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WNS Global Services (UK) Limited

Report and Financial Statements

31 March 2004

 **ERNST & YOUNG**



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COMPANIES HOUSE

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WNS Global Services (UK) Limited

Registered No. 2292251

Directors

DC Tibble
S Dunning

Secretary

J Walker

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

Bank of Scotland Plc
35 Princes Street
Ipswich IP1 1AE

Barclays Bank Plc
PO Box 216
Brightwell Court
Martlesham Heath
Ipswich IP5 3PW

Business address

St. Vincent House
Ipswich
Suffolk IP1 1LL

Registered office

Acre House
11-15 William Road
London NW1 3ER

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

Results and dividends

The profit for the year after taxation amounted to £1,373,783 (2003 – seven month period ended 31 March 2003 £762,621). The directors do not recommend a dividend for the year (2003 – £nil).

Principal activities

The principal activity of the company is the handling and assessment of motor claims together with the provision of legal expenses insurance to motorists and client account management on behalf of a fellow group company.

Review of the business

The company continued to experience steady growth in the year ended 31 March 2004 and the directors are cautiously optimistic that this trend will continued. On 1 April 2003 the assets, liabilities and business of WNS (UK) Limited were transferred to WNS Global Services (UK) Limited at book value.

Directors and their interests

The directors at 31 March 2004 and their beneficial interests in the shares of the company were:

	31 March 2004	31 March 2003
	ordinary shares of 10p each	ordinary shares of 10p each
B Agnew (resigned 18 August 2003)	–	–
T T M Agnew (resigned 29 February 2004)	–	–
J Walker (resigned 18 August 2003)	–	–
S Dunning	–	–
D C Tibble	–	–

Creditor payment policy and practice

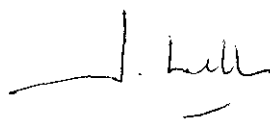
It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 March 2004, the company had an average of 88 days purchases outstanding in trade creditors.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



Secretary
22 December 2004

Statement of directors' responsibilities in respect of the financial statements

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 of the company 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; and
- 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 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.

Independent auditors' report

to the members of WNS Global Services (UK) Limited

We have audited the company's financial statements for the year ended 31 March 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Independent auditors' report

to the members of WNS Global Services (UK) Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

22 DECEMBER 2004

Profit and loss account

for the year ended 31 March 2004

		(Restated)	
		Seven month	
	Year ended	period ended	
	31 March	31 March	
	2004	2003	
	£	£	
Turnover	2	43,365,583	18,394,209
Cost of sales		(32,052,145)	(15,739,496)
Gross profit		11,313,438	2,654,713
Distribution costs		(3,730,074)	(34,971)
Administration expenses		(6,941,566)	(1,795,825)
Operating profit	3	641,798	823,917
Interest receivable and similar income	6	198,715	47,281
Interest payable and similar charges	7	(31,129)	(21,877)
Gain on disposal of intangible assets		737,027	-
Profit on ordinary activities before taxation		1,546,411	849,321
Tax on profit on ordinary activities	8(a)	(172,628)	(86,700)
Profit on ordinary activity after taxation		1,373,783	762,621
Retained profit for the financial year		1,373,783	762,621
Retained profit brought forward		1,779,463	1,016,842
Retained profit carried forward		3,153,246	1,779,463

All of the operations are considered to be continuing.

Statement of total recognised and losses

for the year ended 31 March 2004

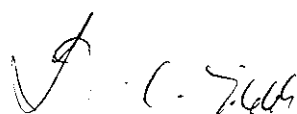
	<i>(Restated)</i>	
	<i>Year ended</i>	<i>Seven month</i>
	<i>31 March</i>	<i>period ended</i>
	<i>2004</i>	<i>31 March</i>
	<i>£</i>	<i>£</i>
Profit for the financial year	1,373,783	762,621
Total recognised gains and losses relating to the year	1,373,783	762,621
Prior year adjustment (see note 1)	(388,187)	
Total gains and losses recognised since last financial statements	985,596	

