

IPS Group Limited
Annual report and accounts
for the year ended 31 December 2002

Registered Number 1736684



IPS Group Limited

Annual report and accounts

for the year ended 31 December 2002

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IPS Group Limited

Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

Principal activity

The company's principal activity is that of an employment agency.

Review of the business and future developments

The company encountered difficult trading conditions in 2002. The business environment was particularly harsh for the company's financial services and accountancy recruitment divisions. The directors are pleased to report that, despite these conditions, the company remains profitable with a strong balance sheet and is well-placed to take advantage of an improved market when that happens.

Trading results and dividend

The results for the year are set out in the profit and loss account on page 4. The directors recommend that a dividend of £500,000 be paid (2001: £350,000) and that the retained profit of £208,836 (2001: £566,817) be taken to reserves.

Directors

The directors who held office during the year are given below:

A L Charlesworth
E Snell
A M Chitnis
N P Burrell
C B Dickman
R J Hodson
A W Gartside
J C C Cross

Directors' interests

The company is a wholly owned subsidiary of IPS Holdings Limited, the ultimate parent undertaking. The beneficial interests of the directors in the shares of IPS Holdings Limited, were as follows:

	Ordinary shares of 25p each at 31 December 2001 and at 31 December 2002
A L Charlesworth	85,650
E Snell	132,789
A M Chitnis	120,216
N P Burrell	100,000
C B Dickman	185,596
R J Hodson	32,003
A W Gartside	56,614
J C C Cross	19,538

IPS Group Limited

Post balance sheet event

On 9 January 2003, the company completed the acquisition of Anakin Seal Legal Limited and AS Insurance Recruitment Limited for a maximum consideration of £779,167.

Insurance

The company has taken out insurance under Section 310(3) Companies Act 1985 for its directors against liabilities in relation to the company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

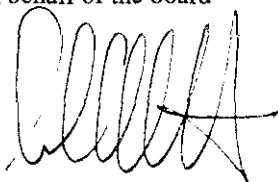
The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 6 under "Accounting policies". They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 14 February 2003 and the directors appointed its successor PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

On behalf of the board



A L Charlesworth
Director

1 May 2003

IPS Group Limited

Independent auditors' report to the members of IPS Group Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 is not disclosed.

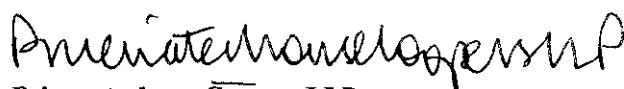
Basis of audit opinion

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 at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

1 May 2003

IPS Group Limited

Profit and loss account for the year ended 31 December 2002

	Note	2002 £	2001 £
Turnover		7,482,243	7,827,171
Cost of sales		(1,293,054)	(1,285,827)
Gross profit		6,189,189	6,541,344
Administrative expenses		(5,218,388)	(5,281,583)
Operating profit		970,801	1,259,761
Interest receivable and similar income		73,620	93,531
Interest payable and similar charges	3	(2,059)	(4,632)
Profit on ordinary activities before taxation	1	1,042,362	1,348,660
Tax on profit on ordinary activities	4	(333,526)	(431,843)
Profit on ordinary activities after taxation		708,836	916,817
Dividends - equity	5	(500,000)	(350,000)
Retained profit for the financial year	12	208,836	566,817

The above results are derived entirely from continuing operations.

The company has no recognised gains or losses other than the profit above therefore no separate statement of total recognised gains and losses has been presented.

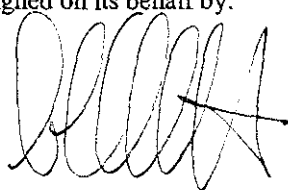
There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents.

IPS Group Limited

Balance sheet as at 31 December 2002

	Note	2002	2001
		£	£
Fixed assets			
Tangible assets	6	279,103	279,639
Investments	7	32,100	2,014
		311,203	281,653
Current assets			
Debtors	8	2,575,165	2,489,451
Cash at bank and in hand		2,116,218	1,991,215
		4,691,383	4,480,666
Creditors - Amounts falling due within one year	9	(1,663,424)	(1,631,993)
Net current assets		3,027,959	2,848,673
Net assets		3,339,162	3,130,326
Capital and reserves			
Called up equity share capital	11	53,214	53,214
Profit and loss account	12	3,285,948	3,077,112
Total equity shareholder's funds	13	3,339,162	3,130,326

The financial statements on pages 4 to 16 were approved by the board of directors on 1 May 2003 and were signed on its behalf by:



A L Charlesworth
Director

IPS Group Limited

Accounting policies

Accounting convention

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

Basis of preparation

The financial statements contain information about IPS Group Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, IPS Holdings Limited, a company registered in England.

