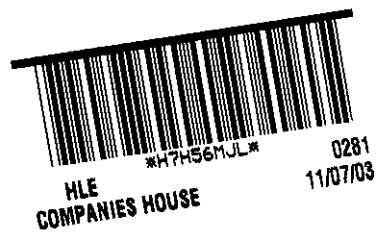


Right4Staff Limited

Directors' report and financial  
statements

Registered number 1949160

31 December 2002





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## Directors' report

The directors present their report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2002.

### Principal activities

The principal activity of the company is that of an employment agency.

### Business review

The directors will endeavour to further develop the business through the expansion of customer numbers and geographical base.

On 19 March 2002, the company was sold by AHL Europe Limited to Alchemy Partners and existing management.

### Results and dividends

The audited financial statements for the year ended 31 December 2002 are set out on pages 4 to 15. The profit for the year after taxation was £3,393,853 (2001: £257,460). The directors did not pay and do not propose a dividend for the financial year (2001: £nil).

### Directors

The directors who served during the year were as follows:

K Franklin	(resigned 19 March 2002)
E Patterson	(resigned 19 March 2002)
I Thornley	
J Hardy	(appointed 19 March 2002)

None of the directors who held office at the end of the year had any disclosable interests in the shares of the company. Their interests in the shares of the ultimate parent company are disclosed in that company's accounts.

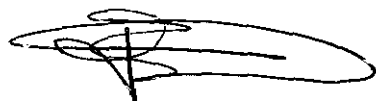
### Employees

The company's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity, regardless of sex, religion or ethnic origin. The company does all that is practicable to meet its responsibilities towards the employment and training of disabled people. In the event that an employee becomes disabled, every effort will be made to provide continuity of employment in the same job or a suitable alternative.

The company involves staff in the decision making process and communicates regularly with them during the year. Their involvement in the company's performance is encouraged with an employee bonus scheme.

By order of the Board

**J Hardy**  
*Director*



Draefern House  
Dunston Court  
Dunston Road  
Chesterfield  
Derbyshire  
S41 8NL

1 May 2003

## Statement of directors' responsibilities

Company law requires the directors 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 period. 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;
- prepare the financial statements on the 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 to enable them to ensure that 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.



KPMG LLP  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
United Kingdom

## Report of the independent auditor to the members of Right4Staff Limited

We have audited the financial statements on pages 4 to 15.

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 directors and auditors

The directors are responsible for preparing the directors' 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 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 with the company is not disclosed.

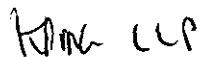
### Basis of audit opinion

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 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.

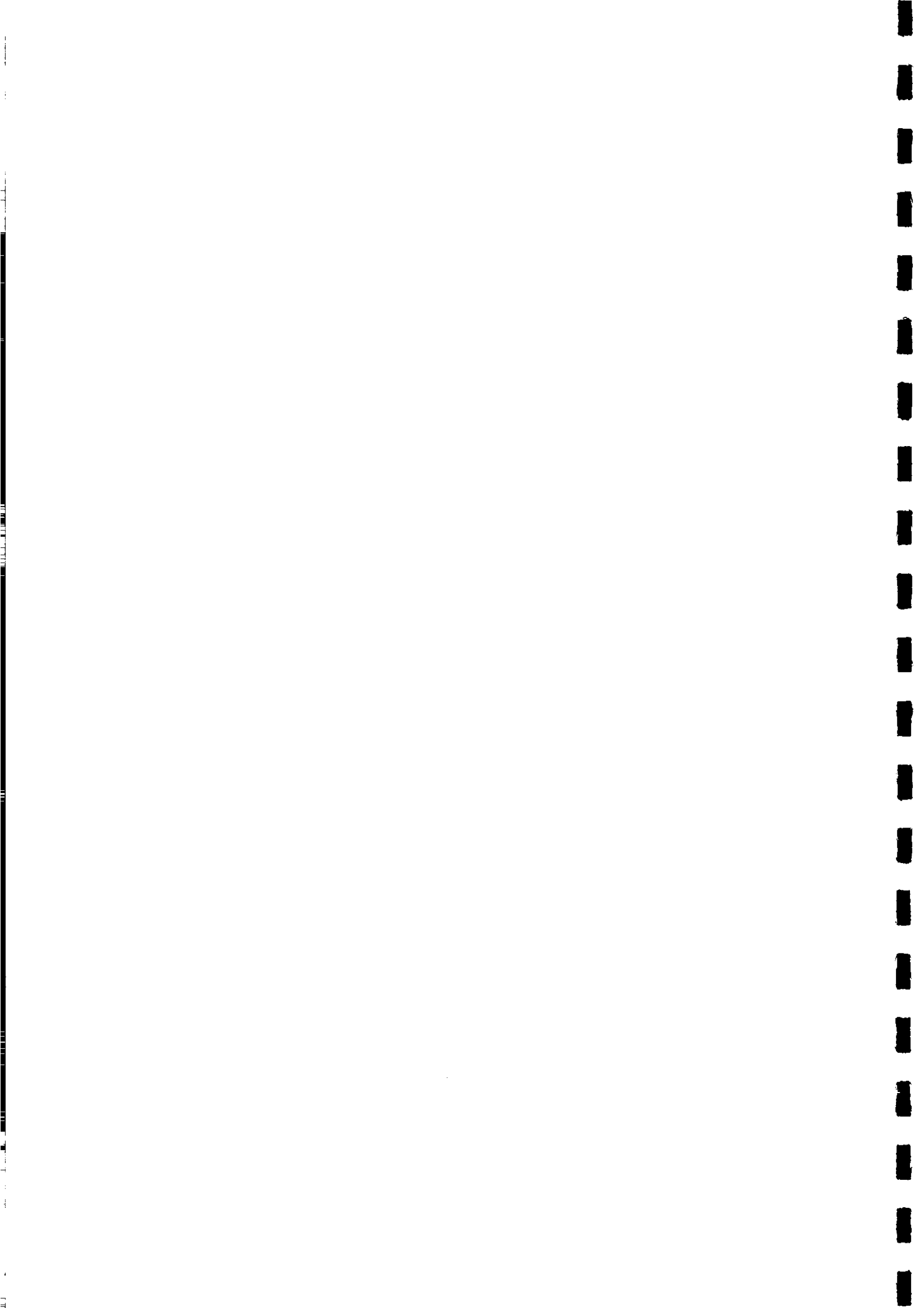
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
KPMG LLP  
Chartered Accountants  
Registered Auditor

