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# **Elan Computing Limited**

**Directors' report and financial statements**

**Year ended 31 December 1998**



Elan Computing Limited

**Index to the financial statements for the year ended 31 December 1998**

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## Elan Computing Limited

### **Directors and other information**

Directors	<b>Executive</b> AW Derx AJ Collins PM Anthony <b>Non-executive</b> JM Hubert TC Glucklich SP Anthony	Chief Executive Officer Group Finance Director  Non-executive Chairman
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	5 –11 Fetter Lane London EC4A 1QX	
Company Number	2114287	

## Elan Computing Limited

### **Directors' report**

The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 1998.

#### **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 and Group as at the end of the financial year and of the profit or loss and cash flows of the Group for that year. 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 do so.

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 Company and 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 had another strong year with turnover increasing from £121 million (16 months to 31 December 1997) to £142 million for the 12 months to 31 December 1998. This represents a 57% increase in turnover based upon a pro rata apportionment of the 16 months turnover figure.

Profits before tax and exceptional items have increased to £5.5 million (£4.7 million for the 16 months to 31 December 1997) representing a 54% increase in profit before tax and exceptional items based upon a similar pro rata apportionment of the previous periods results.

The Group has invested in new leasehold premises in London, Guildford and Bristol over the year to ensure the infrastructure is in place to enable continued strong organic growth.

The group has replaced its core accounting and back office systems during the year, which has also facilitated the development of the business.

#### **Change in Group Structure**

Elan Group Limited was incorporated on 28 September 1998. Control of Elan Computing Limited was transferred to Elan Group at 31 December 1998. A total of 10,944,680 shares (99%) had been transferred at that date. The balancing 1% was acquired by Elan Group Limited on 1 February 1999. The holdings of subsidiaries beneath Elan Computing Limited remains intact.

The Directors' shareholdings, referred to below, represent the shares owned in Elan Group Limited and Elan Computing Limited as at 31 December 1998 and 31 December 1997 respectively. Similarly the share options detailed were exercisable in Elan Computing Limited as at 31 December 1997 but had been transferred as options for purchase of shares in Elan Group Limited as at 31 December 1998.

# Elan Computing Limited

## Directors' report (continued)

### Directors and their interests

The Directors and Secretary who held office at 31 December 1998 had no interests other than those shown in the shares of the Company or Group Companies. The Directors are shown in their capacity as at 31 December 1998.

Name of Directors	Class of Shares	Number of shares	
		31 December 1998 (or on appointment if later)	31 December 1997 (or on appointment if later)
<b>Executive Directors</b>			
AW Derx	Ordinary Shares	2,500,984	3,099,484
PM Anthony	Ordinary Shares	2,511,034	2,799,534
AJ Collins (appointed 22 April 1998)	Ordinary Shares	42,553	-
AP Hayes (resigned 22 April 1998)	Ordinary Shares	8,993	8,993
JP Haydock (resigned 19 May 1998)	Ordinary Shares	999,834	999,834
S White (resigned 21 August 1998)	Ordinary Shares	100,000	100,000
<b>Non-executive Directors</b>			
SP Anthony	Ordinary Shares	2,879,484	3,099,484
JM Hubert	Ordinary Shares	20,000	20,000
TC Glucklich	Ordinary shares	-	-

During the year AW Derx transferred shares to the A Derx Trust. P M Anthony transferred shares to the P Anthony Family Trust. S P Anthony transferred shares to the Cleopatra Trust. J Hubert's shares include shares held by his spouse. A Collins purchased 42,553 shares at a price of £2.35 per share.

Details of outstanding options for Directors to subscribe for ordinary shares of 1p each are:

Director	Subscriptions price per share £	Period within which options are exercisable	Number of shares for which rights are exercisable as at 31 December	
			1998	1997
T C Glucklich	1.50	At any time subject to Company remaining private	5,000	5,000
A J Collins	4.23	May 2001 – May 2008	18,000	-
A J Collins	4.00	March 2002 – March 2009	8,000	-

These options are subject to performance criteria detailed in the share option deed. No other Directors received, exercised or had outstanding, any options over Company shares during or at the end of the year.

