

Blue Arrow Holdings Limited

Directors' Report and Financial Statements
for the Year Ended 31 December 2007

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Blue Arrow Holdings Limited

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Blue Arrow Holdings Limited
Officers and Advisers

Directors	A Burchall	(appointed 1 October 2007)
	D M C Doyle	
	J Rowley	
	R J Watson	
Secretary	R J Watson	
Registered office	800 The Boulevard	
	Capability Green	
	Luton	
	LU1 3BA	
Auditors	Ernst & Young LLP	
	400 Capability Green	
	Luton	
	LU1 3LU	

Blue Arrow Holdings Limited
Directors' Report for the Year Ended 31 December 2007

The directors present their report and the audited financial statements for the year ended 31 December 2007

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to

- select suitable accounting policies and 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,
- prepare the financial statements on a 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 enable them to ensure the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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.

Principal activity and business review

The principal activity of the company is that of a holding company and this is expected to continue into the future.

The Directors' report has been prepared in accordance with the special provisions of part VII of the Companies Act 1985 relating to small entities.

Post balance sheet events

On 14 March 2008 the company's ultimate parent company, The Corporate Services Group plc, announced that agreement had been reached regarding a proposed merger of the company with Carlisle Group Limited. It is proposed that a new company, Impellam Group plc, will acquire the entire issued and to be issued ordinary share capital of The Corporate Services Group plc. It is anticipated that this merger will be completed on 7 May 2008.

Results and dividend

The results for the company are set out in the financial statements.

The directors do not recommend the payment of a dividend.

The directors do not recommend the payment of a preference share dividend.

Fixed assets

In the opinion of the directors no fixed assets have a significant difference in value between the book value reported and the market value.

Blue Arrow Holdings Limited
Directors' Report for the Year Ended 31 December 2007

continued

Directors

The directors who held office during the year were as follows

- A Burchall (appointed 1 October 2007)
- D M C Doyle
- J Rowley
- R J Watson

Retirement of directors

In accordance with the Articles of Association, directors are not required to retire from the board on a rotational basis

Directors' indemnity provisions

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 1985

Auditors

The auditors, Ernst & Young LLP, are deemed to be re-appointed in accordance with section 386 of the Companies Act 1985

Election to dispense laying accounts

In accordance with s 252, Companies Act 1985, the company has elected to dispense with laying accounts before the members in general meeting. Members, however, may by notice in writing to the company at its registered office require that accounts are laid before the members in general meeting

Approved by the Board and signed on its behalf by



A Burchall
Director

28 APR 2008
Date

**Independent Auditors' Report to the Members of
Blue Arrow Holdings Limited**

We have audited the the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 International Standards on Auditing (UK and Ireland).

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 other transactions 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.

Basis of audit opinion

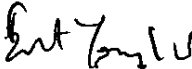
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.


Ernst & Young LLP
Registered Auditors
Luton
Date 26 April 2008

Blue Arrow Holdings Limited
Profit and Loss Account for the Year Ended 31 December 2007

	Note	2007 £	2006 £
Turnover		-	-
Operating profit		-	-
Interest receivable	2	1,044	-
Profit on ordinary activities before taxation		1,044	-
Tax on profit on ordinary activities	5	330,000	309,000
Profit for the financial year	11	<u>331,044</u>	<u>309,000</u>

Turnover and operating profit derive wholly from continuing operations

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

There is no material difference between the result reported above and the result on an unmodified historical cost basis

The notes on pages 7 to 14 form an integral part of these financial statements

Blue Arrow Holdings Limited
Balance Sheet as at 31 December 2007

		2007		2006	
	Note	£	£	£	£
Fixed assets					
Investments	6		66,457,266		66,457,266
Current assets					
Debtors	7	28,262,713		848,301	
Creditors Amounts falling due within one year	8	<u>(70,756,906)</u>		<u>(43,673,538)</u>	
Net current liabilities			<u>(42,494,193)</u>		<u>(42,825,237)</u>
Net assets			<u>23,963,073</u>		<u>23,632,029</u>
Capital and reserves					
Called up share capital	10		26,822,000		26,822,000
Share premium reserve	11		63,302,064		63,302,064
Profit and loss reserve	11		<u>(66,160,991)</u>		<u>(66,492,035)</u>
Shareholders' funds	12		<u>23,963,073</u>		<u>23,632,029</u>
Equity shareholders' deficit			(2,758,927)		(3,089,971)
Non-equity shareholders' funds			<u>26,722,000</u>		<u>26,722,000</u>
Shareholders' funds	12		<u>23,963,073</u>		<u>23,632,029</u>

Approved by the Board on **28 APR 2008** signed on its behalf by



A Burchall
Director

Blue Arrow Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2007

1 Accounting policies

Basis of preparation

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

Going concern

These financial statements have been prepared on a going concern basis

At 31 December 2007 the company had net current liabilities amounting to £42,494,193. 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 for a period of at least 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. The accounts do not include any adjustments that might be necessary if The Corporate Services Group plc were not to provide further support.