1 May 2003





**Profit and loss account**  
*for the year ended 31 December 2002*

	Notes	Year ended 31 December 2002 £	Year ended 31 December 2001 £
<b>Turnover</b>	1,2	29,619,041	21,079,354
Cost of sales		(24,029,764)	(16,641,646)
<b>Gross profit</b>		5,589,277	4,437,708
Administrative expenses		(3,675,100)	(4,068,323)
<b>Operating profit</b>		1,914,177	369,385
Income from shares in group undertakings		2,090,284	-
Interest payable and similar charges	6	(52,608)	(1,585)
<b>Profit on ordinary activities before taxation</b>	3	3,951,853	367,800
Tax on profit on ordinary activities	7	(558,000)	(110,340)
<b>Profit on ordinary activities after taxation</b>		3,393,853	257,460

The accompanying notes are an integral part of these financial statements.

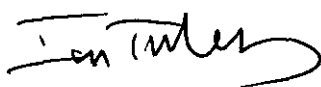
There are no recognised gains or losses in either year other than the profit for that year.

**Balance sheet**  
*at 31 December 2002*

	<i>Note</i>	<b>31 December 2002 £</b>	<b>31 December 2001 £</b>
<b>Fixed assets</b>			
Intangible assets	8	4,382,656	-
Tangible fixed assets	9	388,491	506,562
Investments	10	-	4,382,556
		<hr/>	<hr/>
		4,771,147	4,889,118
<b>Current assets</b>			
Debtors	11	5,659,833	4,000,968
Cash at bank and in hand		585,359	-
		<hr/>	<hr/>
		6,245,192	4,000,968
<b>Creditors: amounts falling due within one year</b>	12	(6,621,397)	(7,888,997)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(376,205)	(3,888,029)
		<hr/>	<hr/>
<b>Net assets</b>		4,394,942	1,001,089
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	14	20,200	20,200
Profit and loss account	15	4,374,742	980,889
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	16	4,394,942	1,001,089
		<hr/>	<hr/>

The financial statements on pages 4 to 15 were approved by the board of directors on and signed on its behalf by:

1st May 2003



**I Thornley**  
*Director*

The accompanying notes are an integral part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding period, except FRS 19 'Deferred Tax' which has been applied for the first time this year.

#### ***Basis of accounting***

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

The company has taken advantage of the exemption of preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Right4Staff Holdings Limited, which prepares consolidated accounts which are publicly available.

#### ***Goodwill***

During the year the trade and net assets of subsidiary undertakings were transferred to the company at their book value which was less than their fair value. The cost of the company's investments in those subsidiary undertakings reflected the underlying fair value of their net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the company's investments in those subsidiary undertakings fell below the amount at which it was stated in the company's accounting records. Schedule 4 to the Companies Act 1985 requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors consider that, as there has been no overall loss to the company, it would fail to give a true and fair view to charge that diminution to the company's profit and loss account for the year and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective cost to the company of those net assets and goodwill. The effect of this departure is to increase the holding company's profit for the financial year by £4,382,656, and to increase the value of intangible assets in the holding company's balance sheet by the same amount.