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 1998 £000	31 December 1997 £000
SP Anthony	-	151
PM Anthony	-	55
AW Derx	-	145
JP Haydock	-	58
	<hr/>	<hr/>
	-	409

The director loans were repaid in full during the year.

## Elan Computing Limited

### Directors' report (continued)

#### **Discontinued operations**

Elan Computing Limited decided to wind down the operations of Elan Computing SA, based in Switzerland on 22 April 1998. The operation was subsequently sold to local management on 23 August 1998.

#### **Purchase of minority interest**

The Group purchased all remaining minority interests in subsidiary companies on 15 September 1998. This constituted 25% of the issued share capital of Elan Computing (Scotland) Limited and 20% of the issued share capital of Elan Computing (Midlands) Limited. In addition, the 10% minority holdings of Elan Computing (Asia) Limited was purchased by Elan Computing (Scotland) Limited and the 100% ownership transferred to Elan Computing Limited. Ordinary shares in Elan Computing Limited were issued to the minority shareholders in lieu of cash payments. In addition to the sale of shares in the subsidiaries, the minorities waive any rights over retained earnings of the subsidiaries to the point of disposal.

#### **Year 2000**

During the year a Year 2000 Steering Committee and a project group were formed to identify potential exposures and to ensure that all business and accounting systems are compliant before the end of 1999. For replacement systems that have already been implemented the costs have been capitalised as these systems represent a significant enhancement of hardware and software service potential. All other existing systems are considered compliant and therefore no further costs are anticipated, specifically relating to year 2000 issues.

#### **Euro**

The primary impact of the Euro is in dealing with suppliers and clients in participating countries. The business and accounting systems were upgraded to facilitate these dealings and have been operated successfully following the introduction of the Euro. No significant costs have been incurred in upgrading the systems for the introduction of the Euro.

#### **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 the 25<sup>th</sup> March 1999



AW Derx  
Director

Elan Computing Limited

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

We have audited the financial statements on pages 8 to 26 which have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 13.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described on page 4 of the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and our profession's ethical guidance.

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. 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 are not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

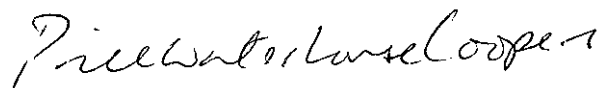
#### **Basis of audit opinion**

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 and the Group at 31 December 1998 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

25 March 1999

Elan Computing Limited

**Consolidated profit and loss account**

	Notes	Year to 31 December 1998			16 Months to 31 December 1997
		£000 Before Exceptional Items	£000 Exceptional Items	£000 Total	£000 Total
<b>Group turnover – continuing operations</b>	2	140,417		140,417	113,341
<b>– discontinued operations</b>		1,566	-	1,566	7,201
Cost of sales	3	141,983 (116,818)	336	141,983 (116,482)	120,542 (99,447)
<b>Gross profit</b>		25,165	336	25,501	21,095
Net operating expenses	3 – 7	(18,667)	(655)	(19,322)	(15,750)
<b>Group operating profit – continuing operations</b>		6,548	(655)	5,893	5,785
<b>– discontinued operations</b>		(50)	336	286	(440)
	2	6,498	(319)	6,179	5,345
Net interest payable and similar charges	9	(1,031)	-	(1,031)	(1,217)
<b>Profit on ordinary activities before taxation</b>		5,467	(319)	5,148	4,128
Taxation on profit on ordinary activities	8	(1,966)	203	(1,763)	(1,320)
<b>Profit on ordinary activities after taxation</b>		3,501	(116)	3,385	2,808
Minority interests	21	(161)	-	(161)	(173)
<b>Profit on ordinary activities after taxation and minority interests</b>		3,340	(116)	3,224	2,635
Dividends proposed / paid	10	(500)	-	(500)	(522)
<b>Retained profit for the Group for the financial year</b>		2,840	(116)	2,724	2,113

The notes of pages 12 to 26 form part of these accounts.



