

Blue Arrow Holdings Limited

Annual report and accounts
for the year ended 31 December 1999

Registered number: 2586484



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 and business review

The principal activity of the company during the year was that of an intermediate holding company facilitating the payment of payroll for the Blue Arrow group of companies.

The contract for services supplied to Blue Arrow Limited (formerly Blue Arrow Personnel Services Limited) is to be terminated with effect from 31 December 2000 and all employees of the company will transfer to Blue Arrow Limited.

The subsidiary undertakings of the company are listed in note 7 to the accounts. Consolidated accounts are not presented as the company takes advantage of the exemption afforded by Section 228 of the Companies Act 1985.

The profit and loss account for the year is shown on page 6 of the accounts.

Results and dividends

The audited accounts for the year ended 31 December 1999 are set out on pages 6 to 14. The company's profit for the year after taxation was £960,484 (1998: £22,121).

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
R C Eden (resigned 25 March 1999)
D A Lake (appointed 4 May 1999)
M R Sarson

Directors' interests in shares

None of the directors had any interest in the share capital of the company at any time.

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 Number	Share options 1998 Number	Ordinary shares of 10p each 1999 Number	Ordinary shares of 10p each 1998 Number
M R Sarson	55,902	-	-	-

Supplier payment policy

The company's policy, which is also applied by the group of which the company is a member, is to settle terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment. The company abides by the terms of payment. In 1999 the company's trade creditors were settled by another group company. The trade creditors of the company at 31 December 1998 were equivalent to fifteen days.

Employees

The company recognises that it is essential to maintain a highly skilled workforce. To this end the policy of training and development is incorporated in the company plan. It is the policy to promote from within the organisation wherever the possibility exists.

Health and safety measures are given particular attention by the directors and a written policy exists and is known throughout the company.

It is company policy to appoint staff on the basis of their abilities. Disabled applicants are considered on the same basis as other applicants. If an employee becomes disabled whilst in service, the company will make all reasonable efforts to retrain and find suitable employment within the company. Disabled employees enjoy equal opportunities for training and advancement within the company.

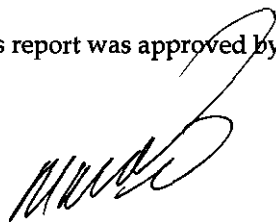
The company recognises the need for employees to be informed of the company's activities and performance. Management meetings are held throughout the year to encourage this flow of information, necessary in a multi-locality organisation. At individual locations all employees regularly meet and regular consultations take place between management and employee representatives.

Directors' report (continued)

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 20 December 2000.

A handwritten signature in black ink, appearing to read 'M R Sarson', is written over the text 'This report was approved by the board on 20 December 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 Blue Arrow Holdings Limited

We have audited the accounts on pages 6 to 14 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4, 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

20 December 2000.

Profit and loss account

For the year ended 31 December 1999

	Notes	1999 £	1998 £
Turnover	1	20,311,231	18,419,989
Administrative expenses		(20,053,760)	(18,395,655)
Operating profit	2	257,471	24,334
Non-operating exceptional items:			
- Profit on disposal of tangible fixed assets	2	793,056	-
Profit on ordinary activities before interest		1,050,527	24,334
Net interest payable	4	(43)	(2,213)
Profit on ordinary activities before taxation		1,050,484	22,121
Tax on profit on ordinary activities	5	(90,000)	-
Retained profit for the year	11	960,484	22,121

There are no recognised gains or losses other than the profit for the financial year on continuing activities as shown in the profit and loss account.

The accompanying notes are an integral part of this profit and loss account.

Note of historical cost profits and losses

For the year ended 31 December 1999

	1999 £	1998 £
Reported profit on ordinary activities before taxation	1,050,484	22,121
Difference between historical cost depreciation charge and actual depreciation charge for the year	(17,619)	(17,619)
Difference between historical cost loss on disposal of fixed assets and actual profit on disposal	(948,609)	-
Historical cost profit on ordinary activities before taxation	84,256	4,502
Historical cost (loss)/profit for the year retained after taxation	(5,744)	4,502

The accompanying notes are an integral part of this note of historical cost profits and losses.

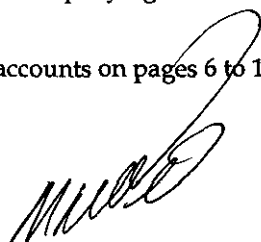
Balance sheet

31 December 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible fixed assets	6	334,454	1,309,147
Investments	7	<u>32,052,498</u>	<u>32,052,497</u>
		<u>32,386,952</u>	<u>33,361,644</u>
Current assets			
Debtors	8	13,415,120	12,419,067
Creditors: amounts falling due within one year	9	<u>(16,997,249)</u>	<u>(17,936,372)</u>
Net current liabilities		<u>(3,582,129)</u>	<u>(5,517,305)</u>
Total assets less current liabilities		<u>28,804,823</u>	<u>27,844,339</u>
Capital and reserves			
Called up share capital	10	26,822,000	26,822,000
Share premium	11	812,500	812,500
Profit and loss account	11	<u>1,170,323</u>	<u>209,839</u>
Total shareholders' funds	12	<u>28,804,823</u>	<u>27,844,339</u>
		£	£
Analysis of shareholders' funds			
Equity shareholders' funds		2,082,823	1,122,339
Non-equity shareholders' funds		<u>26,722,000</u>	<u>26,722,000</u>
		<u>28,804,823</u>	<u>27,844,339</u>

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

The accounts on pages 6 to 14 were approved by the board on 20 December 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, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

At 31 December 1999 the company's current liabilities exceeded its current 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) *Turnover*

Turnover, which is stated exclusive of value added tax, comprises amounts receivable for services provided.

c) *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:

Freehold buildings	- over 50 years
Fixtures, fittings & 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.

d) *Investments*

Fixed asset investments are shown at cost less provision for diminution in value.