The goodwill arising on the transfer of trade and net assets is capitalised and amortised to nil over its useful economic life, being 20 years.

#### ***Tangible fixed assets***

Tangible fixed assets are stated at cost net of depreciation. 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 useful economic life, as follows:

Leasehold improvements	20% per annum
Computer equipment	33% per annum
Fixtures, fittings and office equipment	20% per annum
Motor vehicles	25% per annum

#### ***Taxation***

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Turnover*

Turnover represents the amount derived from services falling within the company's activities after deduction of trade discounts and excluding value added tax.

#### *Investments*

Investments are included at cost less provision for impairment.

#### *Pension costs*

Company contributions to the group personal pension scheme are charged against the profit in the period the contributions are payable.

#### *Leases*

Assets held under finance leases are initially reported at the fair value of the assets, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of its useful economic life or the lease term. Finance costs are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance. Rentals are apportioned between finance costs and capital repayments.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

#### *Cash flow*

Under the provision of FRS 1 (Revised) "Cash flow statements", the company has not prepared a cash flow statement because its ultimate parent undertaking, Right4Staff Holdings Limited, a company incorporated in the United Kingdom, has prepared consolidated financial statements which are publicly available.

### 2 Turnover

Turnover is attributable to one class of business. All turnover arose within the United Kingdom.

**Notes (continued)**

**3 Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Depreciation and amounts written off tangible fixed assets	211,415	156,220
Operating lease costs	230,728	239,965
Audit fees	30,250	29,750
Non-audit fees	15,175	10,000
	<u>          </u>	<u>          </u>

**4 Staff costs**

The average monthly number of permanent employees (including executive directors) was:

	Year ended 31 December 2002	Year ended 31 December 2001
Agency temporary staff	1,483	1,281
Permanent administration staff	72	71
	<u>          </u>	<u>          </u>
	1,555	1,352
	<u>          </u>	<u>          </u>

Their aggregate remuneration including directors' emoluments comprised:

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Wages and salaries	21,692,485	15,723,126
Social security costs	1,727,042	1,289,248
Other pension costs	39,305	30,431
	<u>          </u>	<u>          </u>
	23,458,832	17,042,805
	<u>          </u>	<u>          </u>

**Notes** *(continued)*

**5 Directors' remuneration**

The remuneration of the directors was as follows:

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Emoluments	171,989	160,913
Contributions to money purchase pension schemes	15,000	14,000
	<u>186,981</u>	<u>174,913</u>

No directors exercised share options in the year (2001: nil).

Three directors (2001: two) were remunerated by another group undertaking.

**6 Interest payable and similar charges**

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Bank interest	<u>52,608</u>	<u>1,585</u>

**7 Tax on profit on ordinary activities**

Analysis of charge in period

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
<i>UK corporation tax</i>		
Current tax on income for the period	570,527	110,340
Adjustments in respect of prior periods	(12,527)	-
	<u>558,000</u>	<u>110,340</u>

**Notes** *(continued)*

**7 Tax on profit on ordinary activities (continued)**

*Factors affecting the tax charge for the current year*

The current tax charge for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	3,951,853	367,800
Current tax at 30%	1,185,556	110,340
<i>Effects of:</i>		
Expenses not deductible for tax purposes	21,949	-
Capital allowances for year in excess of depreciation	22,245	-
Income not taxable	(627,085)	-
Other short term timing differences	(32,138)	-
Adjustments to tax charge in respect of previous periods	(12,527)	-
Total current tax charge (see above)	558,000	110,340

**8 Intangible fixed asset**

	Goodwill £
Cost	
Transfer from fixed asset investments	4,382,656
At 31 December 2002	4,382,656

**Notes** *(continued)*

**9 Tangible fixed assets**

	Leasehold improvements £	Computer equipment £	Fixtures, fittings and office equipment £	Total £
<i>Cost</i>				
At 1 January 2002	223,466	423,947	403,248	1,050,661
Additions		35,134	42,372	77,506
Transfer from Total Work Services Limited	-	-	5,139	5,139
Transfer Excel Resourcing (Recruitment Consultants) Limited	2,025	594	8,080	10,699
At 31 December 2002	225,491	459,675	458,839	1,144,005
<i>Depreciation</i>				
At 1 January 2002	56,624	258,804	228,671	544,099
Charge for year	52,621	106,725	52,069	211,415
At 31 December 2002	109,245	365,529	280,740	755,514
<i>Net book value</i>				
At 31 December 2002	116,246	94,146	178,099	388,491
At 31 December 2001	166,842	165,143	174,577	506,562



