Report and Financial Statements

Marshall-Wilkins Limited

Company No: 1977487

28 November 2003

Marshall-Wilkins Limited

Directors' Report

The Directors present their report and the financial statements for the 52 weeks ended 28 November 2003.

Principal Activity

The principal activities of the Company, which is a wholly owned subsidiary of Diagonal Plc, comprise the provision of the services of information technology skilled contract staff and the placement of permanent information technology staff.

Review of the Business

Marshall-Wilkins comprises three well respected and established IT recruitment businesses. Together these provide a comprehensive and focused IT resourcing service to both clients and candidates. The unique screening and assessment techniques mean we only represent the best contract and permanent IT professionals in the industry and, for every vacancy, we aim to place the right person first time, every time.

The Company has undergone a restructuring programme during the financial period in response to changing market conditions. The benefits of these changes should be felt in 2004 and the Directors expect the Company to return to profitability.

Results and Dividends

The results of the Company for the period are set out on page 4 and the movement in the profit and loss account is shown in note 13 on page 10. A dividend of £500,000 (2002: £1,637,000) has been paid to the parent company.

Directors

The Directors who served throughout the period, except as noted, were as follows:

M T Samuels	
C D Burnside	(appointed 22 July 2003)
M J Andrews	(appointed 6 November 2003)
G M Creswick	(resigned 22 July 2003)
S R Fleming	(resigned 22 July 2003)

All the Directors also served as Directors of the parent company during the year and their interests in the shares and share options of that company are disclosed in the accounts of Diagonal Plc.

No Director has any interest in the shares of the Company or any other subsidiary of Diagonal Plc.

Auditors

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 25(5) of the Companies Act 1989. Pursuant to section 386 Companies Act 1985 an elective resolution was passed on 16 October 2001 dispensing with the requirement to appoint auditors annually. Therefore, Deloitte & Touche LLP are deemed to continue as auditors.

By order of the Board

I. Farrelly

I B Farrelly

Secretary

31 March 2004

Statement of Directors' Responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period 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; 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 the system of internal control, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Marshall-Wilkins Limited

We have audited the financial statements of Marshall-Wilkins Limited for the 52 weeks ended 28 November 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under 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 United Kingdom legal and regulatory requirements and 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 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 are not disclosed.

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

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 28 November 2003 and of its loss for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

6 April 2004

Marshall-Wilkins Limited

Profit and Loss Account

52 weeks ended 28 November 2003

	Note	52 weeks ended 28 November 2003 £	52 weeks ended 29 November 2002 £
Turnover	1(b)	**5,242,667**	7,718,396
Cost of Sales		**(4,327,010)**	(6,438,678)
Gross Profit		**915,657**	1,279,718
Administrative Expenses		**(941,105)**	(999,135)
Operating (Loss) / Profit	2	**(25,448)**	280,583
Income from shares in group undertakings		**-**	1,637,000
Interest receivable and similar income		**204**	802
(Loss) / Profit on Ordinary Activities Before Taxation		**(25,244)**	1,918,385
Tax Charge on Ordinary Activities	5	(7,629)	**(62,638)**
(Loss) / Profit on Ordinary Activities After Taxation		**(32,873)**	1,855,747
Dividend	6	**(500,000)**	(1,637,000)
Retained (Loss) / Profit For the Financial Period	13	**(532,873)**	218,747

All activities derive from continuing operations.

There are no recognised gains or losses other than the as stated above. Accordingly, no statement of total recognised gains and losses is given.

There are no movements in shareholders' funds other than as stated above. Accordingly, no reconciliation of movement of shareholders' funds is given.