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.

Notes to the accounts (continued)

1. Accounting policies (continued)

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).

i) 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.

2. Operating profit is stated after charging:

	1999 £	1998 £
Depreciation and amounts written off tangible fixed assets:		
- owned assets	20,426	20,426
Exceptional items		
Recognised in arriving at operating profit	1999 £	1998 £
Changes in accounting methods and estimates	-	255,333
Recognised below operating profit	1999 £	1998 £
Profit on disposal of land and buildings	793,056	-

The effect on the taxation charge for the year of the exceptional items recognised below operating profit is disclosed in note 5.

Notes to the accounts (continued)

3. Employees

	1999	1998
The average monthly number of persons employed by the company during the year was:	Number	Number
Directors	4	4
Employment services	796	677
	<u>800</u>	<u>681</u>
Their aggregate remuneration comprised:	1999	1998
	£	£
Wages and salaries	17,493,116	17,882,525
Social security costs	1,725,136	1,636,946
Other pension costs	257,918	199,149
	<u>19,476,170</u>	<u>19,718,620</u>

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.

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 a money purchase pension scheme, received by these directors totalled £1,192,022 (1998: £964,857) 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
	£	£
Other interest	43	2,213
	<u>43</u>	<u>2,213</u>

Notes to the accounts (continued)

5. Taxation

	1999 £	1998 £
The tax charge comprises:		
UK Corporation tax at 30.25% (1998: 31%)	90,000	-

The tax effect in the profit and loss account relating to exceptional items recognised below operating profit is £ Nil (1998: £ Nil).

6. Tangible fixed assets

	Freehold land and property £	Fixtures, fittings and equipment £	Total £
Cost or valuation			
1 January 1999	1,559,575	66,880	1,626,455
Disposals	(1,209,573)	-	(1,209,573)
31 December 1999	350,002	66,880	416,882
Depreciation			
1 January 1999	250,428	66,880	317,308
Charge for the year	20,426	-	20,426
Disposals	(255,306)	-	(255,306)
31 December 1999	15,548	66,880	82,428
Net book value			
31 December 1999	334,454	-	334,454
31 December 1998	1,309,147	-	1,309,147

Included in freehold land and buildings is freehold land which is not subject to depreciation with a cost of £4,500 (1998: £24,500).

The original cost, and aggregate depreciation based on cost, of land and buildings included at valuation would have been as follows:

	1999 £	1998 £
Original cost	-	2,211,039
Depreciation based on cost	-	(275,305)
	-	1,935,734

The freehold land and buildings which were previously stated at valuation were disposed of during the year.

Notes to the accounts (continued)

7. Fixed asset investments

	Investment in subsidiary undertakings £
Cost	
At 1 January 1999	32,052,497
Acquisitions	1
31 December 1999	<u>32,052,498</u>

On 29 December 1999, the company acquired 50,000 deferred shares of £1 and 500 ordinary shares of \$US1 in STPL7 PLC (formerly CSCT Holdings PLC) for consideration of £1.

In the opinion of the directors the aggregate market value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

The company has investments in the following subsidiary undertakings:

Name of subsidiary undertaking	Principal activities	Class of shares held	Holding
Blue Arrow Limited (formerly Blue Arrow Personnel Services Limited)	Employment agency	Ordinary	100%
STPL7 PLC	Dormant	Ordinary & Deferred	100%

8. Debtors

	1999 £	1998 £
Amounts owed by other group undertakings	12,657,812	12,046,602
Other debtors	757,308	2,465
Corporation tax	-	370,000
	<u>13,415,120</u>	<u>12,419,067</u>

9. Creditors : amounts falling due within one year

	1999 £	1998 £
Amounts owed to other group undertakings	14,830,954	14,830,953
Corporation tax	90,000	-
Other taxation and social security	999,099	1,734,240
Other creditors and accruals	1,077,196	1,371,179
	<u>16,997,249</u>	<u>17,936,372</u>

Notes to the accounts (continued)

10. Share capital

	1999 £	1998 £
Authorised		
1,020,400 ordinary shares of 10p each	102,040	102,040
26,722,000 cumulative redeemable preference shares of £1 each	<u>26,722,000</u>	<u>26,722,000</u>
	<u>26,824,040</u>	<u>26,824,040</u>
	1999 £	1998 £
Allotted, called up and fully paid		
1,000,000 ordinary shares of 10p each	100,000	100,000
26,722,000 cumulative redeemable preference shares of £1 each	<u>26,722,000</u>	<u>26,722,000</u>
	<u>26,822,000</u>	<u>26,822,000</u>

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 £	Profit and loss account £
1 January 1999	812,500	209,839
Retained profit for the year	<u>-</u>	<u>960,484</u>
31 December 1999	<u>812,500</u>	<u>1,170,323</u>

Notes to the accounts (continued)

12. Reconciliation of movements in shareholders' funds

	1999	1998
	£	£
Retained profit for the year	960,484	22,121
Net addition to shareholders' funds	960,484	22,121
Opening shareholders' funds	27,844,339	27,822,218
Closing shareholders' funds	28,804,823	27,844,339

13. Post balance sheet events

The contract for services supplied to Blue Arrow Limited is to be terminated with effect from 31 December 2000 and all employees of the company will transfer to Blue Arrow Limited.

14. 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 £68,934,000 (1998: £80,183,000).
- As part of the overdraft facility; the net aggregate amount outstanding against this facility at 31 December 1999 was £ 6,149,000 (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.

15. 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".

16. Parent undertaking and controlling party

The directors regard The Corporate Services Group PLC, a company incorporated in Great Britain, as the immediate and 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.