

Blue Arrow Holdings Limited

Directors' Report and Financial Statements

for the 52 week period ended 31 December 2010

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Blue Arrow Holdings Limited
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Blue Arrow Holdings 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

Blue Arrow Holdings 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.

Blue Arrow Holdings Limited

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

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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

Blue Arrow Holdings 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 Blue Arrow Holdings Limited

We have audited the financial statements of Blue Arrow Holdings 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

Blue Arrow Holdings Limited
Profit and Loss Account for the 52 week period ended 31 December 2010

	Note	2010 £ 000	2009 £ 000
Administrative expenses		<u>977</u>	<u>(8,870)</u>
Operating profit/(loss)		<u>977</u>	<u>(8,870)</u>
Profit/(loss) on ordinary activities before taxation		977	(8,870)
Tax on profit or loss on ordinary activities	6	<u>1,048</u>	<u>-</u>
Profit/(loss) for the financial year		<u><u>2,025</u></u>	<u><u>(8,870)</u></u>

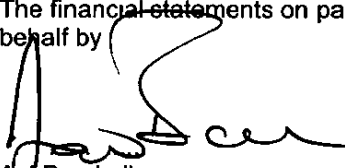
Turnover and operating loss derive wholly from continuing operations

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

Blue Arrow Holdings Limited
Registration number: 2586484
Balance Sheet at 31 December 2010

	Note	2010 £ 000	2009 £ 000
Fixed assets			
Investments	7	<u>66,703</u>	<u>66,457</u>
Current assets			
Debtors	8	29,996	28,298
Creditors Amounts falling due within one year	9	<u>(55,732)</u>	<u>(55,813)</u>
Net current liabilities		<u>(25,736)</u>	<u>(27,515)</u>
Net assets		<u>40,967</u>	<u>38,942</u>
Capital and reserves			
Called up share capital	10	26,855	26,855
Profit and loss account	11	<u>14,112</u>	<u>12,087</u>
Total shareholders' funds		<u>40,967</u>	<u>38,942</u>

The financial statements on pages 6 to 13 were approved by the Board on 5 April 2011 and signed on its behalf by


A J Burchall
Director

Blue Arrow Holdings 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.

Going concern

These financial statements have been prepared on a going concern basis.

As at 31 December 2010 the company had net current liabilities amounting to £25,736,000. The company is dependent, in the absence of other funding, on the continued support of the ultimate parent company, Impellam Group plc. The ultimate parent company has confirmed that it will continue to support the company for the foreseeable future and at least a period of twelve months from the date the accounts are signed. On this basis, the directors consider it appropriate to prepare the accounts on the going concern 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.

Blue Arrow Holdings 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>(977)</u>	<u>8,870</u>

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

The exceptional items in 2009 relate to the impairment of various loans to fellow group companies which have been assessed as not currently recoverable, because the companies which received the loans have either insufficient trade or assets to support repayment

4 Particulars of employees

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

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)

Blue Arrow Holdings Limited
Notes to the Financial Statements for the 52 week period
ended 31 December 2010

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6 Taxation

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

	2010	2009
	£ 000	£ 000

Deferred tax

Origination and reversal of timing differences	<u>(1,048)</u>	<u>-</u>
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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)	1.2	(28.0)
Amounts written off group investments	(28.0)	(0.3)
Utilisation of brought forward losses	<u>(1.2)</u>	<u>0.3</u>
Effective current tax rate	<u>-</u>	<u>-</u>

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 taxable on deemed net interest receivable that has not been recognised in the accounts

7 Investments held as fixed assets

	2010	2009
	£ 000	£ 000
Shares in group undertakings and participating interests	<u>66,703</u>	<u>66,457</u>

Shares in group undertakings and participating interests

	Subsidiary undertaking £ 000
Cost	
At 1 January 2010	135,083
At 31 December 2010	<u>135,083</u>
Provision for impairment	
At 1 January 2010	(68,626)
Charge for the year	<u>246</u>
At 31 December 2010	<u>(68,380)</u>
Net book value	
At 31 December 2010	<u>66,703</u>

Blue Arrow Holdings 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

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
ABC Contract Services Limited	Ordinary	100%	Employment agency
ADG Group Limited	Ordinary	100%	Holding company
Austin Benn Consultants Limited	Ordinary	100%	Employment agency
Blue Arrow Recruitment Solutions Limited	Ordinary	100%	Employment agency
Blue Arrow Limited	Ordinary	100%	Employment agency
Austin Benn Limited	Ordinary	100%	Holding company
Medacs Healthcare Group Limited	Ordinary, 'A' Ordinary & 'B' Ordinary	100%	Holding company
Workforce Solutions Limited	Ordinary	100%	Dormant
CSG Healthcare Limited	Ordinary	100%	Dormant
Blue Arrow Financial Services Limited	Ordinary	100%	Dormant
People Direct Recruitment Services Limited	Ordinary & 'A' Ordinary	100%	Dormant
STPL2 Limited	Ordinary	100%	Dormant
The Recruitment Group Limited	Ordinary	100%	Employment agency

8 Debtors

	2010 £ 000	2009 £ 000
Amounts owed by group undertakings	28,948	28,298
Deferred tax	1,048	-
	<u>29,996</u>	<u>28,298</u>

Amounts owed by group undertakings are interest free, unsecured and repayable on demand

Deferred tax

The movement in the deferred tax asset in the year is as follows

	£ 000
Deferred tax credited to the profit and loss account	<u>1,048</u>

Blue Arrow Holdings Limited
Notes to the Financial Statements for the 52 week period
ended 31 December 2010

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Analysis of deferred tax

	2010 £ 000	2009 £ 000
Tax losses available	<u>1,048</u>	<u>-</u>

A reduction in the main rate of corporation tax to 26% from 1 April 2011 was announced in the Budget on 23 March 2011. This is a change from the rate of 27% included in the Finance Bill 2010. This change is expected to be substantively enacted on 29 March 2011 and will impact the measurement of deferred tax balances for periods ending after this date. Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 23 per cent by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

9 Creditors: Amounts falling due within one year

	2010 £ 000	2009 £ 000
Amounts owed to group undertakings	<u>55,732</u>	<u>55,813</u>

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

10 Share capital

Allotted, called up and fully paid shares

	2010		2009	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.10 each	1,334	133	1,334	133
Cumulative Redeemable Preference shares of £1.00 each	<u>26,722</u>	<u>26,722</u>	<u>26,722</u>	<u>26,722</u>
	<u>28,056</u>	<u>26,855</u>	<u>28,056</u>	<u>26,855</u>

11 Reserves

	Profit and loss account £ 000
At 1 January 2010	12,087
Profit for the year	<u>2,025</u>
At 31 December 2010	<u>14,112</u>

Blue Arrow Holdings Limited
Notes to the Financial Statements for the 52 week period
ended 31 December 2010

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12 Reconciliation of movement in shareholders' funds

	2010 £ 000	2009 £ 000
Profit/(loss) attributable to the members of the company	2,025	(8,870)
Net addition/(reduction) to shareholders' funds	2,025	(8,870)
Shareholders' funds at 1 January	38,942	47,812
Shareholders' funds at 31 December	<u>40,967</u>	<u>38,942</u>

13 Contingent liabilities

The company has given cross guarantees as follows

- a) 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)

14 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

15 Control

The company's immediate parent undertaking is The Corporate Services Group 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