

People Direct Recruitment Services Limited

Accounts 31 December 1997
together with directors' and auditors' reports

Registered number: 2292416



Directors and Officers

Directors

JD Abrahamson

GI Brailey

RC Eden

Secretary

JD Abrahamson

Registered office

Glaston Park

Spring Lane

Glaston

Nr Uppingham

Rutland

LE15 9BX

Auditors

Arthur Andersen

20 Old Bailey

London EC4M 7AN

Bankers

Lloyds Bank plc

84 Station Road

Addlestone

Weybridge

Surrey

National Westminster Bank plc

PO Box 113

Cavell House

2a Charing Cross Road

London

WC2H ONW

Directors' report

For the year ended 31 December 1997

Financial Statements

The directors present their report and financial statements for the year ended 31 December 1997.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the company's state of affairs at the end of the year and of its profit or loss for the 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 assume 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

Principal activities

The principal activity continues to be the supply of temporary and permanent labour.

Results

The results for the year are set out in the profit and loss account on page 4. A retained loss of £66,396 (1996 : profit £78,972) has been transferred to reserves.

Dividend

The directors recommend the payment of a dividend of £250,000 (1996: £Nil).

Directors

JD Abrahamson
GI Brailey
RC Eden

Director's interests

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

JD Abrahamson, GI Brailey and RC Eden are all directors of The Corporate Services Group plc, the ultimate parent undertaking and their interests are disclosed in that company's financial statements.

Directors' report (continued)

Auditors

Arthur Andersen have expressed their willingness to continue in office, and a resolution to reappoint them will be proposed at the forthcoming annual general meeting .

This report was approved by the Board on 26 October 1998.

J.D. *Almumman*

Secretary

Auditors' report

To the shareholders of People Direct Recruitment Services Limited

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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.

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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
20 Old Bailey
London
EC4M 7AN

26 October 1998

Profit and loss account

For the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover	1	10,118,559	9,540,954
Cost of sales		<u>(7,521,230)</u>	<u>(7,144,113)</u>
Gross profit		2,597,329	2,396,841
Administrative expenses		<u>(2,239,575)</u>	<u>(2,061,442)</u>
Operating profit	3	357,754	335,399
Interest payable and similar charges	4	<u>(104,150)</u>	<u>(171,427)</u>
Profit on ordinary activities before taxation		253,604	163,972
Tax on profit on ordinary activities	5	<u>(70,000)</u>	<u>(85,000)</u>
Profit on ordinary activities after taxation		183,604	78,972
Proposed dividend	6	<u>(250,000)</u>	<u>-</u>
Retained (loss)/ profit transferred (from)/to reserves	14	<u>(66,396)</u>	<u>78,972</u>

The above results are all derived from continuing activities.

Statement of recognised gains and losses

There were no recognised gains or losses other than the profit for the year.

Note of historical cost profit and losses for the year ended 31 December 1997

	1997 £	1996 £
Reported profit on ordinary activities after taxation	183,604	78,972
Difference between historical cost depreciation charge and actual depreciation charge for the year	<u>(3,993)</u>	<u>(3,993)</u>
Historical cost profit after taxation	<u>179,611</u>	<u>74,979</u>

Balance sheet

as at 31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	7	231,719	304,259
Investments	8	<u>2</u>	<u>2</u>
		231,721	304,261
Current assets			
Debtors	9	4,608,938	3,247,938
Cash at bank and in hand		<u>585,064</u>	<u>1,024,056</u>
		5,194,002	4,271,994
Creditors: amounts falling due within one year	10	<u>(4,851,747)</u>	<u>(3,880,458)</u>
Net current assets		<u>342,255</u>	<u>391,536</u>
Total assets less current liabilities		573,976	695,797
Creditors: amounts falling due after more than one year	11	(81,472)	(116,897)
Provisions for liabilities and charges	12	<u>(15,280)</u>	<u>(35,280)</u>
Net assets		<u>477,224</u>	<u>543,620</u>
Capital and reserves			
Called up share capital	13	45,001	45,001
Capital redemption reserve	14	5,000	5,000
Profit and loss account	14	<u>427,223</u>	<u>493,619</u>
Shareholders' funds -equity interests	15	<u>477,224</u>	<u>543,620</u>

The financial statements on pages 4 to 12 were approved by the Board on 26 October 1998.

S.D. *Almman*

Director

Notes to the financial statements

for the year ended 31 December 1997

1 Accounting policies

a) *Basis of accounting*

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards.

