



MICHAEL PAGE HOLDINGS LIMITED

Report and Financial Statements

31 December 1998

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR



**REPORT AND FINANCIAL STATEMENTS 1998**

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**DIRECTORS' REPORT**

The directors present their report together with the audited financial statements for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES

The principal activities of the company during the year were to provide computer and property services to group companies and to act as a parent company.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors are satisfied with the company's position at 31 December 1998 and propose to continue with the current activities in 1999.

RESULTS AND DIVIDENDS

The company generated a retained loss of £621,000 (1997 profit - £15,000).

A dividend of £22,811,000 was paid during the year (1997 - £53,966,000).

DIRECTORS

The directors, who served throughout the year, were as follows:

T W Benson (Chairman)

I V Nash (Resigned 30 June 1999)

DIRECTORS' INTERESTS IN SHARES

The directors had no interest in the shares of the company or other group companies at any time during the year.

YEAR 2000 COMPLIANCE

Over the previous two years the company has undertaken a review of its critical business systems to assess the potential impact of the year 2000. The company has implemented a structured programme to test and modify those systems so that they function properly in the year 2000. The programme will be completed in 1999 and the directors are confident that the business risk from the year 2000 issue has been minimised. The directors consider that the risk of non-compliance by a third party with year 2000 standards will have a minimal effect on the company given the nature of its business activities. All costs incurred in preparing for the year 2000 are immaterial and are written off as incurred.

By order of the Board

T Webber
Secretary

21 SEPTEMBER 1999

**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 as at the end of the financial year 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;
- prepare the financial statements on a 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.



AUDITORS' REPORT TO THE MEMBERS OF MICHAEL PAGE HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

24 September 1999


PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

	Note	1998 £'000	1997 £'000
TURNOVER	1	5,978	5,229
Cost of sales		(5,410)	(4,800)
OPERATING PROFIT	2	568	429
Income from shares in group undertaking		21,879	58,840
Interest payable and similar charges	3	(206)	(110)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		22,241	59,159
Tax on profit on ordinary activities	6	(51)	(5,178)
PROFIT FOR THE FINANCIAL YEAR		22,190	53,981
Dividends paid	7	(22,811)	(53,966)
RETAINED (LOSS)/PROFIT FOR THE YEAR		(621)	15
Retained profit at 1 January		621	606
RETAINED PROFIT AT 31 DECEMBER		-	621

All activities are derived from continuing operations.

There are no recognised gains or losses or movements in shareholders' funds during either the current year or the preceding financial year other than as shown above.


**BALANCE SHEET
31 December 1998**

	Note	£'000	1998 £'000	£'000	1997 £'000
FIXED ASSETS					
Tangible assets	8		3,953		2,904
Investments	9		645		645
			<u>4,598</u>		<u>3,549</u>
CURRENT ASSETS					
Debtors	10	21,378		2,575	
CREDITORS: amounts falling due within one year					
	11	(24,287)		(3,942)	
NET CURRENT LIABILITIES					
			<u>(2,909)</u>		<u>(1,367)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			1,689		2,182
PROVISIONS FOR LIABILITIES AND CHARGES					
	12		(128)		-
NET ASSETS					
			<u>1,561</u>		<u>2,182</u>
CAPITAL AND RESERVES					
Called up share capital	13		829		829
Share premium account			682		682
Capital redemption reserve			50		50
Profit and loss account			-		621
EQUITY SHAREHOLDERS' FUNDS					
			<u>1,561</u>		<u>2,182</u>

These financial statements were approved by the Board of Directors on 21 SEPTEMBER 1999.

Signed on behalf of the Board of Directors.

T W Benson
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

The accounts have been prepared under the historical cost convention.

Turnover

Turnover represents fees charged to UK subsidiaries excluding VAT.

Tangible fixed assets

Tangible fixed assets are stated at original cost less accumulated depreciation. Depreciation is calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life at the following rates:

Leasehold improvements	10% per annum or period of lease if shorter
Furniture, fixtures and equipment	10% - 20% per annum
Motor vehicles	25% per annum

Investments

Fixed asset investments are shown at cost less provision for impairment.