Turnover

Turnover represents the invoiced value of services rendered, exclusive of value added tax, and is derived entirely in the United Kingdom from the principal activity.

Tangible fixed assets and depreciation

Tangible fixed assets are depreciated so as to write off the cost of the assets over their estimated useful lives using the following rates per annum.

Short leasehold property	Over period of lease
Motor vehicles	25% reducing balance
Furniture and equipment	25% straight line

Leased assets

Operating lease rentals are charged to the profit and loss account as they fall due.

Investments in group undertakings

Investments in group undertakings are stated at cost less amounts written off.

Deferred taxation

On 1 January 2002, the company changed its accounting policy on deferred tax in line with Financial Reporting Standard 19 (FRS 19). FRS 19 introduces a form of full provision for accounting for deferred tax, called the incremental liability approach, which replaces the partial provision approach previously followed under SSAP 15.

Deferred tax is now provided on timing differences where the company has an obligation to pay more tax in the future as a result of the reversal of those timing differences. Previously deferred tax was provided on timing differences to the extent that they were expected to reverse in the foreseeable future.

There was no impact on the prior year's or current year's profit and loss account or balance sheet resulting from the change in accounting policy.

Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of IPS Holdings Limited and is included in the consolidated financial statements of IPS Holdings Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the IPS Holdings Limited group or investees of the IPS Holdings Limited group.

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Pension costs

Pension payments to money purchase pension arrangements are charged to the profit and loss account as they fall due.

Foreign currency translation

Assets and liabilities expressed in foreign currencies are translated into sterling at rates ruling at the year end.

The transactions of overseas subsidiaries operating as agents for the company are treated as if they are foreign currency transactions of the company.

IPS Group Limited

Notes to the financial statements for the year ended 31 December 2002

1 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting):

	2002	2001
	£	£
Staff costs:		
Wages and salaries	2,503,070	2,616,553
Social security costs	296,073	296,811
Pension costs	69,504	69,932
Depreciation	105,981	105,395
Write off/(back) of investment in subsidiary	6,678	(18,478)
Operating lease charges:		
Plant and machinery	44,824	33,025
Other assets	229,296	198,239
Loss on disposal of tangible fixed assets	6,874	4,608
Auditors' remuneration:		
Audit services	11,282	10,292
Non-audit services	8,025	6,714

The average number of persons employed by the company during the year (excluding directors) was 42 (2001: 41).

2 Directors' remuneration

Staff costs include the following in respect of the directors of the company:

	2002	2001
	£	£
Aggregate emoluments	980,825	1,086,996
Pension contributions to money purchase pension schemes	28,343	25,771
	1,009,168	1,112,767

IPS Group Limited

Highest paid director

	2002	2001
	£	£
Aggregate emoluments	183,579	188,394

The remuneration of the highest paid director includes pension contributions to money purchase pension schemes of £9,967 (2001: £2,468). Pension benefits under money purchase pension schemes are accruing to eight directors at 31 December 2002 (2001: eight).

3 Interest payable and similar charges

	2002	2001
	£	£
Loan note interest	1,775	2,541
Bank and other interest	284	2,091
	2,059	4,632

4 Taxation on profit on ordinary activities

(a) Analysis of charge in the period

	2002	2001
	£	£
Current tax		
UK corporation tax at 30% (2001: 30%)	333,526	431,843
Total current tax	333,526	431,843
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	333,526	431,843

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(b) Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	1,042,362	1,348,660
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	312,709	404,598
<i>Effects of:</i>		
Expenses not deductible for tax purposes	17,717	25,152
Accelerated capital allowances and other timing differences	3,100	2,093
Current tax charge for the year	333,526	431,843

(c) Factors that may affect future tax charges

There are no factors that are expected to significantly affect the taxation charge in future years.

5 Dividends – equity

	2002 £	2001 £
Proposed dividend £9.39 (2001: £6.58) per £1 share	500,000	350,000

IPS Group Limited

6 Tangible fixed assets

	Short leasehold property £	Furniture and equipment £	Motor vehicles £	Total £
Cost				
At 1 January 2002	94,256	388,866	27,197	510,319
Additions	1,040	118,280	-	119,320
Disposals	-	(71,821)	(27,197)	(99,018)
At 31 December 2002	95,296	435,325	-	530,621
Depreciation				
At 1 January 2002	11,148	201,869	17,663	230,680
Charge for the year	17,937	87,250	794	105,981
Disposals	-	(66,686)	(18,457)	(85,143)
At 31 December 2002	29,085	222,433	-	251,518
Net book amount				
At 31 December 2002	66,211	212,892	-	279,103
At 31 December 2001	83,108	186,997	9,534	279,639