Marshall-Wilkins Limited

Balance Sheet

28 November 2003

	Note		28 November 2003		29 November 2002
			£		£
Fixed Assets					
Tangible assets	7		**7,021**		12,454
Investments	8		**4,202**		4,202
			11,223		16,656
Current Assets					
Debtors	9	**3,081,934**		3,902,904	
Cash at bank and in hand		**997**		40,223	
		3,082,931		3,943,127	
Creditors – Amounts Falling Due Within One Year	*10*	**(2,961,918)**		(3,294,674)	
Net Current Assets			**121,013**		648,453
Total Assets Less current Liabilities			**132,236**		665,109
Capital and Reserves					
Called up share capital	*12*		**5,202**		5,202
Profit and loss account	*13*		**127,034**		659,907
Equity Shareholder's Funds			**132,236**		665,109

These financial statements were approved by the Board of Directors on 31 March 2004 and signed on their behalf by:

MJA

M J Andrews

Notes to the Accounts

1. Accounting Policies

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, using the historical cost convention. The particular accounting policies which the Directors have adopted within that convention are set out below. The accounting policies have been consistently applied.

a) Basis of consolidation

These accounts represent the results of the Company. Consolidated accounts for the company and its subsidiaries have not been prepared because of the exemption provided by section 228 of the Companies Act 1985. The Company is a wholly owned subsidiary of Diagonal Plc, for which group accounts are prepared. The cash flows of the Company are included in the consolidated cash flow statement of Diagonal Plc. Consequently the Company is exempt from the requirement under FRS 1 (revised) to prepare a cash flow statement.

b) Turnover

Turnover is the amount derived from the provision of services falling within the Company's ordinary activities exclusive of value added tax. All turnover arises in the United Kingdom.

c) Foreign currency transactions

Transactions in foreign currencies are translated at the rate of exchange on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the balance sheet date. Exchange differences are taken to the profit and loss account.

d) Tangible fixed assets and depreciation

Fixed assets are valued at costs less accumulated depreciation and any provision for impairment. Depreciation is calculated to write down the cost of fixed assets to their estimated residual values over the period of their estimated useful economic lives. The following rates have been used:

Furniture, fixtures and fittings	- 15% per annum straight line
Office equipment	- 20% per annum straight line
Computer equipment	- 25% per annum straight line.

e) Goodwill

Goodwill arising on the acquisition of the trade of other group companies represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities and is capitalised and amortised over its estimated useful economic life.

f) Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those which are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2. Operating (Loss) / Profit

			52 weeks ended 28 November 2003 £	***52 weeks ended 29 November 2002 £***
The operating (loss)/profit is arrived at after charging/(crediting):				
Depreciation	-	owned assets	**5,433**	10,457
Auditors' remuneration	-	audit	**10,800**	11,500
(Gain) / Loss on foreign exchange			**(6,026)**	921

Notes to the Accounts

3. Employees

	52 weeks ended 28 November 2003	52 weeks ended 29 November 2002
The average number employed by the Company during the period, including those Directors whose employment costs were borne by the Company, was as follows:		
	Number	Number
Sales	8	11
Administration	4	4
	12	15
	£	£
The costs incurred in respect of these employees were as follows:		
Wages and salaries	373,845	536,236
Social security costs	42,185	59,320
	416,030	595,556

4. Directors

The Directors did not receive any emoluments in respect of their services as Directors of the Company in 2003 and 2002. No Director received contributions paid in respect of money purchase pension schemes (2002: £nil).

Notes to the Accounts

5. Tax (charge) on Ordinary Activities

	52 weeks ended 28 November 2003 £	52 weeks ended 29 November 2002 £
UK corporation tax	-	(83,834)
Group relief – surrendered to other group operations	3,056	-
Over provision in prior years	15	8,933
Foreign tax – Adjustment in respect of prior years	(14,330)	-
Current tax – charge for period	(11,259)	(74,901)
Deferred taxation	3,630	12,263
Tax on Loss / profit on ordinary activities	(7,629)	(62,638)

The standard rate of tax for the current and prior year is 30%. The actual tax charge for the current and prior year exceeds the standard rate for the reasons set out below:

	52 weeks ended 28 November 2003 £'000	52 weeks ended 29 November 2002 £'000
(Loss) / Profit on ordinary activities before tax	(25,244)	1,918,385
Tax at 30% thereon:	7,573	(575,516)
Effects of:		
Expenses not deductible for tax purposes	(887)	(1,614)
Capital allowances in excess of depreciation	2,370	(2,624)
Movement in short term timing difference	(6,000)	-
UK dividend income	-	491,100
Other	-	4,820
Prior period adjustments	(14,315)	8,933
Current tax – charge for period	(11,259)	(74,901)

