

Registered number
4372726

KCS CONNECT LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE PERIOD FROM 12 FEBRUARY 2002 TO 31 MARCH 2003



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KCS CONNECT LIMITED

COMPANY INFORMATION

Directors

A Snell
Ms C M Rogers
Ms P W Watson

Secretary

A Snell

Auditors

Spofforths
20 Old Mill Square
Storrington
West Sussex
RH20 4NQ

Registered office

20 Old Mill Square
Storrington
West Sussex
RH20 4NQ

Registered number

4372726

KCS CONNECT LIMITED

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The following pages do not form part of the statutory accounts:

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KCS CONNECT LIMITED

DIRECTORS' REPORT

FOR THE PERIOD FROM 12 FEBRUARY 2002 TO 31 MARCH 2003

The directors present their report and accounts for the period ended 31 March 2003.

Principal activities

The company was incorporated on 12 February 2002 and commenced trading on 2 April 2002. The company's principal activity is that of the provision of payroll services

Review of the business

The period under review represents the first period of trading for KCS Connect Limited following the acquisition of Apex Connect on 2 April 2002.

The directors are pleased to report that the transition of ownership has been very successful with an increase in revenue of 31%. This was achieved with all clients being retained and a significant number of new clients added to the customer base.

The migration of the operational process to KCS Management Systems Limited's integrated HR & Payroll suite, k-EM, was completed within the period and now provides exceptional opportunities to offer additional services to our clients. During the year KCS Connect Limited has re-positioned itself from a traditional paper based payroll bureau to a Managed Service Operation providing electronic communication and valuable management services.

The market for the traditional Managed Service Payroll remains buoyant as organisations, faced with the current difficult economic climate, focus on their core business activities and outsource the non-mission critical facilities.

With a wealth of opportunities in the managed payroll market and exciting new opportunities in the outsourced HR service market, the directors are confident that the business will continue to enjoy substantial year on year growth.

Results and dividends

The profit for the period, after taxation, amounted to £6,310 which will be retained.

Directors

The directors who served during the period and their interests in the share capital of the parent company were as follows:

		£1 Ordinary shares	
		31	12
		March	February
		2003	2002
A Snell	Appointed 13 February 2002	64,688	43,125
Ms C M Rogers	Appointed 22 February 2002	45,000	23,438
Ms P W Watson	Appointed 13 February 2002	7,000	-
C Rattigan	Appointed 13 February 2002, resigned 16 August 2002	-	43,125
Business Information Research & Reporting Limited	Appointed and resigned 13 February 2002	-	-

One ordinary share of £1 in the company was issued at par to Business Information Research & Reporting Limited. Business Information Research and Reporting Limited had no shareholding in the company at the period end.

KCS CONNECT LIMITED

DIRECTORS' REPORT

FOR THE PERIOD FROM 12 FEBRUARY 2002 TO 31 MARCH 2003

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period 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 accounts, the directors are required to:

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

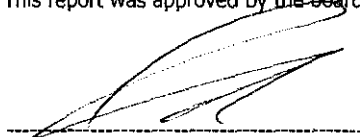
The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint Spofforths as auditors will be put to the member at the Annual General Meeting.

This report was approved by the board on

16/9/03



A Snell
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

KCS CONNECT LIMITED

We have audited the accounts of KCS Connect Limited for the period ended 31 March 2003 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 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 accounts in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the accounts 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 accounts, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Spofforths
Chartered Accountants and Registered Auditors
20 Old Mill Square
Storrington
West Sussex
RH20 4NQ

Date: 19 September 2003

KCS CONNECT LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE PERIOD FROM 12 FEBRUARY 2002 TO 31 MARCH 2003**

	Notes	2003 £
Turnover		173,632
Cost of sales		(9,190)
Gross profit		164,442
Administrative expenses		(153,375)
Operating profit	2	11,067
Interest receivable		64
Profit on ordinary activities before taxation		11,131
Tax on profit on ordinary activities	4	(4,821)
Profit for the period		6,310
Retained profit for the period	10	6,310

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the profit for the above period.

