

2 114287

# Elan Computing Limited

**Directors' report and financial statements**

**Period ended 31 December 1997**



**Index to the financial statements for the period ended 31 December 1997**

<i>Contents</i>	<i>Page</i>
• Directors and other information	3
• Directors' report	4-5
• Auditors' report to the members of Elan Computing Limited	6
• Consolidated profit and loss account	7
• Statement of total recognised gains and losses	8
• Reconciliation of shareholders' funds	8
• Balance sheets	9
• Consolidated cash flow statement	10
• Notes to the financial statements	11-22

**Directors and other information**

Directors	<b>Executive Directors</b>	
	A Derx	Chief Executive Officer
	A Collins	Group Finance Director
	PM Anthony	Executive Director
	S White	Executive Director
	<b>Non-executive Directors</b>	
	J Hubert	Non-executive Chairman
	TC Glucklich	Non-executive Director
	SP Anthony	Non-executive Director
Secretary	AP Hayes	
Bankers	Royal Bank of Scotland 62/63 Threadneedle Street London EC2H 8LA	
Solicitors	Dibb Lupton Alsop 125 London Wall London EC2R 5AE	
Auditors	PricewaterhouseCoopers 1 Embankment Place London WC2N 6NN	
Registered office	93 Newman Street London W1P 4DS	
Company Number	2114287	

## **Directors' report**

The Directors present their annual report and audited consolidated financial statements for the 16 month period ended 31 December 1997.

### **Statement of Directors' responsibilities**

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Principal activities and business review**

The Group has achieved strong organic growth during the period with turnover increasing from £57 million (12 months) to £121 million for the 16 months to 31 December 1997.

The Group has gained market share in the UK and is regarded as one of the largest independent IT contracting businesses in this market.

Profits before tax and exceptional items have increased to £4.7 million for the period (1996 £2.3 million).

The Group is well positioned for further expansion in a buoyant market both in the UK and overseas and the Directors look to the future with confidence.

### **Acquisition of the Company's own shares**

During the period the Company purchased 15,330 shares (0.1% of the issued share capital) for cash consideration of £5,191. This constituted the re-purchase of shares issued under the employee share scheme from members who had left the company.

### **Directors and Secretary and their interests**

The Directors and Secretary who held office at 31 December 1997 had no interests other than those shown overleaf in the shares of the Company or Group Companies. The Directors are shown in their capacity as at 31 December 1997.

**Directors' report (continued)**

Name of Directors	Class of Shares	Number of shares	
		31 December 1997 (or on appointment if later)	1 September 1996 (or on appointment if later)
<b>Executive Directors</b>			
A Derx	Ordinary Shares	3,099,484	3,099,484
AP Hayes	Ordinary Shares	8,993	2,000
SP Anthony	Ordinary Shares	3,099,484	3,099,484
PM Anthony	Ordinary Shares	2,799,524	2,799,534
J Haydock	Ordinary Shares	999,834	999,834
S White	Ordinary Shares	100,000	100,000
<b>Non-executive Directors</b>			
J Hubert	Ordinary Shares	20,000	-
TC Glucklich	Ordinary Shares	-	-

TC Glucklich was granted, on his appointment, the option to purchase up to 5,000 ordinary shares at an exercise price of £1.50 per share. These options were outstanding at the end of the period. No other Directors received, exercised nor had outstanding any options over Company shares during or at the end of the period.

In addition the following amounts were due to the Directors. These amounts relate to loans provided to the Company, which are non-interest bearing and re-payable on demand.

	31 December 1997 £000	31 August 1996 £000
SP Anthony	151	151
PM Anthony	55	136
A Derx	145	148
J Haydock	58	65
	<u>409</u>	<u>500</u>

J Hubert was appointed as non-executive Chairman on 2 January 1997. AP Hayes was appointed as a Director on 1 June 1997. T Glucklich was appointed as a non-executive Director on 11 November 1997. A Collins was appointed as Group Finance Director on 22 April 1998. AP Hayes resigned as a Director on 22 April 1998. AP Hayes acted as secretary throughout the period. J Haydock resigned as a Director on 19 May 1998. S White will not be re-appointed as a Director at the forthcoming Annual General Meeting.

