

WorkDirections UK Limited (*formerly*
WorkDirections Limited)

**Director's report and financial
statements**

Registered number 4320853

30 June 2003



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Director's report

The director presents the annual report and the audited financial statements for the year ended 30 June 2003.

The comparatives are for the period from 12 November 2001 to 30 June 2002.

Principal activities

WorkDirections UK Limited (formerly WorkDirections Limited) was established to provide welfare-to-work services in the United Kingdom. It has been successful in setting up and profitably operating 2 PSL New Deal contracts in Central and West London. The company has recently been awarded the Nottingham Employment Zone contract and is in the process of setting up operations to commence 27th October 2003.

Business review

The results for the year are set out on page 4.

On 24 September 2002, the company changed its name from WorkDirections Limited to WorkDirections UK Limited.

The delivery of the 2 PSL New Deal contracts has assisted over 1,200 long term unemployed persons into employment since commencing delivery of operations in November 2002. The addition of the Nottingham Employment Zone contract adds substantially to the overall delivery of the company's welfare-to-work services in the United Kingdom.

Proposed dividend

The director does not recommend the payment of a dividend (2002: *£nil*).

Director and director's interests

The director who held office at the end of the financial year had the following interests in the ordinary shares of the company, according to the register of director's interests:

Interest at beginning and end of the year

Thérèse Virginia Rein

-

According to the register of director's interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Thérèse Virginia Rein

Director

129 Ludgate Hill
London
EC4M 7JE

14 October 2003

Statement of director's responsibilities

Company law requires the director to prepare financial statements 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 year. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. She has general responsibility for taking such steps as are reasonably open to her to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of WorkDirections UK Limited

We have audited the financial statements on pages 4 to 12.

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 auditor's 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 director and auditors

The director is responsible for preparing the director's report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 director's 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 director's remuneration and transactions with the company 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 director 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 30 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

4 November 2003

Profit and loss account
for the year ended 30 June 2003

	<i>Note</i>	For the year ended 30 June 2003 £	For the period ended 30 June 2002 £
Turnover		4,181,810	-
Cost of sales		(1,853,589)	-
		<hr/>	<hr/>
Gross profit		2,328,221	-
Administrative expenses		(2,038,135)	(212,757)
		<hr/>	<hr/>
Operating profit/(loss)		290,086	(212,757)
Other interest receivable and similar income	5	15,890	-
Interest payable and similar charges	6	(27,851)	-
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	2-4	278,125	(212,757)
Tax on profit on ordinary activities	7	(54,899)	42,201
		<hr/>	<hr/>
Profit/(loss) for the financial year	14	223,226	(170,556)
Retained loss at the beginning of the year		(170,556)	-
		<hr/>	<hr/>
Retained profit/(loss) at the end of the year		52,670	(170,556)
		<hr/>	<hr/>

A statement of recognised gains and losses has not been included as part of the financial statements as the company made no gains or losses in the year other than as disclosed in the profit and loss account.

A note on historical cost gains and losses has not been included as part of the financial statements as the results disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

The results stated above are all derived from continuing operations.

Balance sheet
at 30 June 2003

	Note	2003	2002
		£	£
Fixed assets			
Tangible assets	8	706,121	8,871
Current assets			
Debtors	9	2,938,502	43,009
Cash at bank and in hand		1,413,088	34,498
		<u>4,351,590</u>	<u>77,507</u>
Creditors: amounts falling due within one year	10	(4,760,346)	(256,932)
Net current liabilities		<u>(408,756)</u>	<u>(179,425)</u>
Total assets less current liabilities		<u>297,365</u>	<u>(170,554)</u>
Creditors: amounts falling due after more than one year	11	(244,693)	-
Net current assets/(liabilities)		<u>52,672</u>	<u>(170,554)</u>
Capital and reserves			
Called up share capital	13	2	2
Profit and loss account		52,670	(170,556)
Equity shareholders' funds/(deficit)	14	<u>52,672</u>	<u>(170,554)</u>

These financial statements were approved by the director on 14 October 2003 and were signed by:



Thérèse Virginia Rein
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS 18 'Accounting policies' in these financial statements.

Basis of preparation

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

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking (Ingeus Limited) includes the company in its own published consolidated financial statements.

As 100% of the company's voting rights are controlled within the group headed by Ingeus Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Ingeus Limited (formerly WorkDirections Australia Pty Limited), within which this company is included, can be obtained from the address given in note 16.

Fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided to write off the cost less the estimated residual value of each asset over its expected useful life as follows:

Leasehold improvements	-	3 years
Fixtures and fittings	-	3 years
Office equipment	-	3 years
Computer equipment	-	3 years

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Foreign currencies

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents income from employment services provided, net of value added tax and is all derived from operations in the United Kingdom.

Employment services revenue is deferred at the invoice date and recognised as income over the estimated period the services are to be provided. In the current period, revenue earned on the provision of services to individuals under welfare-to-work programs is recognised over the period of time an individual is expected to remain in the program.

2 Profit on ordinary activities before taxation

	For the year ended 30 June 2003 £	For the period ended 30 June 2002 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	18,000	3,575
Other services	6,400	8,458
Operating lease payments – rent		
Rent	191,167	11,337
Other	-	835
Depreciation and other amounts written off tangible fixed assets		
Owned	27,247	1,078
Leased	169,424	-
	<hr/>	<hr/>

3 Director's remuneration

The director was not remunerated by the company during the period (2002: nil).