KCS CONNECT LIMITED

BALANCE SHEET

AS AT 31 MARCH 2003

	Notes	£	2003 £
Fixed assets			
Intangible assets	5		43,216
Tangible assets	6		<u>23,941</u>
			67,157
Current assets			
Debtors	7	38,537	
Cash at bank and in hand		<u>19,277</u>	
		57,814	
Creditors: amounts falling due within one year	8	<u>(118,660)</u>	
Net current liabilities			<u>(60,846)</u>
			<u>6,311</u>
Capital and reserves			
Called up share capital	9		1
Profit and loss account	10		6,310
Shareholder's funds:			
Equity			<u>6,311</u>
	11		<u>6,311</u>


A Snell

Director

Approved by the board on

16/9/03

KCS CONNECT LIMITED**CASH FLOW STATEMENT****AS AT 31 MARCH 2003**

	Notes	2003 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit		11,067
Depreciation charges		12,505
Amortisation of goodwill		10,804
Increase in debtors		(38,537)
Increase in creditors		113,839
Net cash inflow from operating activities		109,678
CASH FLOW STATEMENT		
Net cash inflow from operating activities		109,678
Returns on investments and servicing of finance	12	64
Capital expenditure	12	(90,466)
		19,276
Financing	12	1
Increase in cash		19,277
Reconciliation of net cash flow to movement in net debt		
Increase in cash		19,277
Change in net debt	13	19,277
Net funds at beginning of period		-
Net funds at end of period		19,277

KCS CONNECT LIMITED

NOTES TO THE ACCOUNTS

FOR THE PERIOD FROM 12 FEBRUARY 2002 TO 31 MARCH 2003

1 Accounting policies

Basis of accounting

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

Turnover

Turnover represents the invoiced value of goods and services supplied by the company, net of VAT.

Amortisation

The intangible fixed asset represents the capitalised acquisition costs of the business, recognised under the historical cost convention and amortised on a straight line basis over its expected useful life of five years.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Computer equipment	over 2 to 5 years
Furniture and fittings	over 10 years
Office equipment	over 5 to 10 years

Deferred taxation

Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the company's accounts. Deferred tax is provided in full on timing differences which result in an obligation to pay more (or less) tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws.

Leasing and hire purchase commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

Contributions in respect of the company's defined contribution pension scheme are charged to the profit and loss account for the year in which they are payable to the scheme. Differences between contributions payable and contributions actually paid in the year are shown as either accruals or prepayments at the year end.

2 Operating profit

2003

£

This is stated after charging:

Depreciation of owned fixed assets	12,505
Amortisation of goodwill	10,804
Operating lease rentals - land and buildings	8,000
Auditors' remuneration	<u>2,500</u>

KCS CONNECT LIMITED**NOTES TO THE ACCOUNTS****FOR THE PERIOD FROM 12 FEBRUARY 2002 TO 31 MARCH 2003****3 Staff costs**

	2003 £
Wages and salaries	88,371
Social security costs	6,607
Other pension costs	<u>2,051</u>
	<u>97,029</u>

4 Taxation**Analysis of charge in period**

	2003 £
Current tax:	
UK corporation tax on profits of the period	4,821
Total current tax (see below)	<u>4,821</u>
Tax on profit on ordinary activities	<u>4,821</u>

Factors affecting tax charge for period

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (19 per cent). The differences are explained below:

	2003 £
Profit on ordinary activities before tax	<u>11,131</u>
standard rate of corporation tax in the UK of 19%	2,115
Effects of:	
Expenses not deductible for tax purposes	260
Capital allowances for period in excess of depreciation	<u>2,446</u>
Current tax charge for period as above	<u>4,821</u>