**Post Balance sheet events**

A decision was taken by the Board of Directors on 22 April 1998 to discontinue operations at one of the subsidiary companies, Elan Computing SA, based in Switzerland.

**Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board on 6 August 1998

  
A Derx  
Director

## Auditors' report to the members of Elan Computing Limited

We have audited the financial statements on pages 7 to 22 that have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

### Respective responsibilities of board members and auditors

As described on page 4, 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 financial 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 the affairs of the Company and Group as at 31 December 1997 and of the profit and cash flows of the Group for the period then ended. The financial statements have been prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

6 August 1998

Chartered Accountants  
and Registered Auditors  
1 Embankment Place  
London  
WC2N 6NN

**Consolidated profit and loss account**

	Notes	£000 Before Exceptional Items	16 Months to 31 December 1997 £000 Exceptional Items	£000 Total	12 Months to 31 August 1996 £000
<b>Turnover – continuing operations</b>	2	120,542	-	120,542	57,355
Cost of sales		(99,047)	(400)	(99,447)	(46,818)
<b>Gross profit</b>		21,495	(400)	21,095	10,537
Net operating expenses		(15,550)	(200)	(15,750)	(7,789)
<b>Operating profit – continuing operations</b>		5,945	(600)	5,345	2,748
Interest payable and similar charges	4	(1,217)	-	(1,217)	(443)
<b>Profit on ordinary activities before taxation</b>	5-7	4,728	(600)	4,128	2,305
Taxation on profit on ordinary activities	8	(1,485)	165	(1,320)	(768)
<b>Profit on ordinary activities after taxation</b>		3,243	(435)	2,808	1,537
Minority interests - all equity	19	(173)	-	(173)	(107)
<b>Profit for the financial period</b>		3,070	(435)	2,635	1,430
Dividends proposed / paid	9	(522)	-	(522)	(508)
<b>Retained profit for the financial period attributable to Equity Shareholders</b>		2,548	(435)	2,113	922

The notes of pages 11 to 22 form part of these accounts.

**Statement of total recognised gains and losses**

	16 Months to 31 December 1997 £000	12 Months to 31 August 1996 £000
Profit for the financial period	2,635	1,430
Exchange translation differences	(19)	-
	<hr/> 2,616	<hr/> 1,430
	<hr/>	<hr/>

**Reconciliation of shareholders' funds – all equity**

	16 months to 31 December 1997 £000	£000	12 months to 31 August 1996 £000	£000
Total recognised gains and losses for the period		2,616		1,430
<b>Transactions with shareholders</b>				
Dividends proposed / paid	(522)		(508)	
Nominal value of shares issued	2		3	
Premium on issue of shares	215		84	
Redemption of treasury shares	(1)		-	
Premium on redemption	(4)		-	
Capital redemption reserve movement	1		-	
		<hr/> (309)		<hr/> (421)
Net increase in shareholders' funds		2,307		1,009
Opening shareholders' funds		3,275		2,266
		<hr/>		<hr/>
Closing shareholders' funds		5,582		3,275
		<hr/>		<hr/>

The notes of pages 11 to 22 form part of these accounts



# Balance sheets

		Group		Company	
	Notes	31 December 1997 £000	31 August 1996 £000	31 December 1997 £000	31 August 1996 £000
<b>Fixed assets</b>					
Tangible assets	10	971	673	719	369
Investments	11	-	-	34	185
		971	673	753	554
<b>Current Assets</b>					
Debtors	12	23,548	15,942	22,246	13,718
Cash at bank and in hand		1,176	356	413	113
		24,724	16,298	22,659	13,831
<b>Creditors: amounts falling due within one year</b>	12	(19,020)	(12,644)	(16,918)	(11,493)
<b>Net current assets</b>		5,704	3,654	5,741	2,338
<b>Total assets less current liabilities</b>		6,675	4,327	6,494	2,892
<b>Creditors: amounts falling due after more than one year</b>	14	(740)	(874)	(739)	(874)
<b>Net assets</b>		5,935	3,453	5,755	2,018
<b>Capital and reserves</b>					
Called up share capital	16	104	103	104	103
Share premium account	17	295	84	295	84
Capital redemption reserve fund	17	1	-	1	-
Profit and loss reserve	17	5,182	3,088	5,355	1,831
<b>Shareholders' Funds - all equity</b>		5,582	3,275	5,755	2,018
Minority interests - all equity	19	353	178	-	-
		5,935	3,453	5,755	2,018