Elan Computing Limited

**Statement of Group total recognised gains and losses**

For the year ended 31 December 1998

	Year to 31 December 1998 £000	16 Months to 31 December 1997 £000
Profit for the financial year	3,224	2,635
Exchange translation differences	(3)	(19)
	<hr/>	<hr/>
	3,221	2,616
	<hr/>	<hr/>

**Note of Group historical cost profit for the year ended 31 December 1998**

There is no difference between the results shown in the profit and loss account and those that would be reported under the historical cost convention.

**Reconciliation of movements in the Group shareholders' funds**

	Year to 31 December 1998 £000	16 months to 31 December 1997 £000
Profit attributed to shareholders	3,224	2,635
Dividends	(500)	(522)
	<hr/>	<hr/>
	2,724	2,113
Other recognised gains and losses	(3)	(19)
Nominal value of shares issued	7	2
Premium on issue of shares	1,433	215
Redemption of treasury shares	-	(1)
Premium on redemption	-	(4)
Capital redemption reserve movement	-	1
	<hr/>	<hr/>
	1,437	194
	<hr/>	<hr/>
Net increase in shareholders' funds	4,161	2,307
	<hr/>	<hr/>
Opening shareholders' funds	5,582	3,275
	<hr/>	<hr/>
Closing shareholders' funds	9,743	5,582
	<hr/>	<hr/>

The notes of pages 12 to 26 form part of these accounts


# Elan Computing Limited

## Balance sheets

	<i>Notes</i>	<b>Group</b>		<b>Company</b>	
		<b>31 December 1998 £000</b>	<b>31 December 1997 £000</b>	<b>31 December 1998 £000</b>	<b>31 December 1997 £000</b>
<b>Fixed assets</b>					
Intangible assets	12	831	-	-	-
Tangible assets	11	2,126	971	1,975	719
Investments	13	-	-	1,378	34
		<hr/>	<hr/>	<hr/>	<hr/>
		2,957	971	3,353	753
<b>Current Assets</b>					
Debtors	14	27,231	23,548	26,192	22,246
Cash at bank and in hand		363	1,176	97	413
		<hr/>	<hr/>	<hr/>	<hr/>
		27,594	24,724	26,289	22,659
<b>Creditors: amounts falling due within one year</b>	15	(20,614)	(19,020)	(19,707)	(16,918)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net current assets</b>		6,980	5,704	6,582	5,741
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets less current liabilities</b>		9,937	6,675	9,935	6,494
<b>Creditors: amounts falling due after more than one year</b>	16	(194)	(740)	(194)	(739)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net assets</b>		9,743	5,935	9,741	5,755
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Capital and reserves</b>					
Called up share capital	18	111	104	111	104
Share premium account	19	1,728	295	1,728	295
Capital redemption reserve fund	19	1	1	1	1
Profit and loss reserve	19	7,903	5,182	7,901	5,355
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Shareholders' Funds - all equity</b>		9,743	5,582	9,741	5,755
Minority interests - all equity	21	-	353	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total shareholders' funds</b>		9,743	5,935	9,741	5,755
		<hr/>	<hr/>	<hr/>	<hr/>

The notes of pages 12 to 26 form part of these accounts  
 Approved by the Board of Directors on the 25<sup>th</sup> March 1999