Investments

Fixed asset investments are stated at cost. Provision is made against the carrying value of investments where there is an impairment in value.

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Consolidation

The company is exempt under Section 228 of The Companies Act 1985 from the requirement to prepare group accounts because it is a wholly owned subsidiary of The Corporate Services Group plc which prepares consolidated accounts which are publicly available. Accordingly, these accounts are those of the company and not of its group.

Cashflow statement

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

Blue Arrow Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2007

continued

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 Interest receivable

	2007 £	2006 £
Interest from fellow group undertakings	<u>1,044</u>	<u>-</u>

3 Particulars of employees

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

4 Directors' emoluments

No emoluments were paid to the directors during the year (2006 - £nil)

The directors who held office during the year were also directors of fellow subsidiaries. Total remuneration, including company contributions to a money purchase scheme received by directors, totalled £1,212,867 (2006 £1,679,582) paid by the ultimate parent company or by other subsidiaries. Four of these directors were members of a money purchase scheme in 2007 (2006 three). 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.

Blue Arrow Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2007

continued

5 Taxation

Analysis of current period tax credit

	2007 £	2006 £
Current tax		
Group relief payable/(receivable)	<u>(330,000)</u>	<u>(309,000)</u>

Factors affecting current period tax credit

The tax assessed on the profit on ordinary activities for the year is lower than (2006 - lower than) the standard rate of corporation tax in the UK of 30 0% (2006 - 30 0%)

The differences are reconciled below

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>1,044</u>	<u>-</u>
Result for the year multiplied by the standard rate of tax	313	-
Transfer pricing adjustments	1,015,800	(1,057,000)
Timing differences	-	63,000
Losses arising in the year but not utilised	-	-
Group relief surrendered at less than the standard rate	(1,346,113)	685,000
Total current tax for the year	<u>(330,000)</u>	<u>(309,000)</u>

UK legislation requires in broad terms, that most cross-border transactions between connected parties be at an arm's length price for tax purposes (commonly known as 'transfer pricing'). As a result, this company has become taxable on deemed net interest receivable that has not been recognised in the accounts

Blue Arrow Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2007

continued

6 Investments held as fixed assets

	Group shares £
Cost	
As at 1 January 2007 and 31 December 2007	<u>135,083,354</u>
Provision	
As at 1 January 2007 and 31 December 2007	<u>68,626,088</u>
Net book value	
As at 31 December 2007	<u>66,457,266</u>
As at 31 December 2006	<u>66,457,266</u>

Blue Arrow Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2007

continued

The company holds more than 20% of the share capital of the following companies

	Country of incorporation	Principal activity	Class	%	Year end
Subsidiary undertakings					
ABC Contract Services Limited	England & Wales	Employment Agency	Ordinary	100	31 December 2007
ADG Group Limited	England & Wales	Holding company	Ordinary	100	31 December 2007
Austin Benn Consultants Limited	England & Wales	Employment Agency	Ordinary	100	31 December 2007
Blue Arrow Recruitment Solutions Limited	England & Wales	Employment Agency	Ordinary	100	31 December 2007
Blue Arrow Limited	England & Wales	Employment Agency	Ordinary	100	31 December 2007
Austin Benn Limited	England & Wales	Holding company	Ordinary	100	31 December 2007
Medacs Healthcare Group Limited (formerly Blue Arrow Healthcare Limited)	England & Wales	Holding company	Ordinary, 'A' Ordinary & 'B' Ordinary	100	31 December 2007
Workforce Solutions Limited (formerly The Recruitment Group Limited)	England & Wales	Dormant	Ordinary	100	31 December 2007
CSG Healthcare Limited	England & Wales	Dormant	Ordinary	100	31 December 2007
Blue Arrow Financial Services Limited	England & Wales	Dormant	Ordinary	100	31 December 2007
People Direct Recruitment Services Limited	England & Wales	Dormant	Ordinary & 'A' Ordinary	100	31 December 2007
STPL2 Limited	England & Wales	Dormant	Ordinary	100	31 December 2007
The Recruitment Group Limited (formerly Workforce Solutions Limited)	England & Wales	Dormant	Ordinary	100	31 December 2007

