charging: | | |
| Depreciation of tangible fixed assets | 94,658 | 104,397 |
| Hire of plant and machinery - operating leases | 173,739 | 14,589 |
| Hire of other assets - operating leases | 57,920 | 17,220 |
| Audit services | 23,785 | 18,094 |
| Non-audit services | 1,750 | - |
| | <u> </u> | <u> </u> |

4 Reorganisation costs

Following a group reorganisation during the year, the company incurred redundancy costs of £177,256 (2003: £Nil). Tax relief of £53,000 (2003: £Nil) is available in respect of the costs.

As the reorganisation had a material effect on the nature and focus of the company's operations the costs have been charged after operating profit in accordance with FRS 3, Reporting Financial Performance.

5 Employees

Staff costs (including directors) consist of:

| | 2004 £ | 2003 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 2,179,752 | 1,951,030 |
| Social security costs | 212,911 | 196,522 |
| Other pension costs | 7,937 | 10,232 |
| | <u> </u> | <u> </u> |
| | 2,400,600 | 2,157,784 |
| | <u> </u> | <u> </u> |

Supply Desk Limited**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)**

5 Employees (continued)

The average number of employees (including directors) during the year was as follows:

| | 2004 Number | 2003 Number |
|-----------------------|------------------------|------------------------|
| Office and management | 25 | 23 |
| Selling | 48 | 46 |
| | <hr/> | <hr/> |
| | 73 | 69 |
| | <hr/> | <hr/> |

6 Directors' remuneration

| | 2004 £ | 2003 £ |
|---------------------------------|-------------------|-------------------|
| Directors' emoluments | 131,413 | 198,524 |
| Compensation for loss of office | 80,000 | - |
| | <hr/> | <hr/> |

7 Interest payable and similar charges

| | 2004 £ | 2003 £ |
|------------------------------|-------------------|-------------------|
| Bank loans and overdrafts | 135,319 | 126,370 |
| Other interest | 3,590 | - |
| Invoice discounting interest | 29,593 | - |
| | <hr/> | <hr/> |
| | 168,502 | 126,370 |
| | <hr/> | <hr/> |

Supply Desk Limited

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

8 Taxation on profit on ordinary activities

| | 2004 £ | 2004 £ | 2003 £ | 2003 £ |
|---|-------------------|-------------------|-------------------|-------------------|
| <i>UK Corporation tax</i> | | | | |
| Current tax on profits of the year | 195,082 | | 224,315 | |
| Adjustment in respect of previous periods | (16,875) | | - | |
| | <u> </u> | | <u> </u> | |
| Total current tax | | 178,207 | | 224,315 |
| | | <u> </u> | | <u> </u> |

The tax assessed for the period is lower (2003: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2004 £ | 2003 £ |
|---|-------------------|-------------------|
| Profit on ordinary activities before tax | 1,002,488 | 817,155 |
| | <u> </u> | <u> </u> |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 - 30%) | 300,746 | 245,147 |
| Effect of: | | |
| Expenses not deductible for tax purposes | 17,145 | 4,763 |
| Depreciation for the year in excess of capital allowances | 547 | 6,839 |
| Group relief claimed | (118,612) | - |
| Other timing differences | - | (32,434) |
| Adjustment to tax charge in respect of previous periods | (16,875) | - |
| Profit on sale of fixed assets | (4,762) | - |
| Other timing differences | 18 | - |
| | <u> </u> | <u> </u> |
| Current tax charge for period | 178,207 | 224,315 |
| | <u> </u> | <u> </u> |