The notes of pages 11 to 22 form part of these accounts

Approved by the Board of Directors on 6 August 1998

A Derx  
Director



**Consolidated cash flow statement**

	<i>Notes</i>	<b>16 months to 31 December 1997 £000</b>	<b>12 months to 31 August 1996 £000</b>
Net cash inflow/(outflow) from operating activities	20	966	(1,921)
Returns on investments and servicing of finance	21	(1,152)	(429)
Taxation		(724)	(643)
Capital expenditure	21	(736)	(395)
Equity dividends paid		-	(508)
<b>Net cash outflow before financing</b>		<b>(1,646)</b>	<b>(3,896)</b>
Financing	21	(63)	1,335
<b>Net cash outflow</b>		<b>(1,709)</b>	<b>(2,561)</b>
<b>Reconciliation of net cash outflow to movement in net debt</b>	22		
Decrease in cash		(1,709)	(2,561)
Cash outflow/(inflow) from decrease/(increase) in debt		275	(1,248)
<b>Changes in debt resulting from cash flows</b>		<b>(1,434)</b>	<b>(3,809)</b>
Exchange translation differences		3	-
<b>Movement in net debt during the period</b>		<b>(1,431)</b>	<b>(3,809)</b>
Net debt at 31 August 1996 / 31 August 1995		(6,613)	(2,804)
<b>Net debt at 31 December 1997 / 31 August 1996</b>		<b>(8,044)</b>	<b>(6,613)</b>

## **Notes to the financial statements**

### **1. Statement of accounting policies - for the period ended 31 December 1997**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group financial statements.

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting principles.

#### **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings as at 31 December 1997. The results of the subsidiary undertakings are accounted for using the acquisition method.

#### **UK Branches**

The UK based subsidiaries (except for Elan Computing (Scotland) Limited) have been accounted for as branches rather than subsidiaries in the current period. Where appropriate, the assets, liabilities and reserves have been transferred to the holding company and are reflected in the Company balance sheet.

#### **Profit and loss account**

The format of the profit and loss account for the current period has been changed from 'Type of expenditure' format to the 'Operational' format. This new presentation is considered more appropriate for the activities of the Group.

#### **Turnover**

Turnover represents net sales to customers external to the Group and excludes Value Added Tax.

#### **Operating leases**

Rentals in respect of all operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost, less accumulated depreciation. The charge for depreciation is calculated so as to write down the carrying values of tangible fixed assets to their estimated residual values over their expected useful lives:

Fixtures and fittings	10 % Straight line
Motor vehicles	25 % Reducing balance
Computer Equipment	33 1/3 % Straight line

#### **Investments**

Investments in the Company balance sheet consist of the investment in the shares of the subsidiary undertakings. These assets are stated at cost unless a permanent diminution in value has occurred, in which case the write down is charged to the profit and loss account in the year in which the diminution occurred.

### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at a contracted rate. The resulting monetary assets and liabilities are translated at the balance sheet rate and the exchange differences are dealt with in the profit and loss account.

The Group's net investments in overseas subsidiaries are translated at the rate ruling at the balance sheet date. The profits and losses of overseas subsidiary undertakings are translated at average rates for the period. Exchange differences resulting from the retranslation of the opening balance sheets of overseas subsidiaries at closing rates, together with the differences on the translation of the profit and loss accounts, are dealt with in the profit and loss reserve and are reflected in the statement of total recognised gains and losses for the period.

### Taxation

The charge for taxation is based on the profit for the period. Deferred taxation is accounted for in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that such differences are expected to reverse in the foreseeable future.

### Pensions

The Group operates defined contribution pension schemes. Contributions to the schemes are charged to the profit and loss account as they become payable.

## 2. Turnover – continuing operations

*by geographical area*

	16 months to 31 December 1997 £000	12 months to 31 August 1996 £000
United Kingdom	94,743	48,284
Europe	12,552	5,982
USA	9,846	915
Asia	3,401	2,174
	<hr/>	<hr/>
	120,542	57,355
	<hr/>	<hr/>

All turnover of the Group is derived from the provision of IT contracting and permanent placement services.