AW Derx  
 Director



Elan Computing Limited

**Consolidated cash flow statement for the year ended 31 December 1998**

	<i>Notes</i>	<b>Year to 31 December 1998 £000</b>	<b>16 months to 31 December 1997 £000</b>
Net cash inflow from operating activities	22	2,694	(3,448)
Returns on investments and servicing of finance	23	(1,109)	(1,152)
Taxation		(1,268)	(724)
Capital expenditure and financial investments	23	(1,569)	(736)
Equity dividends paid		(522)	-
		<hr/>	<hr/>
<b>Net cash outflow before financing</b>		(1,774)	(6,060)
Financing	23	(836)	(63)
		<hr/>	<hr/>
<b>Net cash outflow</b>		(2,610)	(6,123)
		<hr/>	<hr/>
<b>Reconciliation of net cash outflow to movement in net debt</b>			
Decrease in cash		(2,610)	(6,123)
Cash outflow from decrease in debt		931	275
		<hr/>	<hr/>
<b>Changes in debt resulting from cash flows</b>		(1,679)	(5,848)
Exchange translation differences		-	3
		<hr/>	<hr/>
<b>Movement in net debt during the year</b>		(1,679)	(5,845)
Net debt at 31 December 1997 / 31 August 1996		(8,044)	(2,199)
		<hr/>	<hr/>
Net debt at 31 December 1998 / 31 December 1997	25	(9,723)	(8,044)
		<hr/>	<hr/>

# Elan Computing Limited

## Notes to the financial statements

### 1. Statement of accounting policies - for the year ended 31 December 1998

#### **Basis of preparation**

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

#### **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings as at 31 December 1998 and the results of the discontinued operations to the point of disposal. The results of the subsidiary undertakings are accounted for using the acquisition method.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the exchange 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 year. Exchange differences resulting from the retranslating 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 year.

#### **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.

#### **Pensions**

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

#### **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	10-20 % Straight line
Motor vehicles	25 % Reducing balance
Computer Equipment	33 1/3% Straight line

## Elan Computing Limited

### Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the net assets acquired. It is amortised over 20 years using the straight line method based on the directors assessment of its estimated useful life.

### 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.

### Trade Debtors

Trade debtors include amounts invoiced to customers net of overseas factor advances. Also included within trade debtors is the value of WIP in respect of amounts not yet billed to customers for whom time sheets have been received from contractors.

### Invoice discounting and factoring

The group obtains certain of its financing requirements through the factoring and invoice discounting of trade debtors. The overseas companies within Elan Computing Limited have non – recourse factoring arrangements and therefore the Group accounts for the arrangements under FRS 5 by netting the advances from factors with trade debtors. The UK companies had a factoring agreement with recourse until 1 September 1997 when the UK companies commenced an invoice discounting scheme. The Group records the related advances for the UK companies separately within the bank overdrafts.

### Work in progress

Trade debtors includes amounts billable to customers for timesheets received from contractors but not yet invoiced to clients. These amounts are recorded at contractor cost and the profit margin is recognised only when services are billed to customers. The trade creditors include amounts owed to contractors for timesheets received.

### Taxation

The charge for taxation is based on the profit for the year. 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.

# Elan Computing Limited

## 2. Analysis of turnover, profit and net assets by activity and geographic market

	Year to 31 December 1998 £000	16 months to 31 December 1997 £000
<b>Turnover</b>		
Geographic area by origin:		
United Kingdom	130,381	98,594
Rest of the world	10,036	14,747
	<hr/>	<hr/>
Continuing operations	140,417	113,341
Discontinued operations	1,566	7,201
	<hr/>	<hr/>
	141,983	120,542
	<hr/>	<hr/>
Geographic area by destination:		
United Kingdom	121,172	93,512
Rest of the world	19,245	19,829
	<hr/>	<hr/>
Continuing operations	140,417	113,341
Discontinued operations	1,566	7,201
	<hr/>	<hr/>
	141,983	120,542
	<hr/>	<hr/>
<b>Operating profit</b>		
Geographic area by origin:		
United Kingdom	6,374	5,040
Rest of the world	(481)	745
	<hr/>	<hr/>
Continuing operations	5,893	5,785
Discontinued operations	286	(440)
	<hr/>	<hr/>
	6,179	5,345
	<hr/>	<hr/>
<b>Average number of employees</b>		
Geographic area:		
United Kingdom	246	169
Rest of the world	26	44
	<hr/>	<hr/>
	272	213
	<hr/>	<hr/>
<b>Net Assets</b>		
Geographic area by location of operations		
United Kingdom	9,283	5,451
Rest of the world	460	484
	<hr/>	<hr/>
	9,743	5,935
	<hr/>	<hr/>

The Group turnover and profit on ordinary activities before taxation are wholly attributed to the Group's principal activity of IT recruitment.