**Notes (continued)**

**10 Fixed asset investments**

	£
<i>Cost and net book value</i>	
At 31 December 2001	4,382,556
Additions	100
Transfer to intangible assets	(4,382,656)
	<hr/>
At 31 December 2002	-
	<hr/>

Subsidiary undertaking	Country of incorporation and operation	Principal activity	Holding	%
Total Work Services Limited	Great Britain	Staff agency	Direct	100
Excel Resourcing (Recruitment Consultants) Bournemouth Limited	Great Britain	Staff agency	Direct	100
Excel Resourcing (Recruitment Consultants) Limited	Great Britain	Staff agency	Direct	100

**11 Debtors**

	31 December 2002 £	31 December 2001 £
Trade debtors	5,346,138	3,781,874
Amounts owed by group undertakings	124,349	-
Other debtors	500	55,615
Prepayments and accrued income	188,846	163,479
	<hr/>	<hr/>
	5,659,833	4,000,968
	<hr/>	<hr/>

**12 Creditors: amounts falling due within one year**

	31 December 2002 £	31 December 2001 £
Bank loan and overdraft	-	1,161,386
Trade creditors	1,036,818	674,661
Amounts owed to parent	-	3,590,077
Amounts owed to other group companies	1,877,666	428,984
Corporation tax payable	701,386	119,200
Other taxation and social security	2,781,151	936,831
Other creditors	8,051	347,383
Accrual and deferred income	216,325	630,475
	<hr/>	<hr/>
	6,621,397	7,888,997
	<hr/>	<hr/>

## Notes (continued)

### 13 Provisions for liabilities and charges

There is an unprovided deferred tax asset of £23,185 (2001: £(6,083)) which has not been recognised due to the uncertainty of future taxable profits against which it can be utilised. The elements of deferred tax are as follows:

	31 December 2002 £	31 December 2001 £
Accelerated capital allowances	23,185	(6,083)
	<u>23,185</u>	<u>(6,083)</u>

### 14 Called up share capital

	31 December 2002 £	31 December 2001 £
<i>Authorised</i>		
25,000 ordinary shares of £1 each	25,000	25,000
<i>Allotted, called up and fully paid</i>		
20,200 ordinary shares of £1 each	20,200	20,200

### 15 Reserves

	Profit and loss account £
At 31 December 2001	980,889
Retained profit for the year	3,393,853
	<u>4,374,742</u>
At 31 December 2002	<u>4,374,742</u>

**Notes** *(continued)*

**16 Reconciliation of movements in shareholders' funds**

	<b>31 December 2002 £</b>	<b>31 December 2001 £</b>
Profit for the financial year	<b>3,393,853</b>	257,460
Opening shareholders' funds	<b>1,001,089</b>	743,629
Closing shareholders' funds	<b>4,394,942</b>	1,001,089

**17 Financial commitments**

Annual commitments under non-cancellable operating leases are as follows:

	<b>31 December 2002</b>		<b>31 December 2001</b>	
	<b>Land and buildings £</b>	<b>Other £</b>	<b>Land and buildings £</b>	<b>Other £</b>
Expiry date				
- within one year	<b>17,690</b>	<b>65,248</b>	28,392	92,892
- between two and five years	<b>59,000</b>	<b>53,715</b>	58,000	56,492
- after five year	<b>128,025</b>	-	40,800	-
Total	<b>204,715</b>	<b>118,963</b>	127,192	149,384

## Notes (continued)

### 18 Acquisitions

On 30 September 2002 the company acquired all of the trade and assets of its subsidiary undertakings. The assets and liabilities acquired are detailed below. The net assets were acquired at net book value hence no goodwill arose on the transaction.

	Book value and fair value £
Fixed assets	15,938
Current assets	3,858,883
Total assets	<u>3,874,821</u>
Creditors	(1,371,604)
Total liabilities	<u>(1,371,604)</u>
Net assets	<u>2,503,217</u>

### 19 Pension Scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £39,305.

At 31 December 2002 contributions amounting to £5,249 were payable to the scheme and are included in creditors.

### 20 Ultimate controlling party

The company is a subsidiary undertaking of Epoch 2 Limited incorporated in the UK.

The largest group in which the results of the company are consolidated is Right4Staff Holdings Limited, a company incorporated in the UK, which is also the ultimate parent undertaking and controlling party, and whose financial statements are available to the public. Copies can be requested from the Company Secretary at Draefern House, Dunston Court, Dunston Road, Chesterfield, Derbyshire S41 8NL.

As a subsidiary undertaking of Right4Staff Holdings Limited the company has taken advantage of the exemption in FRS 8 "Related parties disclosure" from disclosing transactions with other members of the group headed by Right4Staff Holdings Limited.