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (excluding the director) during the year, analysed by category, was as follow:

	Number of employees	
	For the year ended 30 June 2003	For the period ended 30 June 2002
Management	3	3
Administration	40	1
	<u>43</u>	<u>4</u>

The aggregate payroll costs of these persons were as follows:

	For the year ended 30 June 2003 £	For the period ended 30 June 2002 £
Wages and salaries	1,233,415	59,583
Social security costs	124,996	6,257
Other pension costs	49,457	-
	<u>1,407,868</u>	<u>65,840</u>

5 Other interest receivable and similar income

	For the year ended 30 June 2003 £	For the period ended 30 June 2002 £
Bank interest receivable	14,169	-
	<u>14,169</u>	<u>-</u>

6 Interest payable and similar charges

	For the year ended 30 June 2003 £	For the period ended 30 June 2002 £
Finance lease interest	27,851	-
	<u>27,851</u>	<u>-</u>

Notes (continued)

7 Taxation

Analysis of charge in period	For the year ended 30 June 2003 £	For the period ended 30 June 2002 £
<i>UK corporation tax</i>		
Current tax on income for the period	29,188	-
Deferred tax:		
Depreciation in excess of capital allowances	(16,490)	-
Tax losses utilised/(brought forward)	42,201	(42,201)
Total deferred tax	25,711	(42,201)
Tax on profit/(loss) on ordinary activities	54,899	(42,201)
	£	£
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	278,125	(212,757)
Current tax at 30% (2002: 20%)	83,438	(42,551)
<i>Effects of:</i>		
Depreciation in excess of/(less than) capital allowances	16,490	(282)
Expenses not deductible for tax purposes	5,075	632
Utilisation of tax losses	(42,201)	-
Group relief	(18,507)	-
Small company relief	(1,725)	-
Adjustment in respect of prior year	(13,382)	-
Tax losses carried forward	-	42,201
Total current tax charge	29,188	-

Notes (continued)

8 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost					
At beginning of year	-	-	-	9,949	9,949
Additions	59,698	223,715	43,476	558,040	884,929
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	59,698	223,715	43,476	567,989	894,878
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At beginning of year	-	-	-	1,078	1,078
Charge for year	12,276	45,815	8,419	121,169	187,679
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	12,276	45,815	8,419	122,247	188,757
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 30 June 2003	47,422	177,900	35,057	445,742	706,121
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2002	-	-	-	8,871	8,871
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value is £508,273 (2002: £nil) in respect of assets held under finance leases. Depreciation for the year on these assets was £169,424 (2002: £nil).

9 Debtors

	2003 £	2002 £
Trade debtors	2,276,222	-
Amounts owed by group undertakings	383,067	-
Other debtors	83,561	-
Deferred tax asset	16,490	42,201
Prepayments and accrued income	179,162	808
	<hr/>	<hr/>
	2,938,502	43,009
	<hr/>	<hr/>

Notes (continued)

10 Creditors: amounts falling due within one year

	2003 £	2002 £
Obligations under finance leases and hire purchase contracts	154,828	-
Trade creditors	189,056	-
Amounts owed to parent company	-	189,384
Taxation and social security	461,383	-
Other creditors	105,892	4,532
Accruals and deferred income	3,849,187	63,016
	<u>4,760,346</u>	<u>256,932</u>

11 Creditors: amounts falling due more than one year

	2003 £	2002 £
Obligations under finance leases and hire purchase contracts	244,693	-
	<u>244,693</u>	<u>-</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2003 £	2002 £
Within one year	191,893	-
In the second to fifth years	265,806	-
	<u>457,699</u>	<u>-</u>
Less future finance charges	(58,178)	-
	<u>399,521</u>	<u>-</u>

12 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	2003 Land and buildings £	2002 Land and buildings £
Operating leases which expire:		
Within one year	-	20,360
In the second to fifth years inclusive	402,000	-
	<u>402,000</u>	<u>20,360</u>

At the year-end, there were no outstanding capital commitments.

Notes (continued)

13 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
Equity : 1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity : 2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

14 Reconciliation of movement in shareholders' funds/(deficit)

	2003 £	2002 £
Issue of ordinary share capital	-	2
Profit/(loss) for the period	223,226	(170,556)
Opening shareholders' deficit	(170,554)	-
	<hr/>	<hr/>
Shareholders' funds/(deficit) at the end of the year	52,672	(170,554)
	<hr/>	<hr/>

15 Pension scheme

The company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the company to the fund and amounted to £49,457 (2002: £nil).

There were outstanding contributions at end of the financial year amounting to £9,077 (2002: £nil) and these are included in other creditors.

16 Ultimate parent company and controlling parties

The company is a subsidiary undertaking of Ingeus UK Limited, incorporated in the United Kingdom. The largest group in which the results of the company are consolidated is that headed by Ingeus Limited (formerly Work Directions Australia Pty Limited). The consolidated accounts of the group are available to the public and may be obtained from the registered office of Ingeus Limited (formerly Work Directions Australia Pty Limited) (Waterfront Place, Level 19, 1 Eagle Street, Brisbane Qld 4000, Australia). The Directors believe Ingeus Limited to be the ultimate controlling party.

The name of the ultimate parent company was changed to Work Directions Australia Limited on 1 July 2002 and then to Ingeus Limited on 30 September 2002.