# Elan Computing Limited

## **3. Discontinued operations**

	Year to 31 December 1998 £000	16 months to 31 December 1997 £000
<b>Cost of Sales</b>		
Continuing operations	115,017	93,097
Discontinued operations	<u>1,465</u>	<u>6,350</u>
Total	<u>116,482</u>	<u>99,447</u>
<b>Net operating expenses</b>		
Continuing operations	19,507	14,459
Discontinued operations	<u>(185)</u>	<u>1,291</u>
Total	<u>19,322</u>	<u>15,750</u>

## **4. Exceptional items**

	Year to 31 December 1998 £000	16 months to 31 December 1997 £000
Non – recurring professional fees	655	
(Release) / creation of provision for contractor tax and social security deductions	(336)	400
Provision for employee benefits	<u>-</u>	<u>200</u>
	<u>319</u>	<u>600</u>
Taxation credit on exceptional items	<u>(203)</u>	<u>(165)</u>

# Elan Computing Limited

## **5. Operating profit before exceptional items is stated after charging:**

	Year to 31 December 1998 £000	16 months to 31 December 1997 £000
<b>Auditors' Remuneration</b>		
Audit services – Parent company audit fee	30	70
- Group audit fee	15	19
Non – audit services	96	29
<b>Depreciation of tangible assets</b>	399	429
<b>Amortisation of goodwill</b>	12	-
<b>Rentals payable under operating leases</b>		
- Land and Buildings	560	515
- Other	185	116
<b>Exchange losses</b>	26	147

Exceptional items as disclosed in note 4 include £263,000 paid to the auditors in respect of non – recurring professional fees.

## **6. Staff numbers and costs**

	Year to 31 December 1998 Average Number of employees	16 months to 31 December 1997 Average number of employees
Sales and recruitment	188	145
Administration	78	62
Directors	6	6
	272	213
	Year to 31 December 1998 £000	16 months to 31 December 1997 £000
Wages and salaries	10,223	7,572
Social security costs	810	741
Pension costs	189	173
	11,222	8,486

The Group operates defined pension contribution schemes. Independent fund managers hold the assets of the schemes separately from the assets of the Group. Contributions payable by the Group during the year amounted to £189,000 (1997: £173,000). Included in accruals at the year end is an amount of £Nil (1997: £7,000).



# Elan Computing Limited

## 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	Benefits in kind	Total excluding Pensions	Pensions	16 months to 31 December 1997 excluding pensions £000
	£000	£000	£000	£000	
<b>Executive Directors</b>					
AW Derx	174	-	174	-	153
AP Hayes (resigned 22 April 1998)	22	2	24	1	38
PM Anthony	212	5	217	-	137
SP Anthony	103	-	103	-	139
JP Haydock (resigned 19 May 1998)	30	-	30	-	21
S White (resigned 21 August 1998)	65	3	68	4	188
AJ Collins (appointed 22 April 1998)	88	5	93	9	-
<b>Non-executive Directors</b>					
SP Anthony	13	-	13	-	-
JM Hubert	22	-	22	-	35
TC Glucklich	16	-	16	-	-
	745	15	760	14	711

The remuneration above constitutes amounts settled to the individuals in their capacity as Directors and does not include amounts prior to appointment or following resignation. The amounts settled to SP Anthony are split on the basis of service provided as an executive and non - executive respectively. The highest paid director is PM Anthony. (1997: S White)

## 8. Taxation on profit on ordinary activities

	Year to 31 December 1998 £000	16 months to 31 December 1997 £000
<b>Current year taxation charge</b>		
UK corporation taxation for the year 31% (1997: 31.88%)	1,976	1,394
Under/ (Over) provision in respect of prior year	(14)	(20)
Overseas taxation for the year	16	156
Relief for overseas taxation	(12)	(45)
	1,966	1,485
Taxation credit on exceptional items	(203)	(165)
	1,763	1,320

# Elan Computing Limited

## **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% (1997: 31.88%) is as follows:

	31 December 1998 £000	31 December 1997 £000
Depreciation in excess of capital allowances	-	8
Other timing differences	14	2
	14	10

The group has provided for a deferred taxation liability of £90,025, relating to an excess of capital allowances over depreciation charges for the year ended 31 December 1998. (1997:£Nil).