The company is exempt by virtue of Section 248 of the Companies Act 1985 from the requirement to prepare group financial statements.

b) *Turnover*

Turnover represents amounts receivable for services sold to third parties excluding value added tax and relates wholly to the principal activity all of which originates and is carried out in the United Kingdom.

c) *Depreciation of tangible assets*

Depreciation is provided on all tangible fixed assets in use, at rates and bases calculated to write off the cost, less estimated residual value, of each asset over the expected useful life, as follows:

Freehold property	- 50 years
Furniture, fixtures and fittings	- 4 years
Motor vehicles	- 4 years
Computer equipment	- 3 years
Leasehold improvements	- period of the lease

d) *Leased assets*

Where the company has entered into finance leases, the obligations to the lessor are shown as part of the borrowings and the rights in the corresponding assets are treated in the same way as owned fixed assets. Leases are regarded as finance leases where their terms transfer to the lessee substantially all the benefits and burdens of ownership other than the rights to legal title.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

e) *Deferred taxation*

Deferred taxation is accounted for using the liability method on all material timing differences to the extent that it is probable that a liability will crystallise. Timing differences are taxable items, allowances on reliefs which are given effect to in taxation periods different from those in which they have effect in the financial statements.

f) *Pension costs*

As the pension scheme is a defined contributions scheme, it has been accounted for on a contributions payable basis.

g) *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 financial statements (continued)

for the year ended 31 December 1997

2 Directors and staff

	1997	1996
	£	£
<i>a) Directors emoluments</i>		
Aggregate emoluments including pensions paid on their behalf	-	123,625
<i>b) Staff costs:</i>		
	£	£
Wages and salaries	1,127,719	1,072,819
Social security costs	107,612	101,738
Other pension costs	11,955	53,988
	<u>1,247,286</u>	<u>1,228,545</u>
The average number of employees during the year was made up as follows:	Number	Number
Office and management	<u>61</u>	<u>68</u>

3 Operating profit

This is stated after charging:	£	£
Management charges	201,000	61,588
Auditors' remuneration	5,000	2,000
Depreciation		
- revaluation	-	61,744
- owned assets	27,885	55,608
- assets held under hire purchase agreements	-	7,234
(Profit)/loss on disposal of assets	-	(5,147)
Operating leases - property rent	<u>137,605</u>	<u>114,390</u>

4 Interest payable

	£	£
On secured loan	10,626	10,827
On invoice discounting	92,520	156,825
On hire purchase agreements	1,004	2,928
On all other loans	<u>-</u>	<u>847</u>
	<u>104,150</u>	<u>171,427</u>

5 Tax on profit on ordinary activities

	£	£
UK Corporation tax at 31.5% based on the profit for the year	<u>70,000</u>	<u>85,000</u>

Notes to the financial statements (continued)

for the year ended 31 December 1997

6 Dividends

	1997 £	1996 £
Proposed dividend	250,000	-

7 Tangible fixed assets

	Freehold property £	Leasehold improvements £	Computer equipment £	Furniture fixtures and fittings £	Motor Vehicles £	Total £
Cost or valuation						
1 January 1997	115,000	20,265	123,841	135,081	212,188	606,375
Additions	-	3,276	13,090	10,255	-	26,621
Inter-company transfers	-	-	-	-	(212,188)	(212,188)
31 December 1997	115,000	23,541	136,931	145,336	-	420,808
Depreciation						
1 January 1997	-	2,647	79,451	79,106	140,912	302,116
Charge for year	2,300	329	14,213	11,043	-	27,885
Inter-company transfers	-	-	-	-	(140,912)	(140,912)
31 December 1997	2,300	2,976	93,664	90,149	-	189,089
Net book values						
31 December 1997	112,700	20,565	43,267	55,187	-	231,719
31 December 1996	115,000	17,618	44,390	55,975	71,276	304,259

Freehold property was revalued on an open market existing use basis by Richard Davy and Associates, Chartered Surveyors, during 1996. If the property had not been revalued, it would have been included at cost of £ 199,633, accumulated depreciation of £ 30,875 and net book value of £ 168,758

Included in net book values at 31 December 1997 are the following amounts relating to assets which are subject to hire purchase contracts:

	Motor vehicles	
	1997 £	1996 £
Cost	-	36,435
Accumulated depreciation	-	(14,065)
Net book value	-	22,370

Notes to the financial statements (continued)

for the year ended 31 December 1997

8 Investments

	1997 £	1996 £
Investment in subsidiary undertaking:		
Shares at cost	<u>2</u>	<u>2</u>

The company owns the entire issued ordinary share capital of HDS Industrial Services Limited, a company registered in England and Wales and which has not traded since incorporation.