## 3. Exceptional Items

	16 months to 31 December 1997 £000	12 months to 31 August 1996 £000
Provision for contractor tax and social security deductions	400	-
Provision for employee benefits	200	-
	<hr/>	<hr/>
	600	-
	<hr/>	<hr/>
Taxation credit on exceptional items	(165)	-
	<hr/>	<hr/>

**4. Interest payable and similar charges**

	16 months to 31 December 1997 £000	12 months to 31 August 1996 £000
On bank loans, overdrafts and other loans wholly repayable within five years	1,185	444
On other loans	47	-
	<hr/> 1,232	<hr/> 444
Less : interest receivable	(15)	(1)
	<hr/> 1,217	<hr/> 443
	<hr/> <hr/>	<hr/> <hr/>

The comparative note for interest payable and similar charges has been restated to achieve consistent classification of administration expenses.

**5. Operating profit is stated after charging:**

	16 months to 31 December 1997 £000	12 months to 31 August 1996 £000
<b>Auditors' Remuneration</b>		
Audit services - Company	70	19
- subsidiary undertakings	19	4
Non - audit services	29	3
<b>Depreciation</b>	429	207
<b>Rentals payable under operating leases</b>	116	38
<b>Exchange losses</b>	<hr/> 147	<hr/> (2)

**6. Staff numbers and costs**

	16 months to 31 December 1997 Average Number of employees	12 months to 31 August 1996 Average number of employees
Sales and recruitment	145	111
Administration	62	37
Directors	<hr/> 6	<hr/> 5
	213	153
	<hr/> <hr/>	<hr/> <hr/>
	16 months to 31 December 1997 £000	12 months to 31 August 1996 £000
Wages and salaries	7,572	4,136
Social security costs	741	395
Pension costs	<hr/> 173	<hr/> 69
	8,486	4,600
	<hr/> <hr/>	<hr/> <hr/>

## 6. Staff numbers and costs (continued)

The Group operates defined pension contribution schemes. The assets of the schemes are held separately to those of the Group by independent fund managers. Contributions payable by the Group during the period amounted to £173,000 (1996: £69,000). Included in accruals at the period end is an amount of £7,000 (1996: £nil).

## 7. Directors remuneration and salaries

Included in the staff costs (see note 6) are payments to the Directors of the following amounts:

Names of Directors	Salary/fees £000	Benefits in kind £000	Total excluding Pensions £000	Pensions £000
<b>Executive Directors</b>				
A Derx	153	-	153	-
AP Hayes	35	3	38	1
SP Anthony	137	-	137	-
PM Anthony	110	29	139	-
J Haydock	21	-	21	-
S White	183	5	188	7
<b>Non-executive Directors</b>				
J Hubert	35	-	35	-
TC Glucklich	-	-	-	-
	674	37	711	8

The remuneration above constitute amounts settled to the individuals in their capacity as Directors and does not include amounts prior to appointment or following resignation.

## 8. Taxation on profit on ordinary activities

	16 months to 31 December 1997 £000	12 months to 31 August 1996 £000
<b>Current year taxation charge</b>		
UK corporation taxation for the period 31.88% (1996: 33%)	1,394	766
Overprovision in respect of prior year	(20)	1
Overseas taxation for the period	156	2
Relief for overseas taxation	(45)	(1)
	1,485	768
Taxation credit on exceptional items	(165)	-
	1,320	768

## 8. Taxation on profit on ordinary activities (continued)

### Deferred taxation

Deferred taxation relates only to timing differences in the UK. The unprovided deferred taxation asset at the current corporation taxation rate of 31% (1996: 33%) is as follows:

	31 December 1997 £000	31 August 1996 £000
Depreciation in excess of capital allowances	(8)	(11)
Other timing differences	(2)	(36)
	(10)	(47)

## 9. Dividends – all equity

	16 months to 31 December 1997 £000	12 months to 31 August 1996 £000
Interim (paid) of 5p per share	-	508
Final (proposed) of 5p per share	522	-
	522	508