7 Debtors

	2007 £	2006 £
Amounts owed by group undertakings	<u>28,262,713</u>	<u>848,301</u>

Blue Arrow Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2007

continued

8 Creditors Amounts falling due within one year

	2007 £	2006 £
Amounts owed to group undertakings	<u>70,756,906</u>	<u>43,673,538</u>

9 Provisions for liabilities

Deferred tax

The total recognised and unrecognised deferred tax liability/(asset) is as follows

	Recognised		Unrecognised	
	2007 £	2006 £	2007 £	2006 £
Tax losses	<u>-</u>	<u>-</u>	<u>(1,217,000)</u>	<u>(1,275,000)</u>

The unrecognised assets relating to losses (including £79,000 (2006 £ 79,000) relating to capital losses) are recoverable in the event of the company making sufficient taxable profits of the right type. They may be subject to legislation restricting the right to offset them.

10 Share capital

	2007 £	2006 £
Authorised		
Equity		
1,020,400 Ordinary shares of 10 pence each	<u>102,040</u>	<u>102,040</u>
Non-equity		
26,722,000 Cumulative Redeemable Preference shares of £1 each	<u>26,722,000</u>	<u>26,722,000</u>
Allotted, called up and fully paid		
Equity		
1,000,002 Ordinary shares of 10 pence each	<u>100,000</u>	<u>100,000</u>
Non-equity		
26,722,000 Cumulative Redeemable Preference shares of £1 each	<u>26,722,000</u>	<u>26,722,000</u>

Blue Arrow Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2007

continued

The cumulative redeemable preference shares could have been redeemed at the Company's option between 30 June 1996 and 31 October 2000 in equal annual instalments at their issue price plus any dividend arrears. The shares were not redeemed by this date. Dividends accrued from 1 July 1992 at 8% until 30 June 1993 and increased to 10% thereafter.

The holders have previously confirmed in writing to the directors that they have unconditionally waived their rights of redemption and associated dividend arrears indefinitely.

The cumulative redeemable preference shares have a preferential right to return of capital on a winding up of the company. The holders of ordinary shares have full voting rights but cumulative redeemable preference shareholders only have limited voting rights, as set out in the Articles of Association.

11 Reserves

	Share premium reserve £	Profit and loss reserve £	Total £
Balance at 1 January 2007	63,302,064	(66,492,035)	(3,189,971)
Transfer from profit and loss account for the year	-	331,044	331,044
Balance at 31 December 2007	<u>63,302,064</u>	<u>(66,160,991)</u>	<u>(2,858,927)</u>

Advantage has been taken of Section 132 of the Companies Act 1985 in respect of the excess of the consideration for the shares issued over the aggregate nominal value of those shares.

12 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit attributable to members of the company	331,044	309,000
Opening shareholders' funds	<u>23,632,029</u>	<u>23,323,029</u>
Closing shareholders' funds	<u>23,963,073</u>	<u>23,632,029</u>
Equity shareholders' deficit	(2,758,927)	(3,089,971)
Non-equity shareholders' funds	<u>26,722,000</u>	<u>26,722,000</u>
Closing shareholders' funds	<u>23,963,073</u>	<u>23,632,029</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, the net aggregate amount outstanding against this facility at 31 December 2007 was £25,767,466 (2006 £ 16,754,871).
- b) In respect of the £45 million 10 per cent Guaranteed secured notes due 2011, the net aggregate amount outstanding at 31 December 2007 was £20,000,000 (2006 £ 35,000,000).
- c) As part of a group restructuring exercise on 27 April 2007 a new loan due 2010 was taken out with a cross guarantee across all the group companies. The net aggregate amount outstanding at 31 December 2007 was £10,000,000 (2006 £nil).

Blue Arrow Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2007

continued

14 Related parties

Controlling entity

The company's immediate parent undertaking is The Corporate Services Group plc, a company incorporated in Great Britain

As at the balance sheet date the directors regarded The Corporate Services Group plc, a company incorporated in Great Britain, as the ultimate parent undertaking and the ultimate controlling party. 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 The Corporate Services Group plc will be delivered to, and be available from, the Registrar of Companies, Companies Registration Office, Crown Way, Mandy, Cardiff, CF14 3UZ.

As disclosed in the directors' report it is anticipated that on 7 May 2008 the ultimate parent company will become Impellam Group plc following the completion of the proposed merger with Carlisle Group Limited. Impellam Group plc is a company formed for the purposes of merging The Corporate Services Group plc and Carlisle Group Limited. As a result of this, from this date, Impellam Group plc will become the ultimate parent company, the ultimate controlling party and parent undertaking of the largest and smallest group which includes the company and for which group accounts are prepared.

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".