KCS CONNECT LIMITED

NOTES TO THE ACCOUNTS

FOR THE PERIOD FROM 12 FEBRUARY 2002 TO 31 MARCH 2003

5 Intangible fixed assets

£

Cost

Additions

54,020

At end of period

54,020

Amortisation

Provided during the period

10,804

At end of period

10,804

Net book value

At 31 March 2003

43,216

6 Tangible fixed assets

**Furniture
and fittings
£**

**Office
equipment
£**

**Computer
equipment
£**

**Total
£**

Cost

Additions

659

5,160

30,627

36,446

At end of period

659

5,160

30,627

36,446

Depreciation

Charge for the period

33

430

12,042

12,505

At end of period

33

430

12,042

12,505

Net book value

At 31 March 2003

626

4,730

18,585

23,941

7 Debtors

2003

£

Trade debtors

33,887

Prepayments and accrued income

4,650

38,537

KCS CONNECT LIMITED**NOTES TO THE ACCOUNTS****FOR THE PERIOD FROM 12 FEBRUARY 2002 TO 31 MARCH 2003**

8 Creditors: amounts falling due within one year	2003
	£
Trade creditors	6,463
Amounts owed to group undertakings and undertakings in which the company has a participating interest	85,708
Corporation tax	4,821
Other taxes and social security costs	9,869
Other creditors	8,147
Accruals and deferred income	3,652
	118,660
9 Share capital	2003
	£
Authorised:	
Ordinary shares of £1 each	1,000
	2003
	£
2003 No	
Allotted, called up and fully paid:	
Ordinary shares of £1 each	1
During the financial period, one Ordinary share of £1 was allotted at par.	
10 Profit and loss account	2003
	£
Retained profit	6,310
At end of period	6,310
11 Reconciliation of movement in shareholder's funds	2003
	£
Profit for the financial period	6,310
Shares issued	1
Net movement in shareholders' funds	6,311
At end of period	6,311

KCS CONNECT LIMITED

NOTES TO THE ACCOUNTS

FOR THE PERIOD FROM 12 FEBRUARY 2002 TO 31 MARCH 2003

12 Gross cash flows

	2003 £
Returns on investments and servicing of finance	
Interest received	<u>64</u>
Capital expenditure	
Payments to acquire intangible fixed assets	(54,020)
Payments to acquire tangible fixed assets	<u>(36,446)</u>
	<u>(90,466)</u>
Financing	
Issue of share capital	<u>1</u>

13 Analysis of changes in net debt

	At beginning of year £	Cash flows £	Non-cash changes £	At 31 Mar 2003 £
Cash at bank and in hand	-	19,277		19,277
Total	<u>-</u>	<u>19,277</u>	<u>-</u>	<u>19,277</u>

14 Pension commitments

The company operates a defined contribution pension scheme for the benefits of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The total contribution paid in the period amounted to £2,051.

15 Other financial commitments

At the period end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2003 £	Other 2003 £
Operating leases which expire: in over five years	<u>9,600</u>	<u>-</u>

KCS CONNECT LIMITED

NOTES TO THE ACCOUNTS

FOR THE PERIOD FROM 12 FEBRUARY 2002 TO 31 MARCH 2003

16 Related parties

Parent company

The company's ultimate parent undertaking is RJT 260 Limited, a company incorporated in England and Wales.

At the period end, a balance of £5,708 was due to KCS Management Systems Limited, a wholly owned subsidiary of RJT 260 Limited.

At the period end, a balance of £80,000 was due to RJT 260 Limited.

KCS CONNECT LIMITED**MANAGEMENT PROFIT AND LOSS ACCOUNT****FOR THE PERIOD FROM 12 FEBRUARY 2002 TO 31 MARCH 2003**

		2003
	£	£
Turnover		173,632
Cost of sales		
Other direct costs	9,190	
	<u>9,190</u>	
		<u>(9,190)</u>
Gross profit		164,442
Less expenses		
Administrative expenses	153,375	
	<u>153,375</u>	
		<u>(153,375)</u>
Profit before interest		11,067
Interest receivable		
Bank interest receivable		64
		<u>64</u>
Profit for the period before taxation		<u>11,131</u>

KCS CONNECT LIMITED**MANAGEMENT PROFIT AND LOSS ACCOUNT****FOR THE PERIOD FROM 12 FEBRUARY 2002 TO 31 MARCH 2003**

	2003 £
Analysis of expenses	
Administrative expenses	
Employment costs:	
Wages and salaries	88,371
Staff pension costs	2,051
Staff entertaining	533
Health care	871
Personnel expenses	3,638
	<u>95,464</u>
Establishment costs:	
Rent and rates	8,000
Repairs and maintenance	219
Equipment maintenance	1,502
	<u>9,721</u>
Other costs:	
Printing, postage and stationery	9,762
Copying	1,175
Printing	681
Telecommunication costs	3,763
Legal and professional fees	1,355
Audit fees	2,500
Accountancy and bookkeeping charges	1,200
Bank charges	300
Travel and subsistence	1,338
Entertaining	433
Advertising	491
Marketing	(73)
Computer consumables	28
Internet costs	602
Subscriptions and donations	372
Sundry expenses	954
Amortisation	10,804
Depreciation	12,505
	<u>48,190</u>
	<u><u>153,375</u></u>