Taxation

Corporation tax is provided on taxable profits at the current rate.

Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Pension costs

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 included in these accounts represents the contributions payable by the company to the fund in respect of the current year.

Operating leases

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

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

2. OPERATING PROFIT

	1998 £'000	1997 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	826	565
Profit on disposal of tangible fixed assets	(25)	(4)
Operating lease rentals	1,176	1,655
	<u>1,977</u>	<u>2,226</u>

Auditors' remuneration for 1998 and 1997 was borne by an intermediate parent company.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £'000	1997 £'000
Group interest	206	110
	<u>206</u>	<u>110</u>

4. DIRECTORS' REMUNERATION

Neither director received any remuneration in respect of his services to the company in 1998 (1997 - £nil).

5. EMPLOYEE INFORMATION

The average number of employees (including executive directors) during the year was as follows:

	1998 No.	1997 No.
Management	2	2
Administration	35	23
	<u>37</u>	<u>25</u>

Employment costs comprised:

	£'000	£'000
Wages and salaries	1,002	626
Social security costs	98	62
Other pension costs	20	14
	<u>1,120</u>	<u>702</u>

At the year end there were no contributions payable to the pension scheme fund (1997 - £nil).

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge for the year is made up as follows:

	1998 £'000	1997 £'000
Taxation relating to current year:		
United Kingdom corporation tax at 31% (1997 : 31.5%)	(45)	207
Deferred taxation	157	(28)
Tax attributable to franked investment income	-	5,000
Taxation relating to prior years:		
United Kingdom corporation tax	(82)	20
Deferred taxation	21	(21)
	<u>51</u>	<u>5,178</u>

The 1997 tax credit in respect of group franked investment income has been restated in accordance with Statement of Standard Accounting Practice 8, to amend the treatment of dividends paid within a group income election and to be consistent with the basis used for the current year dividend. There is a corresponding adjustment to income from shares in group undertakings. The restatement has no effect on either retained profit or net assets.

7. DIVIDENDS

	1998 £'000	1997 £'000
Dividend paid of £1.38 (1997: £3.25) per ordinary share	<u>22,811</u>	<u>53,966</u>

8. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Furniture, fixtures and equipment £'000	Motor vehicles £'000	Total £'000
COST				
At 1 January 1998	1,098	4,314	102	5,514
Additions	113	1,936	77	2,126
Net group transfers	(67)	(635)	25	(677)
Disposals	(20)	(33)	(97)	(150)
At 31 December 1998	<u>1,124</u>	<u>5,582</u>	<u>107</u>	<u>6,813</u>
DEPRECIATION				
At 1 January 1998	606	1,961	43	2,610
Charge for the year	64	732	30	826
Net group transfers	(17)	(475)	12	(481)
Disposals	(20)	(21)	(55)	(96)
At 31 December 1998	<u>633</u>	<u>2,197</u>	<u>30</u>	<u>2,860</u>
NET BOOK VALUE				
At 31 December 1998	<u>491</u>	<u>3,385</u>	<u>77</u>	<u>3,953</u>
At 31 December 1997	<u>492</u>	<u>2,353</u>	<u>59</u>	<u>2,904</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

9. INVESTMENTS

£'000

Investments in subsidiaries:

Cost:

At 1 January 1998 and 31 December 1998

645

The company's principal subsidiary undertakings at 31 December 1998, their principal activities and countries of incorporation or registration are set out below:

Name of undertaking	Country of incorporation	Principal activity
Michael Page Partnership Limited	Great Britain	Holding company
Michael Page UK Limited	Great Britain	Recruitment consultancy
Michael Page Limited	Great Britain	Recruitment consultancy
Accountancy Additions Limited	Great Britain	Recruitment consultancy
Accountancy Additions (North) Limited	Great Britain	Recruitment consultancy
Sales Recruitment Specialists Limited	Great Britain	Recruitment consultancy
Questor International Limited	Great Britain	Recruitment consultancy
The Page Partnership Limited	Great Britain	Recruitment consultancy
Michael Page International (France) SA	France	Recruitment consultancy
Page Interim SA	France	Recruitment consultancy
Michael Page International (Espana) SA	Spain	Recruitment consultancy
Michael Page International (Italia) Srl	Italy	Recruitment consultancy
Michael Page International (Deutschland) GmbH	Germany	Recruitment consultancy
Michael Page International (Nederland) BV	Netherlands	Recruitment consultancy
Michael Page International (Australia) Pty Limited	Australia	Recruitment consultancy
Michael Page International (Hong Kong) Limited	Hong Kong	Recruitment consultancy