9 Debtors

	1997 £	1996 £
Trade debtors	2,900,724	2,520,708
Other debtors	25,212	-
Prepayments	27,257	26,651
Amount owed by fellow subsidiary undertakings	<u>1,655,745</u>	<u>700,579</u>
	<u>4,608,938</u>	<u>3,247,938</u>

Certain trade debtors are subject to an invoice discounting facility (see note 10) under which a substantial proportion of the value of trade debtors are received shortly after they have been invoiced.

10 Creditors: amounts falling due within one year

	£	£
Mortgage (secured)	22,359	9,279
Invoice discounting (secured)	2,677,429	1,861,663
Amounts owing under hire purchase agreements	-	18,699
Corporation tax payable	154,375	84,375
Other taxes and social security costs	1,222,880	990,587
Accruals and deferred income	50,369	42,601
Amounts owing to parent undertakings	-	640,254
Amounts owing to fellow subsidiary undertakings	203,669	-
Other creditors	268,119	212,281
Trade creditors	2,547	20,719
Proposed dividend	<u>250,000</u>	<u>-</u>
	<u>4,851,747</u>	<u>3,880,458</u>

The invoice discounting 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 its fellow subsidiaries which have invoice discounting facilities.

Notes to the financial statements (continued)
for the year ended 31 December 1997

11 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Mortgage (secured)	81,472	107,823
Amounts owing under hire purchase contracts	-	9,074
	<u>81,472</u>	<u>116,897</u>

The mortgage is secured by way of a fixed charge over the company's freehold property. It is repayable by monthly instalments over a 25 year term and bears interest at 3% over Finance House base rate.

	1997 £	1996 £
Instalments are as follows		
Falling due within:		
Less than one year	22,359	9,279
Between one and two years	22,359	9,279
Between two and five years	59,113	27,836
Greater than five years	-	70,708
	<u>103,831</u>	<u>117,102</u>

The amounts owing under hire purchase agreements are repayable as follows:

	£	£
Repayable in one year	-	20,305
Repayable in two to five years	-	12,018
	-	32,323
Future finance charges	-	(4,550)
	-	27,773

12 Provision for liabilities and charges

	1997 £	1996 £
Dilapidations		
1 January	35,280	35,280
Released in year	(20,000)	-
31 December	<u>15,280</u>	<u>35,280</u>

Notes to the financial statements (continued)

for the year ended 31 December 1997

13 Called up share capital

	1997 £	1996 £
Authorised		
99,999 ordinary shares of £1 each	99,999	99,999
1 'A' Ordinary share of £1 each	<u>1</u>	<u>1</u>
	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
45,000 Ordinary shares of £1 each	45,000	45,000
1 'A' Ordinary share of £1 each	<u>1</u>	<u>1</u>
	<u>45,001</u>	<u>45,001</u>

14 Statement of reserves

	Capital redemption reserve £	Profit and Loss Account £	Total £
1 January 1997	5,000	493,619	498,619
Loss for the year	<u>-</u>	<u>(66,396)</u>	<u>(66,396)</u>
31 December 1997	<u>5,000</u>	<u>427,223</u>	<u>432,223</u>

15 Shareholders' funds

	1997 £	1996 £
Profit for the year	183,604	78,972
Proposed dividend	<u>(250,000)</u>	<u>-</u>
Net (reduction)/increase in shareholders' funds	(66,396)	78,972
Opening shareholders' funds	<u>543,620</u>	<u>464,648</u>
Closing shareholders' funds	<u>477,224</u>	<u>543,620</u>

Notes to the financial statements (continued)

for the year ended 31 December 1997

16 Operating lease commitments

At 31 December 1997, the company had operating lease commitments on the following year as set out below:

	1997 £	1996 £
Leased premises		
Leases which expire within one year	1,667	27,850
Leases which expire in the second and fifth years	44,996	14,875
Leases which expire in over five years	54,315	56,791
	<u>100,978</u>	<u>99,516</u>

17 Contingent liabilities

The company has given unlimited multilateral guarantees between the company and other group undertakings, secured by a fixed and floating charge over the assets of the company to secure the borrowings of certain group undertakings. The net aggregate amount of these borrowings at 31 December 1997 was £149,552 (1996: £1,588,000). In addition, the company has given cross guarantees as part of the invoice discounting facility. The net aggregate amount outstanding against these facilities at 31 December 1997 was £39,642,000 (1996: £17,766,000).

18 Related parties disclosure

The company has taken advantage of the exemption in FRS8 for 90% owned subsidiaries where group accounts are publicly available.

19 Ultimate parent undertaking

The directors regard The Corporate Services Group PLC as the company's ultimate parent undertaking.

The parent undertaking of the largest and smallest group which includes the company and for which group financial statements are prepared is The Corporate Services Group PLC. Copies of the group financial statements 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.