## 10. Tangible assets

Group	Fixture and Fittings £000	Computer Equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>				
Balance at 1 September 1996	244	813	355	1,412
Additions in period	430	356	47	833
Disposals in period	(1)	(11)	(165)	(177)
Currency translation	4	(54)	(2)	(52)
Balance at 31 December 1997	677	1,104	235	2,016
<b>Depreciation</b>				
Balance at 1 September 1996	82	496	161	739
Charges for the period	112	254	63	429
Disposals in period	-	(5)	(102)	(107)
Currency translation	2	(18)	-	(16)
Balance at 31 December 1997	196	727	122	1,045
<b>Net book value</b>				
At 31 December 1997	481	377	113	971
At 31 August 1996	162	317	194	673

**10. Tangible assets (continued)**

Company	Fixture and Fittings £000	Computer Equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>				
Balance at 1 September 1996	134	566	188	888
Additions in period	389	232	-	621
UK Branch transfers	51	73	95	219
Disposals in period	(1)	-	(148)	(149)
Balance at 31 December 1997	<u>573</u>	<u>871</u>	<u>135</u>	<u>1,579</u>
<b>Depreciation</b>				
Balance at 1 September 1996	39	390	90	519
Charges in period	92	198	47	337
UK Branch transfers	28	35	42	105
Disposals in period	-	-	(101)	(101)
Balance at 31 December 1997	<u>159</u>	<u>623</u>	<u>78</u>	<u>860</u>
<b>Net book value</b>				
At 31 December 1997	<u>414</u>	<u>248</u>	<u>57</u>	<u>719</u>
At 31 August 1996	<u>95</u>	<u>176</u>	<u>98</u>	<u>369</u>

**11. Investments - Company**

	£000
Balance at 1 September 1996	185
Provision for permanent diminution	(152)
Additions	1
Balance at 31 December 1997	<u>34</u>

In September, 1996 the Company subscribed for 100 Ordinary Shares at IR£1 each in Elan Recruitment Limited.

In April 1998, it was decided to discontinue the operations of Elan Computing SA in Switzerland and the carrying value of the investment has been written off.

Details of holdings in subsidiary undertakings are shown in note 26.



**12. Debtors: all falling due within one year**

	Group		Company	
	31 December	30 August	31 December	31 August
	1997	1996	1997	1996
	£000	£000	£000	£000
Trade debtors	22,965	15,610	20,249	12,960
Other debtors	164	91	116	40
Prepayments and accrued income	288	116	222	70
Advanced corporation tax recoverable	131	125	131	125
Amounts owed by subsidiary Undertakings	-	-	1,528	523
	<hr/>	<hr/>	<hr/>	<hr/>
	23,548	15,942	22,246	13,718
	<hr/>	<hr/>	<hr/>	<hr/>

The Company and the Group obtains certain of its financing requirements through the factoring of its trade debtors. Advances netted against trade debtors, at 31 December 1997, for the Group, amounted to £699,000 (1996: £nil) and for the Company amounted to £nil (1996: £nil).

**13. Creditors: amounts falling due within one year**

	Group		Company	
	31 December	31 August	31 December	31 August
	1997	1996	1997	1996
	£000	£000	£000	£000
<b>Loans and other borrowings</b>				
Bank overdrafts	7,971	5,443	7,831	5,443
Bank and other loans	<hr/> 509	<hr/> 150	<hr/> 509	<hr/> 150
	8,480	5,593	8,340	5,593
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other Creditors</b>				
Trade creditors	5,513	4,310	4,703	2,945
Other creditors including tax and social security	3,698	2,446	3,016	1,583
Accruals and deferred income	1,329	295	859	207
Amounts due to subsidiary undertakings	<hr/> -	<hr/> -	<hr/> -	<hr/> 1,165
	10,540	7,051	8,578	5,900
	<hr/>	<hr/>	<hr/>	<hr/>
	19,020	12,644	16,918	11,493
	<hr/>	<hr/>	<hr/>	<hr/>

**14. Creditors: amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>31 December</b>	<b>31 August</b>	<b>31 December</b>	<b>31 August</b>
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Loans and other borrowings</b>				
Bank and other loans	740	874	739	874

**15. Details of borrowings - maturity analysis**

	<b>Group</b>		<b>Company</b>	
	<b>31 December</b>	<b>31 August</b>	<b>31 December</b>	<b>31 August</b>
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	8,480	1,185	8,340	416
Between one and two years	111	100	111	92
Between two and five years	196	300	196	-
After five years	432	474	432	-
	<b>9,219</b>	<b>2,059</b>	<b>9,079</b>	<b>508</b>

The amounts payable otherwise than by installments in greater than five years were £432,000 in the Group and Company. £232,000 capital (plus interest accrued) is repayable on 11 September 2005. £200,000 capital (plus interest accrued) is repayable on 15 December 2005. Both tranches of the loan are subject to 8% interest.