IPS Group Limited

7 Fixed asset investments

	Associated companies	Subsidiary companies	Total
	£	£	£
Cost			
At 1 January 2002	-	761,151	761,151
Additions/increase in estimated cost	32,000	4,764	36,764
At 31 December 2002	32,000	765,915	797,915
Amounts written off			
At 1 January 2002	-	759,137	759,137
Written off in year	-	6,678	6,678
At 31 December 2002	-	765,815	765,815
Net book amount			
At 31 December 2002	32,000	100	32,100
At 31 December 2001	-	2,014	2,014

The investment in subsidiary companies at 31 December 2002 comprises shares in:

	% of ordinary shares held
Insurance Personnel Selection Limited *	100
IPS Overseas Limited *	100
Trevor James (City of London) Limited *	100
IPS Trustee Company Limited *	100
Insurance Career Consultants Limited *	100
Forsythe and Kayee Limited*	100
IPS Search Inc.	100

* Indicates non-trading companies.

All the above companies are registered in England with the exception of IPS Search Inc. which is registered in the USA. The principal activity of IPS Search Inc. is that of an employment agency.

On 25 November 2002, the company purchased 50% of the equity of A Sure Talent UK Limited for £32,000. A Sure Talent UK Limited is a joint venture with Talent & Pro BV, a company registered in Holland.

IPS Group Limited

8 Debtors

	2002	2001
	£	£
Trade debtors	714,815	549,185
Amounts due from group undertakings	1,730,958	1,832,996
Sundry debtors and prepayments	129,392	107,270
	2,575,165	2,489,451

9 Creditors – Amounts falling due within one year

	2002	2001
	£	£
Bank overdraft	-	5,142
Trade creditors	182,366	107,599
Amounts owed to group undertakings	-	2,014
Corporation tax	207,507	246,943
Other taxation and social security	318,416	290,352
Loan notes	77,701	100,747
Other creditors and accruals	377,434	529,196
Proposed dividend	500,000	350,000
	1,663,424	1,631,993

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

The loan notes were issued in part settlement of the third payment of the contingent consideration for the acquisition of Forsythe & Kayee Limited. They carry interest at the base rate of the Bank of Scotland and are redeemable on demand within six months of issue.

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10 Deferred taxation

The full potential deferred tax asset, none of which has been provided, is as follows:

	2002	2001
	£	£
Tax deferred by accelerated capital allowances	510	(5,858)
Short-term timing differences	(6,000)	(4,500)
	(5,490)	(10,358)

11 Called up equity share capital

	2002	2001
	£	£
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
Allotted, issued and fully paid		
53,214 ordinary shares of £1 each	53,214	53,214

12 Reserves

	Profit and loss account
	£
At 1 January 2002	3,077,112
Profit for the financial year	208,836
At 31 December 2002	3,285,948

IPS Group Limited

13 Reconciliation of movement in equity shareholder's funds

	2002 £
Opening equity shareholder's funds	3,130,326
Profit on ordinary activities after taxation	708,836
Dividends	(500,000)
Closing equity shareholder's funds	3,339,162

14 Pensions

The company makes payments to defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £69,504 (2001: £69,932).

15 Operating lease commitments

Annual commitments under operating leases at 31 December 2002 amount to:

	2002		2001	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Lease expiry date:				
Within one year	-	6,326	-	23,569
Between two to five years	162,516	58,194	162,516	28,270
After five years	19,000	-	19,000	-
	181,516	64,520	181,516	51,839

16 Related party transactions

During the year IPS Group Limited paid for a number of expenses incurred by A Sure Talent UK Limited, totalling £44,133. A Sure Talent UK Limited is a joint venture in which the company has a 50% stake (Note 7). The balance due from A Sure Talent UK Limited at 31 December 2002 was £51,321 including VAT where appropriate.

AM Chitnis, a director of the company, purchased a vehicle from the company at an agreed market value during the year.

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17 Ultimate controlling party

The company's immediate and ultimate parent undertaking, and the ultimate controlling party, is IPS Holdings Limited, a company registered in England, which is the parent of the smallest and largest group to consolidate these accounts. Copies of the accounts of IPS Holdings Limited can be obtained from 6 Lloyds Avenue, London EC3N 3ES.

18 Post balance sheet event

On 9 January 2003, the company completed the acquisition of Anakin Seal Legal Limited and AS Insurance Recruitment Limited for a maximum consideration of £779,167.

19 Capital commitments

On 30 September 2002, the company entered into an agreement with Bond International Software PLC to purchase the Adapt recruitment database system. Under this agreement, IPS Group Limited is committed to further expenditure of £95,050 at 31 December 2002.