Balance sheet

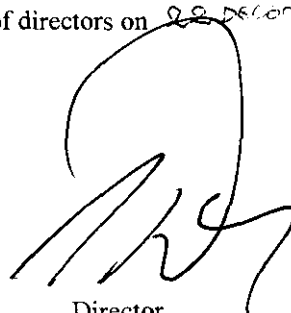
at 31 March 2004

		31 March 2004	(Restated) 31 March 2003
	Notes	£	£
Fixed assets			
Intangible assets	9	—	—
Tangible assets	10	1,341,249	464,449
		<u>1,341,249</u>	<u>464,449</u>
Current assets			
Stocks	11	131,905	197,115
Debtors	12	19,787,822	6,694,498
Cash at bank and in hand		3,336,896	2,094,270
		<u>23,256,623</u>	<u>8,985,883</u>
Creditors: amounts falling due within one year	13	(21,314,279)	(7,540,522)
Net current assets		<u>1,942,344</u>	<u>1,445,361</u>
Total assets less current liabilities		<u>3,283,593</u>	<u>1,909,810</u>
Net assets		<u>3,283,593</u>	<u>1,909,810</u>
Capital and reserves			
Called up share capital	15	50,505	50,505
Share premium account	16	24,810	24,810
Capital redemption reserve	16	55,032	55,032
Profit and loss account	17	3,153,246	1,779,463
Equity shareholders' funds		<u>3,283,593</u>	<u>1,909,810</u>

These financial statements were approved by the Board of directors on 22 December 2004 and were signed on its behalf by:



Director



Director

Statement of cash flows

for the year ended 31 March 2004

		<i>Year ended</i> 31 March 2004 £	<i>Seven month period ended</i> 31 March 2003 £
	<i>Notes</i>		
Net cash inflow from operating activities	18	2,508,843	452,250
Returns on investment and servicing of finance			
Interest paid		(28,721)	(12,697)
Interest received		198,715	47,281
Interest element of hire purchase and finance lease rentals		(2,408)	(9,180)
		167,586	25,404
Taxation			
UK corporation tax paid		(772,808)	(55,240)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(1,355,948)	(225,850)
Payments to acquire intangible assets		(1,277,973)	–
Receipts from sale of intangible assets		2,015,000	–
		(618,921)	(225,850)
Financing			
Capital element of finance lease rental payments		–	(19,999)
Increase in cash	19	1,284,700	176,565

Notes to the financial statements

at 31 March 2004

1. Accounting policies

Basis of preparation

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

In preparing the financial statements for the current year, the company has changed its accounting policy for recognition of claims handling revenue. Turnover is recognised on an accrual basis in accordance with the accounting policy described below. Previously, turnover was recognised at the point when the claims were opened.

This change in accounting policy has resulted in a prior year adjustment for the company. Shareholders' funds at 31 March 2002 have been reduced by £390,819. The turnover for the year ended 31 March 2003 has been increased by £2,632 and the trade debtor balance as at 31 March 2003 has been increased by £388,187. Profit for the current year has been decreased by £253,625 as a result of the change in accounting policy.

Comparatives

In the prior year the company changed its financial year-end to 31 March to coincide with their immediate parent undertaking's year-end. As such, the comparatives are for a seven month period only whilst the current period is 12 months.

Turnover

Turnover represents the invoiced value of services provided net of VAT. Income from policies written is credited to the profit and loss account over the period of the cover. In respect of directly sold policies, a sum equal to the costs of selling that policy is credited to the profit and loss account on inception of the policy. Claims handling income is credited to the profit and loss account over the period of the claim.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the related assets as follows:

Buildings improvements	-	25%
Computer equipment & software	-	33 - 50%
Fixtures, fittings & equipment	-	25%
Motor vehicles	-	25%

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The capital element of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Work in progress

Work in progress represents the costs incurred to date with claims outstanding at the year end and is stated at the lower of cost and net realisable value.

Notes to the financial statements

at 31 March 2004

1. Accounting policies (continued)

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Deferred taxation

Full provision is made for deferred tax on all material timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised where their recovery is considered more likely than not in that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse.

2. Turnover

The total turnover for the company for the year has been derived from its principal activity, wholly undertaken in the United Kingdom.

3. Operating profit

Operating profit is stated after charging:

	<i>(Restated)</i>	
	<i>Year ended</i>	<i>Seven month</i>
	<i>31 March</i>	<i>period ended</i>
	<i>2004</i>	<i>31 March</i>
	<i>£</i>	<i>£</i>
Depreciation of owned tangible fixed assets	479,140	223,880
Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	—	9,138
Operating lease rentals	198,282	53,084
Auditors' remuneration	27,000	20,000
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 March 2004

4. Directors' emoluments

	<i>Year ended</i> <i>31 March</i> <i>2004</i> <i>£</i>	<i>Seven month</i> <i>period ended</i> <i>31 March</i> <i>2003</i> <i>£</i>
Emoluments	453,599	126,231
Company contributions to defined contribution pension schemes	32,499	5,232
	<u>486,098</u>	<u>131,463</u>

Retirement benefits are accruing to no (2003 – 2) directors under a money purchase pension scheme. The amounts disclosed above include the following amounts in respect of the highest paid director:

	<i>Year ended</i> <i>31 March</i> <i>2004</i> <i>£</i>	<i>Seven month</i> <i>period ended</i> <i>31 March</i> <i>2003</i> <i>£</i>
Emoluments	162,274	63,911
Company contributions to defined contribution pension schemes	19,500	2,432
	<u>181,774</u>	<u>66,343</u>