**16. Called up share capital - all equity**

	<b>31 December 1997</b>	<b>31 August 1996</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised</b>		
12,500,000 ordinary shares of 1p each	125	110
<b>Issued</b>		
10,431,727 ordinary shares of 1p each	104	103

	<b>Nominal Value</b>	<b>Number of shares</b>	<b>Share Capital £000</b>	<b>Share Premium £000</b>	<b>Capital Redemption Reserve £000</b>
Balance at 31 August 1996	1p	10,289,623	103	84	-
Shares issued 1 May 1997	1p	137,434	1	195	-
Shares issued 5 November 1997	1p	20,000	1	20	-
Shares redeemed during the period	1p	(15,330)	(1)	(4)	1
Balance at 31 December 1997	1p	10,431,727	104	295	1

**17. Reserves**

<b>Group</b>	<b>Share Premium £000</b>	<b>Capital Redemption Reserve £000</b>	<b>Profit and Loss £000</b>	<b>Total £000</b>
Balance at 1 September 1996	84	-	3,088	3,172
Retained profit for the period		-	2,113	2,113
Premium on allotment of shares	215	-	-	215
Redemption of treasury shares	(4)	1	-	(3)
Exchange translation differences	-	-	(19)	(19)

Balance at 31 December 1997	<u>295</u>	<u>1</u>	<u>5,182</u>	<u>5,478</u>
-----------------------------	------------	----------	--------------	--------------

<b>Company</b>	<b>Share Premium £000</b>	<b>Capital Redemption Reserve £000</b>	<b>Profit and Loss £000</b>	<b>Total £000</b>
Balance at 1 September 1996	84	-	1,882	1,966
Retained profit for the period	-	-	3,473	3,473
Premium on allotment of shares	215	-	-	215
Transfer on redemption of treasury shares	(4)	1	-	(3)

Balance at 31 December 1997	<u>295</u>	<u>1</u>	<u>5,355</u>	<u>5,651</u>
-----------------------------	------------	----------	--------------	--------------

**18. Profit for the financial period**

Under the provisions of Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account. The amount of the consolidated profit, after taxes and dividends, for the financial period dealt with in the financial statements of the company is £3,473,000 (1996: £41,000).

**19. Minority interests – all equity**

	<b>£000</b>
Balance at 1 September 1996	178
Share of profit for the period	173
Exchange translation differences	2
Balance at 31 December 1997	<u>353</u>

**Balance sheets**

	<i>Notes</i>	<b>30 June 1998 £000</b>	<b>31 December 1997 £000</b>
<b>Fixed assets</b>			
Tangible assets	10	1,051	971
		<hr/>	<hr/>
		1,051	971
<b>Current Assets</b>			
Debtors	11	25,195	23,548
Cash at bank and in hand		322	1,176
		<hr/>	<hr/>
		25,517	24,724
<b>Creditors: amounts falling due within one period</b>	12	(18,717)	(19,020)
		<hr/>	<hr/>
<b>Net current assets</b>		6,800	5,704
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		7,851	6,675
<b>Creditors: amounts falling due after more than one period</b>	13	(255)	(740)
		<hr/>	<hr/>
<b>Net assets</b>		7,596	5,935
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	15	104	104
Share premium account	16	295	295
Capital redemption reserve fund	16	1	1
Profit and loss reserve	16	6,755	5,182
		<hr/>	<hr/>
<b>Shareholders' Funds - all equity</b>		7,155	5,582
Minority interest – all equity	17	441	353
		<hr/>	<hr/>
		7,596	5,935
		<hr/>	<hr/>

The notes of pages 10 to 20 form part of these accounts.