Supply Desk Limited

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

9 Tangible fixed assets

| | Motor vehicles £ | Fixtures, fittings and equipment £ | Total £ |
|-----------------------|------------------------|---|----------------|
| <i>Cost</i> | | | |
| At 1 January 2004 | 277,349 | 182,138 | 459,487 |
| Additions | - | 123,892 | 123,892 |
| Disposals | (168,138) | - | (168,138) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2004 | 109,211 | 306,030 | 415,241 |
| | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | |
| At 1 January 2004 | 160,412 | 72,587 | 232,999 |
| Provided for the year | 43,796 | 50,862 | 94,658 |
| Disposals | (121,911) | - | (121,911) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2004 | 82,297 | 123,449 | 205,746 |
| | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | |
| At 31 December 2004 | 26,914 | 182,581 | 209,495 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2003 | 116,937 | 109,551 | 226,488 |
| | <hr/> | <hr/> | <hr/> |

10 Debtors

| | 2004 £ | 2003 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 2,550,268 | 2,212,877 |
| Amounts owed by group undertakings | 2,544,746 | 104,387 |
| Other debtors | 11,021 | 44,859 |
| Prepayments and accrued income | 81,537 | 110,486 |
| | <hr/> | <hr/> |
| | 5,187,572 | 2,472,609 |
| | <hr/> | <hr/> |

All amounts shown under debtors fall due for payment within one year.

In accordance with FRS 5, trade debtors includes an amount of £2,041,521 (2003: £Nil) in respect of debtors from which monies have been received from the debt factoring facility.

Supply Desk Limited

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

11 Creditors: amounts falling due within one year

| | 2004 £ | 2003 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 150,382 | 168,072 |
| Amounts owed to group undertakings | 212,874 | 1,504,655 |
| Corporation tax | 125,237 | 85,170 |
| Other taxation and social security | 952,237 | 936,786 |
| Debt factoring advances (secured) | 2,041,521 | - |
| Other creditors | 142,452 | 221,483 |
| Accruals and deferred income | 20,004 | 70,060 |
| | <u>3,644,707</u> | <u>2,986,226</u> |

The debt factoring advances are secured by way of first fixed and floating charges over the present and future assets of the company.

12 Share capital

| | 2004 £ | 2003 £ |
|---|--------------|--------------|
| <i>Authorised</i> | | |
| <i>Equity share capital</i> | | |
| 1000 Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |
| | | |
| | 2004 £ | 2003 £ |
| <i>Allotted, called up and fully paid</i> | | |
| <i>Equity share capital</i> | | |
| 200 Ordinary shares of £1 each | <u>200</u> | <u>200</u> |

13 Reserves

| | Profit and loss account £ |
|---------------------|---------------------------------|
| At 1 January 2004 | 953,792 |
| Profit for the year | 824,281 |
| | <u>1,778,073</u> |
| At 31 December 2004 | |

Supply Desk Limited

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

14 Contingent liabilities

The company has guaranteed bank borrowings of other group companies. At 31 December 2004 amounts outstanding in respect of these borrowings were £6,532,458 (2003 - £Nil).

15 Pensions

The company has made contributions to the individual money purchase plans of employees during the year. The assets of these plans are held separately from those of the company in an independently administered funds.

The pension charge for the year amounted to £7,937 (2003 - £10,232). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

16 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

| | 2004 Land and buildings £ | 2004 Other £ | 2003 Land and buildings £ | 2003 Other £ |
|--------------------------------|------------------------------------|--------------------|------------------------------------|--------------------|
| Operating leases which expire: | | | | |
| Within one year | - | 2,937 | - | - |
| In two to five years | 33,160 | 66,309 | 33,160 | 39,201 |
| | <u>33,160</u> | <u>69,246</u> | <u>33,160</u> | <u>39,201</u> |

17 Related party disclosures

During the year the company was charged £Nil (2003: £20,711) for the provision of consultancy services, by The Drew Goodman Partnership, a company in which Mr A Goodman is a partner.

At the year end there were no amounts due to The Drew Goodman Partnership (2003: £Nil).

18 Ultimate parent company and parent undertaking of larger group

At 31 December 2004 the company's ultimate parent company was Public Recruitment Group PLC which is the parent of both the smallest and largest groups in which the results of the company are consolidated.

Copies of the consolidated financial statements of Public Recruitment Group PLC are available from Companies House.