5. Staff costs

	<i>Year ended</i> <i>31 March</i> <i>2004</i> <i>£</i>	<i>Seven month</i> <i>period ended</i> <i>31 March</i> <i>2003</i> <i>£</i>
Wages and salaries	5,064,991	1,641,741
Social security costs	308,375	137,534
Other pension costs	149,965	32,373
	<u>5,523,331</u>	<u>1,811,648</u>

The average number of employees during the years was:

Selling and distribution	186	122
Office management	18	20
	<u>204</u>	<u>142</u>

Notes to the financial statements

at 31 March 2004

6. Interests receivable and similar income

	<i>Year ended</i> <i>31 March</i> <i>2004</i> <i>£</i>	<i>Seven month</i> <i>period ended</i> <i>31 March</i> <i>2003</i> <i>£</i>
Interest receivable and similar income	198,715	47,281

7. Interest payable and similar charges

	<i>Year ended</i> <i>31 March</i> <i>2004</i> <i>£</i>	<i>Seven month</i> <i>period ended</i> <i>31 March</i> <i>2003</i> <i>£</i>
Interest payable on:		
Other loans	28,721	12,697
Finance lease and hire purchase contracts	2,408	9,180
	31,129	21,877

Notes to the financial statements

at 31 March 2004

8. Taxation

(a) Tax on profit on ordinary activities

	<i>Year ended</i> <i>31 March</i> <i>2004</i> £	<i>Seven month</i> <i>period ended</i> <i>31 March</i> <i>2003</i> £
UK corporation tax at 30% (2003 – 30 %)		
Current tax	121,308	130,809
Deferred tax	51,320	(44,109)
	<u>172,628</u>	<u>86,700</u>

(b) Factors affecting the tax charge for the year

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30% (2003 – 30%). The differences are reconciled below:

	<i>Year ended</i> <i>31 March</i> <i>2004</i> £	<i>Seven month</i> <i>period ended</i> <i>31 March</i> <i>2003</i> £
Profit before tax	<u>1,546,411</u>	<u>849,321</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 – 30%)	463,923	254,796
Expenses not deductible for tax purposes	66,059	1,571
Capital allowances in excess of depreciation	(620)	31,942
Group relief claimed for nil payments	–	(157,500)
Adjustments in respect of prior periods	(109,852)	–
Utilisation of tax losses brought forward	(107,411)	–
Capital gains	(190,791)	–
Total current tax charge	<u>121,308</u>	<u>130,809</u>

Notes to the financial statements

at 31 March 2004

9. Intangible assets

	<i>Software Intangibles</i>	<i>Customer contracts</i>	<i>Total intangible assets</i>
	£	£	£
Cost:			
At 31 March 2003	—	—	—
Additions	72,222	1,205,751	1,277,973
Disposal	(72,222)	(1,205,751)	(1,277,973)
	<hr/>	<hr/>	<hr/>
At 31 March 2003 and 31 March 2004	—	—	—
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 March 2003 and 31 March 2004	—	—	—
	<hr/>	<hr/>	<hr/>

10. Tangible assets

	<i>Leasehold building improvements</i>	<i>Plant and machinery</i>	<i>Fixtures, fittings & equipment</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 31 March 2003	112,871	1,460,539	309,474	1,882,884
Additions	8,701	1,203,419	143,820	1,355,940
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	121,572	2,663,958	453,294	3,238,824
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:				
At 31 March 2003	68,882	1,095,009	254,544	1,418,435
Provided during the year	21,237	405,906	51,997	479,140
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	90,119	1,500,915	306,541	1,897,575
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:				
At 31 March 2004	31,453	1,163,043	146,753	1,341,249
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	43,989	365,530	54,930	464,449
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements

at 31 March 2004

11. Stocks

	31 March 2004 £	31 March 2003 £
Work in progress	131,905	197,115

12. Debtors

	31 March 2004 £	(Restated) 31 March 2003 £
Trade debtors	6,478,432	3,648,490
Amounts due from group undertakings	7,124,792	34,026
Amounts due from immediate parent undertaking	4,939,101	2,000,000
Other debtors	824,237	140,350
Prepayments and accrued income	280,309	761,680
Deferred tax asset	58,632	109,952
Corporation tax	82,319	—
	19,787,822	6,694,498

13. Creditors: amounts falling due within one year

	31 March 2004 £	31 March 2003 £
Bank overdraft	—	42,074
Trade creditors	7,793,523	5,613,385
Corporation tax	—	569,181
Other taxation	216,964	299,943
Other creditors	986,347	494,934
Accruals and deferred income	1,238,493	395,831
Amounts owed to group undertakings	9,170,326	125,174
Amounts owed to immediate parent undertaking	1,908,626	—
	21,314,279	7,540,522