6. Dividends

	52 weeks ended 28 November 2003 £	52 weeks ended 29 November 2002 £
Ordinary Shares		
Proposed dividend of £96.12 per share (2002: £314.69 per share)	500,000	1,637,000

Notes to the Accounts

7. Tangible Fixed Assets

	Furniture, fixtures and fittings £	*Office equipment* £	*Computer equipment* £	*Total* £
Cost				
At 28 November 2003 and 29 November 2002	**100**	**5,929**	**89,310**	**95,339**
Depreciation				
At 29 November 2002	79	5,860	76,946	82,885
Charge for the period	15	69	5,349	5,433
At 28 November 2003	**94**	**5,929**	**82,295**	**88,318**
Net book value				
At 28 November 2003	**6**	**-**	**7,015**	**7,021**
At 29 November 2002	21	69	12,364	12,454

8. Investments

	28 November 2003 £	*29 November 2002* £
Shares in subsidiary undertakings		
Cost at 28 November 2003 and 29 November 2002	**4,202**	4,202

Subsidiary undertakings

The subsidiaries of the Company are set out below. The Company owns 100% of the ordinary issued share capital of each subsidiary.

Subsidiary	*Country of incorporation*	*Nature of business*
Conos Resource Limited	Great Britain	I T Recruitment
Sequelogic Limited	Great Britain	I T Recruitment
Strand Computer Systems Limited	Great Britain	I T Recruitment

All subsidiaries were dormant in the current and prior year.

9. Debtors

	28 November 2003 £	*29 November 2002* £
Trade debtors	**864,313**	1,272,374
Amounts owed by group undertakings	**2,188,901**	2,590,450
Other debtors	**-**	14,330
Group relief receivable	**3,056**	-
Deferred taxation (note 11)	**15,893**	12,263
Prepayments and accrued income	**9,771**	13,487
	3,081,934	3,902,904

Notes to the Accounts

10. Creditors – Amounts Falling Due Within One Year

	28 November 2003 £	*29 November 2002* £
Trade creditors	**344,226**	627,509
Amounts owed to group undertakings	**2,523,853**	2,528,117
Corporation tax payable	**-**	74,901
Other taxation and social security	**10,287**	43,509
Other creditors	**3,492**	3,811
Accruals and deferred income	**80,060**	16,827
	2,961,918	3,294,674

11. Deferred Taxation

	28 November 2003 £	*29 November 2002* £
a) Movement on Deferred Taxation in the Period		
Opening Balance	**12,263**	-
Credit to profit and loss account	**3,630**	12,263
Closing Balance	**15,893**	12,263
b) Analysis of Deferred Tax Balance		
Capital allowances in excess of depreciation	**9,893**	12,263
Short term timing differences	**6,000**	-
Total	**15,893**	12,263

The deferred tax asset is regarded as recoverable because the Directors are of the opinion, based on recent and forecast trading, that the level of taxable profits in the current and future years will be sufficient to ensure future reversal.

12. Called Up Share Capital

	28 November 2003 £	*29 November 2002* £
Authorised		
10,000 (2002: 10,000) Ordinary Shares of £1 each	**10,000**	10,000
Called up, allotted and fully paid		
5,202 (2002: 5,202) Ordinary shares of £1 each	**5,202**	5,202

13. Profit and Loss Account

	£
Balance at 29 November 2002	659,907
Retained loss for the financial period	(532,873)
Balance at 28 November 2003	**127,034**

Notes to the Accounts

14. Related Party Transactions

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

15. Ultimate Parent Company and Controlling Party

The immediate and ultimate parent company and controlling party, and the smallest and largest group for which group accounts are prepared is Diagonal Plc, a company incorporated in Great Britain, the accounts of which can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, Wales, CF14 3UZ.