The ordinary shares of the companies listed above are owned through Michael Page Partnership Limited.

All the companies listed above are 100% owned with the exception of Accountancy Additions Limited of which only 90% of ordinary share capital is owned. All companies operate principally in their country of incorporation.

10. DEBTORS

	1998	1997
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by group undertakings	20,628	1,962
Other debtors	269	163
Prepayments and accrued income	481	400
	<hr/>	<hr/>
	21,378	2,525
Amounts falling due after more than one year:		
Deferred taxation (see note 13)	-	50
	<hr/>	<hr/>
	21,378	2,575
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

Year ended 31 December 1998

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998	1997
	£'000	£'000
Bank overdraft	972	-
Trade creditors	339	1,102
Amounts owed to group undertakings	22,389	1,679
Corporation tax	-	210
Accruals and deferred income	587	951
	<u>24,287</u>	<u>3,942</u>

12. DEFERRED TAXATION

	1998	1997
	£'000	£'000
<i>Deferred taxation, which has been fully provided, is as follows:</i>		
Capital allowances in excess of depreciation	179	123
Other timing differences	(51)	(173)
	<u>128</u>	<u>(50)</u>

The movement in the deferred taxation provision is as follows:

Balance at 1 January	(50)	(1)
Amounts (charged/(credited) to the profit and loss account	178	(49)
	<u>128</u>	<u>(50)</u>

The deferred asset is included within Debtors (see note 11).

13. CALLED UP SHARE CAPITAL

	1998	1997
	£'000	£'000
Authorised:		
22,000,000 ordinary shares of 5p each	<u>1,100</u>	<u>1,100</u>
Allotted, called up and fully paid:		
16,586,997 ordinary shares of 5p each	<u>829</u>	<u>829</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

14. COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

There were capital commitments of £123,522 at 31 December 1998 (1997 - £nil).

Lease commitments

The company had financial commitments for rents payable under non-cancellable operating leases for land and buildings as follows:

	1998 £'000	1997 £'000
Leases which expire:		
- between two and five years	1,290	1,290
- after five years	403	403
	<u>1,693</u>	<u>1,693</u>

VAT group registration

As a result of group registration for VAT purposes, the company is contingently liable for VAT liabilities arising in other companies within the VAT group which at 31 December 1998 amounted to £3,787,000 (1997 : £3,269,000).

Bank cross guarantees

The company has given cross-guarantees to its bankers in respect of overdraft facilities granted to certain other group companies. There was no contingent liability in respect of these guarantees as at 31 December 1998 (1997 : £nil).

15. RELATED PARTY TRANSACTIONS

The company is taking advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard No. 8 "Related Party Disclosures" not to disclose transactions with group companies which are related parties.

16. ULTIMATE PARENT COMPANY

As at 31 December 1998 the company's ultimate parent company and controlling entity was Interim Services Inc., a corporation incorporated in the USA, which prepares group accounts for the year that incorporate the accounts of the company. These group accounts are available from Interim Services Inc., 2050 Spectrum Boulevard, Fort Lauderdale, Florida, 33309, USA.

The immediate parent company is Michael Page Recruitment Group Limited and the accounts of the company are included within the group accounts of Michael Page Group PLC, a company incorporated in Great Britain. Copies of these group accounts are available from The Registrar of Companies, Crown Way, Maindy, Cardiff, CF4 3UZ.

The company has taken advantage of the exemption under section 228 of the Companies Act 1985 from the obligation to prepare and deliver group accounts.