Notes to the financial statements

at 31 March 2004

14. Deferred taxation assets

	31 March 2004	31 March 2003
	£	£
Capital allowances in excess of depreciation	21,832	73,125
Other timing differences	36,800	36,827
	<u>58,632</u>	<u>109,952</u>

15. Share capital

	31 March 2004	31 March 2003
	£	£
<i>Authorised</i>		
1,000,000 ordinary shares of 10p each	100,000	100,000
100,000 redeemable preference shares of £1 each	100,000	100,000
	<u></u>	<u></u>
<i>Allotted, called up and fully paid</i>	£	£
505,050 ordinary shares of 10p each	50,505	50,505
	<u></u>	<u></u>

16. Reserves

	Share premium account	Capital redemption reserve	Total
	£	£	£
Balance at 31 March 2003 and at 31 March 2004	24,810	55,032	79,842

17. Reconciliation of movements in shareholders' funds

	£
At 1 September 2002 as previously updated	1,407,661
Prior period adjustment (note 1)	(390,819)
	<u>1,016,842</u>
At 1 September 2002 as restated	1,016,842
Profit for the year	762,621
	<u>1,779,463</u>
At 31 March 2003	1,779,463
Profit for the year	1,373,783
	<u>3,153,246</u>
At 31 March 2004	<u>3,153,246</u>

Notes to the financial statements

at 31 March 2004

18. Net cash inflow from operating activities

	<i>(Restated)</i>	
	<i>Year ended</i>	<i>Seven month period ended</i>
	<i>31 March</i>	<i>31 March</i>
	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Operating profit	641,798	823,917
Depreciation of tangible fixed assets	479,142	233,018
Decrease in work in progress	65,210	(16,342)
Increase in debtors	(13,062,325)	(2,314,266)
Increase in creditors	14,385,018	1,719,697
Loss on disposal of tangible fixed assets	–	6,226
	<u>2,508,843</u>	<u>452,250</u>

19. Reconciliation of net cash flow to movement in net cash

	<i>Year ended</i>	<i>Seven month period ended</i>
	<i>31 March</i>	<i>31 March</i>
	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Increase in cash in the year	1,284,700	176,565
Cash used to repay capital element of finance lease and hire purchase payment	–	19,999
Change in net cash arising from cash flows	<u>1,284,700</u>	<u>196,564</u>
Movement in net cash	1,284,700	196,564
Net cash at beginning of the year	2,052,196	1,855,632
Net cash at the end of the year	<u>3,336,896</u>	<u>2,052,196</u>

20. Analysis of net cash

	<i>At</i>		<i>At</i>
	<i>1 April</i>		<i>31 March</i>
	<i>2003</i>	<i>Cash flow</i>	<i>2004</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Cash at bank and in hand	2,094,270	1,242,626	3,336,896
Bank overdraft	(42,074)	42,074	–
	<u>2,052,196</u>	<u>1,284,700</u>	<u>3,336,896</u>

Notes to the financial statements

at 31 March 2004

21. Pension commitments

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 pension cost charge represents contributions payable by the company to the fund and amounted to £149,965 (2003 – £32,373).

22. Other Financial commitments

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Expiry date:				
Within one year	25,635	48,099	72,565	91,121
Between two and five years	–	25,635	267,869	97,588
	<u>25,635</u>	<u>73,734</u>	<u>340,434</u>	<u>188,709</u>

23. Related Party Transactions

Accident & Credit (Property) Limited

As at the balance sheet date the company owed £nil (2003 – £1,778) to Accident & Credit (Property) Limited, a company in which TTM Agnew is a director and has a material interest. In turn, Accident & Credit (Property) Limited owed the company £5,362 (2003 – £23,790).

Practical Car & Van Rental Limited

As at the balance sheet date the company owed £3,684 (2003 – £79,998) to Practical Car & Van Rental Limited, a company in which B Agnew is a director and has a material interest. In turn Practical Car & Van Rental Limited owed the company £349 (2003 – £6,189).

Idoink Ltd

As at the balance sheet date the company owed £195,387 (2003 – £43,398) to Idoink Limited, a company in which TTM Agnew holds a material interest. In turn, Idoink owes the company £nil (2003 – £4,047).

24. Ultimate parent undertaking

The company's immediate and ultimate parent undertaking is WNS (Holdings) Limited, a company incorporated in Jersey.

The smallest and largest group in which the results of WNS Global Services (UK) Limited are consolidated, is WNS Holdings Limited, a company incorporated in Jersey.