## **9. Net interest payable and similar charges**

	Year to 31 December 1998 £000	16 months to 31 December 1997 £000
On bank loans and overdrafts	1,020	1,185
On other loans	35	47
	1,055	1,232
Less : interest receivable	(24)	(15)
	1,031	1,217

## **10. Dividends – all equity**

	Year to 31 December 1998 £000	16 months to 31 December 1997 £000
Final (paid) of 4.52p per share	500	-
Final (paid) of 5.00p per share	-	522
	500	522

# Elan Computing Limited

## 11. Tangible assets

Group	Fixture and Fittings £000	Computer Equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>				
Balance at 1 January 1998	677	1,104	235	2,016
Additions in year	991	655	7	1,653
Disposals in year	(8)	(68)	(91)	(167)
Currency translation	-	(1)	(1)	(2)
Balance at 31 December 1998	1,660	1,690	150	3,500
<b>Depreciation</b>				
Balance at 1 January 1998	196	727	122	1,045
Charges for the year	134	242	23	399
Disposals in year	(3)	(15)	(53)	(71)
Currency translation	-	-	1	1
Balance at 31 December 1998	327	954	93	1,374
<b>Net book value</b>				
As at 31 December 1998	1,333	736	57	2,126
As at 31 December 1997	481	377	113	971

Company	Fixture and Fittings £000	Computer Equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>				
Balance at 1 January 1998	573	871	135	1,579
Additions in year	970	596	-	1,566
Inter company transfers	24	73	34	131
Disposals in year	-	(3)	(49)	(52)
Balance at 31 December 1998	1,567	1,537	120	3,224
<b>Depreciation</b>				
Balance at 1 January 1998	159	623	78	860
Charges in year	113	205	14	332
Inter company transfers	13	56	28	97
Disposals in year	-	-	(40)	(40)
Balance at 31 December 1998	285	884	80	1,249
<b>Net book value</b>				
As at 31 December 1998	1,282	653	40	1,975
As at 31 December 1997	414	248	57	719

# Elan Computing Limited

## 12. Goodwill - Group

£000

### Cost

Balance at 1 January 1998	-
Additions in year	843
Balance at 31 December 1998	843

### Amortisation

Balance at 1 January 1998	-
Charge in year	12
Balance at 31 December 1998	12

### Net Book Value

As at 31 December 1998	831
As at 31 December 1997	-

## 13. Investments - Company

£000

Balance at 1 January 1998	34
Shares purchased in subsidiaries	1,344
Balance at 31 December 1998	1,378

Details of holdings in subsidiary undertakings are shown in note 29.

## 14. Debtors: all falling due within one year

	Group		Company	
	31 December 1998 £000	31 December 1997 £000	31 December 1998 £000	31 December 1997 £000
Trade debtors	26,090	22,965	24,003	20,249
Other debtors	437	164	249	116
Prepayments and accrued income	342	288	336	222
Advance corporation tax recoverable	262	131	262	131
Amounts owed by parent company	100	-	100	-
Amounts owed by subsidiary undertakings	-	-	1,242	1,528
	27,231	23,548	26,192	22,246

# Elan Computing Limited

## 14. Debtors: all falling due within one year (continued)

The Group obtains certain of its financing requirements through the non recourse factoring of trade debtors in the overseas companies. Advances netted against trade debtors, at 31 December 1998, for the Group, amounted to £570,410 (1997: £699,000) and for the Company amounted to £Nil (1997: £Nil).