**20. Reconciliation of operating profit to  
net cash flow from operating activities**

	16 months to 31 December 1997 £000	12 months to 31 August 1996 £000
Operating profit	5,345	2,748
Depreciation charge	429	207
Profit on sale of tangible fixed assets	(9)	(6)
Increase in debtors	(7,606)	(7,703)
Increase in creditors	2,807	2,833
	<hr/>	<hr/>
Net cash (outflow) / inflow from operating activities	966	(1,921)

**21. Analysis of cash flows**

	16 months to 31 December 1997 £000	12 months to 31 August 1996 £000
<b>Returns on investment and servicing of finance</b>		
Interest paid	(1,167)	(444)
Interest received	15	14
	<hr/>	<hr/>
Net cash outflow	(1,152)	(429)
	<hr/>	<hr/>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(833)	(413)
Sale of tangible fixed assets	97	18
	<hr/>	<hr/>
Net cash outflow	(736)	(395)
	<hr/>	<hr/>
<b>Financing</b>		
Ordinary share capital	1	3
Share premium	211	84
Bank loan	(91)	500
Other loan	-	432
Directors' loan account	(92)	316
Repayment of pension loan	(92)	-
	<hr/>	<hr/>
Net cash (outflow) / inflow	(63)	1,335

**22. Analysis of debt**

	1 September 1996	Cashflow	Exchange Translation	Transfer due to debt ageing	31 December 1997
	£000	£000	£000	£000	£000
Cash at bank and in hand	356	820	-	-	1,176
Bank overdrafts	(5,445)	(2,529)	3	-	(7,971)
	(5,089)	(1,709)	3	-	(6,795)
<b>Debt due within one year</b>					
Pension loan	(92)	92	-	-	-
Directors' loans	(499)	92	-	-	(407)
Bank loan	(59)	91	-	(134)	(102)
<b>Debt due after one year</b>					
Bank loan	(442)	-	-	134	(308)
Other loan	(432)	-	-	-	(432)
<b>Total debt</b>	<b>(6,613)</b>	<b>(1,434)</b>	<b>3</b>	<b>-</b>	<b>(8,044)</b>

**23. Commitments**

*Operating lease commitments*

	31 December 1997 £000	31 August 1996 £000
The Group has annual commitments under operating leases for motor vehicles expiring:		
Within one year	127	48
One to two years	125	-
	<u>252</u>	<u>48</u>

**24. Related party transactions**

There were no related party transactions other than transactions with Directors disclosed in note 7 and in the Directors' report.

**25. Subsequent events**

On 22 April 1998, the Group decided to discontinue the operations at one of the subsidiary companies, Elan Computing SA, based in Switzerland.

## 26. Subsidiary undertakings

<i>Name and registered office</i>	<i>Country of Incorporation</i>	<i>Details of Investments</i>	<i>Proportion held By Company</i>	<i>Proportion held By Scotland</i>	<i>Principal Activity</i>
Elan Computing (Scotland)Limited 90A George Street Edinburgh EH2 3DF	England	Ordinary Shares	75%		Employment Agents
Elan Computing(Northern)Limited 3rd Floor, Wade House Merriion Center Leeds LS2 8LY	England	Ordinary Shares	100%		Non-trading
House of Catalyst Limited West India House, 2-4 Welsh Back Bristol BS1 4SS	England	Ordinary Shares	100%		Non-trading
Elan Computing (Midlands) Limited Warwick House, 737 Warwick Road Solihull West Midlands B91 3DG	England	Ordinary Shares	80%		Non-trading
Elan Computing SA Le Chateau 2034 Peseux	Switzerland	Ordinary Shares	80%		Employment Agents
Elan Communications Inc. 2700 Augustine Drive, Suite 261 Santa Clara, CA 95054	USA	Ordinary Shares	100%		Employment Agents
Elan Recruitment Limited Grafton House, 70 Grafton Street Dublin 2	Ireland	Ordinary Shares	100%		Employment Agents
Elan Computing (Asia) Limited 14/F China Chem Hollywood Centre 1 Hollywood Rd, Central	Hong Kong	Ordinary Shares		90%	Employment Agents

In September, 1996 the Company subscribed for 100 Ordinary Shares at IR£1 each in Elan Recruitment Limited.

In the opinion of the Directors the shares in and loans to the Company's subsidiaries are worth at least the amount at which they are stated in the Company Balance sheet.