## 15. Creditors: amounts falling due within one year

	Group		Company	
	31 December	31 December	31 December	31 December
	1998	1997	1998	1997
	£000	£000	£000	£000
<b>Loans and other borrowings</b>				
Bank overdrafts	9,768	7,971	9,753	7,831
Bank and other loans	124	509	115	509
	9,892	8,480	9,868	8,340
<b>Other creditors</b>				
Trade creditors	4,713	5,513	4,372	4,703
Other creditors including tax and social security	3,802	3,176	3,525	2,494
Accruals and deferred income	1,707	1,329	1,442	859
Proposed dividend	500	522	500	522
	10,722	10,540	9,839	8,578
	20,614	19,020	19,707	16,918

## 16. Creditors: amounts falling due after more than one year

	Group		Company	
	31 December	31 December	31 December	31 December
	1998	1997	1998	1997
	£000	£000	£000	£000
<b>Loans and other borrowings</b>				
Bank and other loans	194	740	194	739

# Elan Computing Limited

## 17. Details of borrowings - maturity analysis

	Group		Company	
	31 December 1998 £000	31 December 1997 £000	31 December 1998 £000	31 December 1997 £000
Within one year	9,892	8,480	9,868	8,340
Between one and two years	124	111	124	111
Between two and five years	70	196	70	196
After five years	-	432	-	432
	<hr/>	<hr/>	<hr/>	<hr/>
	10,086	9,219	10,062	9,079
	<hr/>	<hr/>	<hr/>	<hr/>

## 18. Called up share capital - all equity

	31 December 1998 £000	31 December 1997 £000
<b>Authorised</b>		
12,500,000 ordinary shares of 1p each	<hr/> 125	<hr/> 125
<b>Allocated, issued and paid</b>		
11,051,030 ordinary shares of 1p each	<hr/> 111	<hr/> 104

	Nominal Value	Number Of shares	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000
Balance at 1 January 1998	1p	10,431,727	104	295	1
Shares issued 15 September 1998	1p	576,750	6	1,334	-
Shares issued 4 December 1998	1p	42,553	1	99	-
		<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 1998	1p	11,051,030	111	1,728	1
		<hr/>	<hr/>	<hr/>	<hr/>

# Elan Computing Limited

## 18. Called up share capital - all equity (continued)

The shares issued on 15 September 1998 relate to the purchase of the minority interest as described in the directors' report on page 6. Ordinary shares in Elan Computing Limited were issued to the minority shareholders in lieu of cash payments. Consideration was received in cash for the share issue 4 December 1998.

## 19. Reserves

Group	Share Premium £000	Capital Redemption Reserve £000	Profit and Loss £000	Total £000
Balance at 1 January 1998	295	1	5,182	5,478
Retained profit for the year	-	-	2,724	2,724
Premium on allotment of shares	1,433	-	-	1,433
Exchange translation differences	-	-	(3)	(3)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 1998	<u>1,728</u>	<u>1</u>	<u>7,903</u>	<u>9,632</u>

Company	Share Premium £000	Capital Redemption Reserve £000	Profit and Loss £000	Total £000
Balance at 1 January 1998	295	1	5,355	5,651
Retained profit for the year	-	-	2,546	2,546
Premium on allotment of shares	1,433	-	-	1,433
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 1998	<u>1,728</u>	<u>1</u>	<u>7,901</u>	<u>9,630</u>

## 20. Profit for the financial year

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 year dealt with in the financial statements of the company is £2,546,000 (1997: £3,473,000).

## 21. Minority interests – all equity

	£000
Balance at 1 January 1998	353
Share of profit for the year to 15 September 1998	161
Purchase of Minority Interest by the Group 15 September 1998	(514)
	<hr/>
Balance at 31 December 1998	<u>-</u>

The minority shares were purchased by Elan Computing Limited on 15 September 1998. The minorities waive any rights over the retained earnings generated to the point of disposal.

# Elan Computing Limited

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

	Year to 31 December 1998 £000	16 months to 31 December 1997 £000
Operating profit	6,179	5,345
Depreciation and amortisation charge	411	429
Profit on sale of tangible fixed assets	-	(9)
Increase in debtors	(3,683)	(12,020)
(Decrease) / increase in creditors	(213)	2,807
	<hr/>	<hr/>
Net cash (outflow) / inflow from operating activities	2,694	(3,448)
	<hr/>	<hr/>

Cash outflows in respect of exceptional items included within operating profit are £492,000 (1997: Nil)

## **23. Analysis of cash flows**

	Year to 31 December 1998 £000	16 months to 31 December 1997 £000
<b>Returns on investment and servicing of finance</b>		
Interest paid	(1,133)	(1,167)
Interest received	24	15
	<hr/>	<hr/>
Net cash outflow	(1,109)	(1,152)
	<hr/>	<hr/>
<b>Capital expenditure and financial investments</b>		
Purchase of tangible fixed assets	(1,665)	(833)
Sale of tangible fixed assets	96	97
	<hr/>	<hr/>
Net cash outflow	(1,569)	(736)
	<hr/>	<hr/>
<b>Financing</b>		
Ordinary share capital	1	1
Share premium	99	211
Expenses paid in connection with equity share issue	(5)	-
Bank loan	(90)	(91)
Directors' loan account	-	(92)
Repayment of Directors' current account	(409)	-
Repayment of pension loan	(432)	(92)
	<hr/>	<hr/>
Net cash (outflow) / inflow	(836)	(63)
	<hr/>	<hr/>



# Elan Computing Limited

## 24. Major non cash transactions

The consideration for the purchase of the minority interest on 15 September 1998 comprised a share issue in lieu of a cash payment.

## 25. Analysis of debt

	31 December 1997 £000	Cashflow £000	Transfer due to debt aging £000	31 December 1998 £000
Cash at bank and in hand	1,176	(813)	-	363
Bank overdrafts	(7,971)	(1,797)	-	(9,768)
	(6,795)	(2,610)	-	(9,405)
<b>Debt due within one year</b>				
Directors' loans	(409)	409	-	-
Bank loan	(100)	90	(114)	(124)
<b>Debt due after one year</b>				
Bank loan	(308)	-	114	(194)
Other loan	(432)	432	-	-
<b>Total debt</b>	<b>(8,044)</b>	<b>(1,679)</b>	<b>-</b>	<b>(9,723)</b>

## 26. Annual Commitments under operating leases

### *Land and buildings*

The Group has annual commitments under operating leases expiring:

	31 December 1998 £000	31 December 1997 £000
Within one year	106	388
One to two years	71	319
Two to five years	243	374
More than 5 years	1,254	-
	1,674	1,081

### *Other*

The Group has annual commitments under operating leases expiring:

	31 December 1998 £000	31 December 1997 £000
Within one year	18	127
One to two years	69	125
Two to five years	44	-
	131	252

## Elan Computing Limited

### **27. Related party transactions**

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

### **28. Ultimate parent undertaking**

The ultimate parent undertaking is Elan Group Limited, a company registered in England. Elan Group Limited was incorporated on 28 September 1998 and took control of Elan Computing Limited on 31 December 1998. Elan Group Limited did not prepare statutory accounts or consolidated accounts for the period to 31 December 1998.

### **29. 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>Principal Activity</i>
Elan Computing (Scotland)Limited 5 – 11 Fetter Lane London EC4A 1QX	England	Ordinary Shares	100%	Non-trading
Elan Computing(Northern)Limited 5 – 11 Fetter Lane London EC4A 1QX	England	Ordinary Shares	100%	Non-trading
House of Catalyst Limited 5 – 11 Fetter Lane London EC4A 1QX	England	Ordinary Shares	100%	Non-trading
Elan Computing (Midlands) Limited 5 – 11 Fetter Lane London EC4A 1QX	England	Ordinary Shares	100%	Non-trading
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	100%	Employment Agents

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.